Mississippi Home Corporation

Independent Auditor’s Reports and Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

Mississippi Home Corporation

June 30, 2018 and 2017

Contents

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Independent Auditor's Report

The Board of Directors of
Mississippi Home Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Mississippi Home Corporation (the Corporation), an instrumentality of the State of Mississippi, as of and for the year ended June 30, 2018, and the related notes to the combined financial statements, which collectively 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 principles 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 financial position of the Corporation as of June 30, 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated October 11, 2017, expressed an unmodified opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents 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 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 an opinion on the basic financial statements as a whole. The supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate 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 prepare 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
October 10, 2018

Mississippi Home Corporation
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

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, 2018 and 2017. 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 provides information about the nature and amounts of investments in resources (assets) and the obligations to the Corporation's creditors (liabilities). The assets are presented in order of liquidity, and liabilities are presented in order of nearness to payment.

All of the reporting period's revenues and expenses are accounted for in the combined statements of revenues, expenses and changes in net position. These statements measure the activities of the Corporation's operations and can be used to determine whether the Corporation has successfully recovered all of its costs through its services provided.

The last 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, noncapital financing and capital and related financing activities and provide information regarding the sources and uses of cash and the changes in the cash balances during the reporting period.

2018 Financial Highlights

- Total assets and deferred outflows of resources decreased $34.0 million, or 7.9 percent
- Total liabilities and deferred inflow of resources decreased $27.9 million, or 8.3 percent
- Cash and investments decreased $32.5 million, or 8.5 percent
- Bonds payable decreased $24.1 million, or 9.0 percent
- Total net position decreased $6.1 million, or 6.6 percent, including a $10.0 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased $8.5 million, or 21.8 percent
- Total operating expenses decreased $10.0 million, or 21.5 percent
- Interest income decreased $1.0 million, or 6.7 percent
- Interest expense decreased $1.1 million, or 11.5 percent
- Grant fund revenues decreased $7.6 million, or 26.9 percent
- Grant fund expenses decreased $7.1 million, or 27.0 percent
- Operating income (excluding fair value adjustments) increased $1.8 million, or 87.8 percent

Mississippi Home Corporation

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

The following table summarizes the changes in the Corporation's assets and deferred outflows of resources, liabilities and deferred inflow of resources and net position that occurred during the year ended June 30, 2018.

	2018	2017	Change Dollars	Change %
Cash and cash equivalents				
Restricted	$ 45,888,932	$ 51,684,924	$ (5,795,992)	-11.2%
Unrestricted	2,816,197	2,612,869	203,328	7.8%
Investments, at fair value	299,218,429	326,076,718	(26,858,289)	-8.2%
Mortgage loans, net	38,445,628	38,461,831	(16,203)	0.0%
Other assets	7,186,946	7,582,521	(395,575)	-5.2%
Total assets	393,556,132	426,418,863	(32,862,731)	-7.7%
Deferred outflows of resources	3,023,522	4,177,945	(1,154,423)	-27.6%
Total assets and deferred outflows of resources	$ 396,579,654	$ 430,596,808	$ (34,017,154)	-7.9%
Bonds payable, net	$ 243,558,255	$ 267,649,869	$ (24,091,614)	-9.0%
Notes payable	1,539,903	1,608,663	(68,760)	-4.3%
Low income housing tax credit program unearned revenues	21,570,781	20,765,940	804,841	3.9%
Grant fund unearned revenues	30,461,586	33,688,940	(3,227,354)	-9.6%
Net pension liability	9,365,953	9,849,201	(483,248)	-4.9%
All other liabilities	2,639,663	3,640,498	(1,000,835)	-27.5%
Total liabilities	309,136,141	337,203,111	(28,066,970)	-8.3%
Deferred inflow of resources	204,552	26,172	178,380	681.6%
Total liabilities and deferred inflow of resources	$ 309,340,693	$ 337,229,283	$ (27,888,590)	-8.3%
Net investments in capital assets	$ 1,690,874	$ 1,835,960	$ (145,086)	-7.9%
Restricted net position	59,768,278	65,499,517	(5,731,239)	-8.8%
Unrestricted net position	25,779,809	26,032,048	(252,239)	-1.0%
Total net position	$ 87,238,961	$ 93,367,525	$ (6,128,564)	-6.6%

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, 2018.

	2018	2017	Change Dollars	Change %
Interest on mortgage-backed securities	$ 11,693,952	$ 13,050,398	$ (1,356,446)	-10.4%
Interest on cash and other investments	1,456,163	1,033,873	422,290	40.8%
Interest on mortgage loans	403,552	442,752	(39,200)	-8.9%
Low income housing tax credits	3,423,237	2,401,341	1,021,896	42.6%
Grant fund revenues	20,567,494	28,142,379	(7,574,885)	-26.9%
Program fees	2,440,234	3,071,159	(630,925)	-20.5%
All other income	636,266	687,558	(51,292)	-7.5%
Total operating revenues	40,620,898	48,829,460	(8,208,562)	-16.8%
Interest expense	8,180,473	9,247,303	(1,066,830)	-11.5%
Bond issuance costs	568,729	1,374,361	(805,632)	-58.6%
Salaries and related benefits	5,531,640	5,567,149	(35,509)	-0.6%
Grant fund expenses	19,240,666	26,343,952	(7,103,286)	-27.0%
Program expenses	886,837	2,119,564	(1,232,727)	-58.2%
All other expenses	2,296,422	2,092,170	204,252	9.8%
Total operating expenses	36,704,767	46,744,499	(10,039,732)	-21.5%
Operating income before fair value adjustments	$ 3,916,131	$ 2,084,961	$ 1,831,170	87.8%

The Corporation reported total assets and deferred outflow of resources of $396.6 million at June 30, 2018. This represented a decrease of $34.0 million compared to June 30, 2017. Total liabilities and deferred inflow of resources for the same period decreased $27.9 million, while total net position decreased $6.1 million.

Cash and cash equivalents decreased $5.6 million to $48.7 million at June 30, 2018 compared to June 30, 2017. The decrease was due primarily to bond principal repayments and a decrease in cash related to the Hardest Hit Fund.

Investments decreased $26.9 million to $299.2 million at June 30, 2018 compared to June 30, 2017. 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 $10.0 million primarily on mortgage-backed securities.

The decrease in deferred outflows of resources of $1.2 million in 2018 is primarily related to pension allocation adjustments.

The decrease in total liabilities of $28.1 million in 2018 was attributable primarily to:

- A net decrease in bonds payable of $24.1 million resulting from the following factors:
  - Calls resulting from the mortgage-backed securities prepayments; offset by issuance of the Series 2017DEF revenue bonds; and
- A decrease in grant fund unearned revenues of $3.2 million due to funds previously received from awarding agencies used for program and administrative expenses.

The increase in deferred inflow of resources of $0.2 million in 2018 was primarily related to pension allocation adjustments.

Total operating revenues before fair value adjustments for fiscal year 2018 were $40.6 million, compared to $48.8 million for fiscal year 2017. The decrease in operating revenues was attributable primarily to a decrease in "flow-through" revenues of $7.6 million from the Corporation's management of federal grant programs.

Total operating expenses were $36.7 million in fiscal year 2018, down from $46.7 million in fiscal year 2017. The decrease in operating expenses was attributable primarily to three factors:

- A decrease in interest expense of $1.1 million, which resulted from a lower level of bonds payable;
- A decrease in "flow-through" expenses of $7.1 million from the Corporation's management of federal grant programs; and
- A decrease in program expenses of $1.2 million, due to market conditions associated with the Smart Solution Plus program.

As a result of the above factors, operating income before fair value adjustments was $3.9 million in 2018, compared to $2.1 million in 2017.

2017 Financial Highlights

- Total assets and deferred outflows of resources decreased $9.6 million, or 2.2 percent
- Total liabilities and deferred inflows of resources decreased $1.9 million, or 0.6 percent
- Cash and investments decreased $10.6 million, or 2.7 percent
- Bonds payable decreased $11.1 million, or 4.0 percent
- Total net position decreased $7.6 million, or 7.6 percent, including a $9.7 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased $2.9 million, or 5.5 percent
- Total operating expenses decreased $2.0 million, or 4.1 percent
- Interest income decreased $2.4 million, or 14.2 percent
- Interest expense decreased $3.2 million, or 25.9 percent
- Grant fund revenues decreased $0.6 million, or 2.0 percent
- Grant fund expenses decreased $0.9 million, or 3.2 percent
- Operating income (excluding fair value adjustments) decreased $0.9 million, or 29.7 percent

Mississippi Home Corporation
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

The following table summarizes the changes in the Corporation's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position that occurred during the year ended June 30, 2017.

	2017	2016	Change Dollars	Change %
Cash and cash equivalents				
Restricted	$ 51,684,924	$ 24,046,149	$ 27,638,775	114.9%
Unrestricted	2,612,869	3,570,963	(958,094)	-26.8%
Investments, at fair value	326,076,718	363,403,467	(37,326,749)	-10.3%
Mortgage loans receivable, net	38,461,831	38,399,951	61,880	0.2%
Other assets	7,582,521	7,591,979	(9,458)	-0.1%
Total assets	426,418,863	437,012,509	(10,593,646)	-2.4%
Deferred outflows of resources	4,177,945	3,157,538	1,020,407	32.3%
Total assets and deferred outflows of resources	$ 430,596,808	$ 440,170,047	$ (9,573,239)	-2.2%
Bonds payable, net	$ 267,649,869	$ 278,752,117	$ (11,102,248)	-4.0%
Notes payable	1,608,663	1,676,877	(68,214)	-4.1%
Low income housing tax credit program unearned revenues	20,765,940	20,695,305	70,635	0.3%
Grant fund unearned revenues	33,688,940	27,231,310	6,457,630	23.7%
Net pension liability	9,849,201	8,135,098	1,714,103	21.1%
All other liabilities	3,640,498	2,453,436	1,187,062	48.4%
Total liabilities	337,203,111	338,944,143	(1,741,032)	-0.5%
Deferred inflow of resources	26,172	218,496	(192,324)	-88.0%
Total liabilities and deferred inflow of resources	$ 337,229,283	$ 339,162,639	$ (1,933,356)	-0.6%
Net investments in capital assets	$ 1,835,960	$ 1,980,421	$ (144,461)	-7.3%
Restricted net position	65,499,517	71,878,792	(6,379,275)	-8.9%
Unrestricted net position	26,032,048	27,148,195	(1,116,147)	-4.1%
Total net position	$ 93,367,525	$ 101,007,408	$ (7,639,883)	-7.6%

Mississippi Home Corporation

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

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, 2017.

	2017	2016	Change Dollars	Change %
Interest on mortgage-backed securities	$ 13,050,398	$ 15,340,725	$ (2,290,327)	-14.9%
Interest on cash and other investments	1,033,873	1,084,175	(50,302)	-4.6%
Interest on mortgage loans	442,752	497,002	(54,250)	-10.9%
Low income housing tax credits	2,401,341	2,372,702	28,639	1.2%
Grant fund revenues	28,142,379	28,722,874	(580,495)	-2.0%
Program fees	3,071,159	2,995,821	75,338	2.5%
All other income	687,558	678,318	9,240	1.4%
Total operating revenues	48,829,460	51,691,617	(2,862,157)	-5.5%
Interest expense	9,247,303	12,476,889	(3,229,586)	-25.9%
Bond issuance costs	1,374,361	-	1,374,361	100.0%
Salaries and related benefits	5,567,149	4,904,914	662,235	13.5%
Grant fund expenses	26,343,952	27,225,332	(881,380)	-3.2%
Program expenses	2,119,564	1,453,971	665,593	45.8%
All other expenses	2,092,170	2,666,365	(574,195)	-21.5%
Total operating expenses	46,744,499	48,727,471	(1,982,972)	-4.1%
Operating income before fair value adjustments	$ 2,084,961	$ 2,964,146	$ (879,185)	-29.7%

The Corporation reported total assets and deferred outflows of resources of $430.6 million at June 30, 2017. This represented a decrease of $9.6 million compared to June 30, 2016. Total liabilities and deferred inflow of resources for the same period decreased $1.9 million while total net position decreased $7.6 million.

Cash and cash equivalents increased $26.7 million to $54.3 million at June 30, 2017 compared to June 30, 2016. The increase was due primarily to the issuance of the Series 2017ABC revenue bonds.

Investments decreased $37.3 million to $326.1 million at June 30, 2017 compared to June 30, 2016. 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 restructuring.

The increase in deferred outflows of resources of $1.0 million in 2017 was attributable primarily to:

- Deferred pension outflow allocation adjustments; and
- Deferred amount on refunding associated with the refunding of the Series 2006D, 2006E, 2007A, 2007C, 2007D and 2007E revenue bonds.

The decrease in total liabilities of $1.7 million in 2017 was attributable primarily to:

- A net decrease in bonds payable of $11.1 million resulting from the following factors:
  - Calls resulting from the mortgage-backed securities prepayments; offset by
  - Issuance of the Series 2016ABC and 2017ABC revenue bonds; offset by
- An increase in grant fund unearned revenues of $6.5 million due to funds received from awarding agencies pending use for program and administrative expenses; and
- An increase in net pension liability of $1.7 million due to allocation adjustments.

The decrease in deferred inflow of resources of $0.2 million in 2017 is primarily related to pension allocation adjustments.

Total operating revenues before fair value adjustments for fiscal year 2017 were $48.8 million compared to $51.7 million for fiscal year 2016. The decrease in operating revenues was attributable primarily to:

- A decrease in interest income of $2.4 million, which resulted from an overall lower level of learning assets, and
- A decrease in "flow-through" revenues of $0.6 million from the Corporation's management of federal grant programs.

Total operating expenses were $46.7 million in fiscal year 2017, down from $48.7 million in fiscal year 2016. The decrease in operating expenses was attributable primarily to the net of two factors:

- A decrease in interest expense of $3.2 million, which resulted from a lower level of bonds payable; offset by
- An increase in bond issuance costs of $1.4 million for the issuance of the Series 2016ABC and 2017ABC revenue bonds.

As a result of the above factors, operating income before fair value adjustments was $2.1 million in 2017 compared to $3.0 million in 2016.

Debt Administration

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

Economic Factors

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

Contact Information

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

Mississippi Home Corporation
Combined Statements of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 2,816,197	$ 2,612,869
Restricted cash and cash equivalents	5,818,977	4,773,587
Accrued interest receivable	1,202,712	1,287,148
Total current assets	9,837,886	8,673,604
Noncurrent Assets		
Restricted cash and cash equivalents	40,069,955	46,911,337
Investments, at fair value	299,218,429	326,076,718
Mortgage loans receivable, net of allowance for loan losses of $785,898 in 2018 and $1,420,832 in 2017	38,445,628	38,461,831
Other assets	5,984,234	6,295,373
Total noncurrent assets	383,718,246	417,745,259
Total assets	393,556,132	426,418,863
Deferred Outflows of Resources		
Deferred amount on refunding	1,897,959	1,985,959
Deferred pension outflow	1,125,563	2,191,986
Total deferred outflows of resources	3,023,522	4,177,945
Total assets and deferred outflows of resources	$ 396,579,654	$ 430,596,808
Liabilities		
Current Liabilities		
Bonds payable, net	$ 5,250,401	$ 4,160,401
Notes payable	69,501	68,813
Accrued interest payable	616,769	667,649
Total current liabilities	5,936,671	4,896,863
Noncurrent Liabilities		
Bonds payable, net	238,307,854	263,489,468
Notes payable	1,470,402	1,539,850
Low income housing tax credit program unearned revenues	21,570,781	20,765,940
Grant fund unearned revenues	30,461,586	33,688,940
Net pension liability	9,365,953	9,849,201
Other liabilities and accrued expenses	2,022,894	2,972,849
Total noncurrent liabilities	303,199,470	332,306,248
Total liabilities	309,136,141	337,203,111
Deferred Inflow of Resources		
Deferred pension inflow	204,552	26,172
Total deferred inflow of resources	204,552	26,172
Total liabilities and deferred inflow of resources	$ 309,340,693	$ 337,229,283
Net Position		
Net investments in capital assets	$ 1,690,874	$ 1,835,960
Restricted	59,768,278	65,499,517
Unrestricted	25,779,809	26,032,048
Total net position	$ 87,238,961	$ 93,367,525

Mississippi Home Corporation

Combined Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Interest income		
Cash and cash equivalents	$ 444,276	$ 48,762
Mortgage-backed securities	11,693,952	13,050,398
Other investments	1,011,887	985,111
Mortgage loans	403,552	442,752
Total interest income	13,553,667	14,527,023
Net decrease in fair value of investments	(10,044,695)	(9,724,844)
Low income housing tax credit program	3,423,237	2,401,341
Grant fund revenues	20,567,494	28,142,379
Program fees	2,440,234	3,071,159
Other income	636,266	687,558
Total operating revenues	30,576,203	39,104,616
Operating Expenses		
Interest expense	8,180,473	9,247,303
Bond issuance costs	568,729	1,374,361
Salaries and related benefits	5,531,640	5,567,149
Grant fund expenses	19,240,666	26,343,952
Provision for mortgage loan losses	(31,119)	(234,343)
Program expenses	886,837	2,119,564
Other	2,327,541	2,326,513
Total operating expenses	36,704,767	46,744,499
Operating loss	(6,128,564)	(7,639,883)
Net Position, Beginning of Year	93,367,525	101,007,408
Net Position, End of Year	$ 87,238,961	$ 93,367,525

Mississippi Home Corporation
Combined Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Loan principal payments received	$ 2,253,370	$ 2,976,071
Loan interest payments received	400,406	452,784
Loan disbursements	(2,233,279)	(2,870,683)
Payments to employees	(4,763,395)	(4,765,707)
Down payment assistance disbursements	(218,570)	(1,172,468)
Grant funds expended	(19,555,495)	(25,510,453)
Payments to vendors	(3,639,190)	(1,594,950)
Fee income received	6,162,827	5,305,181
Grant funds received	17,961,632	33,303,437
Other income received	1,142,737	941,273
Net cash provided by (used in) operating activities	(2,488,957)	7,064,485
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	33,923,186	85,824,519
Proceeds from issuance of notes	-	6,835,000
Principal repayment of bonds	(57,973,043)	(96,911,513)
Principal repayment of notes	(68,761)	(6,903,214)
Reaquisition costs paid on bond refunding	(69,000)	(403,882)
Interest paid	(8,116,108)	(9,337,234)
Bond issuance costs paid	(568,729)	(1,274,858)
Net cash used in noncapital financing activities	(32,872,455)	(22,171,182)
Cash flows from capital and related financing activities:		
Property and equipment additions	(215,279)	(200,032)
Net cash used in capital and related financing activities	(215,279)	(200,032)
Cash flows from investing activities:		
Purchase of investments	(33,768,190)	(38,448,975)
Redemption of investments	50,426,760	65,787,499
Interest received on investments	13,325,457	14,373,886
Proceeds from sale of real estate owned	-	275,000
Net cash provided by investing activities	29,984,027	41,987,410
Net increase (decrease) in cash and cash equivalents	(5,592,664)	26,680,681
Cash and cash equivalents, beginning of year	54,297,793	27,617,112
Cash and cash equivalents, end of year	$ 48,705,129	$ 54,297,793

Mississippi Home Corporation

Combined Statements of Cash Flows (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (6,128,564)	$ (7,639,883)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Interest paid	8,116,108	9,337,234
Bond issuance costs paid	568,729	1,274,858
Amortization of bond premium	(41,757)	(15,254)
Amortization of investment premium	113,737	128,911
Amortization of bond refunding	157,000	115,324
Net decrease in fair value of investments	10,044,695	9,724,844
Realized loss on investments	41,288	45,367
Interest received on investments	(13,325,457)	(14,373,886)
Changes in assets and liabilities:		
(Increase) decrease in mortgage loans receivable, net	16,202	(61,880)
Decrease in accrued interest receivable	84,435	167,495
Increase (decrease) in other assets	526,418	(143,901)
Decrease in accrued interest payable	(50,879)	(190,000)
Increase in low income housing tax credit unearned revenues	804,841	70,635
Increase (decrease) in grant fund unearned revenues	(3,117,530)	6,457,629
Increase (decrease) in other liabilities and accrued expenses	(298,223)	2,166,992
Total adjustments	3,639,607	14,704,368
Net cash provided by (used in) operating activities	$ (2,488,957)	$ 7,064,485

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), the Mississippi Affordable Housing Development Program (see *Note 7*) and the House Bill 530 Program (see *Note 8*) 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 deficit or operating deficiencies of the Corporation. The Corporation controls the use of surplus funds.

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

Accounting Method

The 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 combined 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 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 and the House Bill 530 Program is restricted in accordance with the Corporation's agreement with the State (see *Note 7* and *Note 8*).

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; and
- 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 ("Ginnie Mae") mortgage-backed securities, Federal National Mortgage Association ("Fannie Mae") mortgage-backed securities and Federal Home Loan Mortgage Corporation ("Freddie Mac") participation certificates (collectively, Mortgage-Backed Securities); proceeds from the issuance of notes payable; and principal and interest payments of the Mortgage-Backed Securities. These funds are held in money market accounts and U.S. Treasury Bills. 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 are readily convertible into cash at the discretion of the Corporation. Money market investments and other highly liquid investments with no stated maturity are considered cash equivalents and are reported at amortized cost.

Restricted Cash and Cash Equivalents Revision

Fiscal year 2017 has been revised for an immaterial classification error of $46,911,337 in classification of restricted cash and cash equivalents between current assets and noncurrent assets. The revision reduced previously reported current assets and increased previously reported noncurrent assets by $46,911,337. The revision did not have an impact on total assets, net position or operating loss.

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.

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.

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 (reversal of) mortgage loan losses totaled $(31,119) and ($234,343) in 2018 and 2017, 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, 2018 and 2017, $568,729 and $1,374,361 of issuance costs were expensed, respectively.

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, 2018 and 2017, $69,000 and $403,882 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 from awarding agencies pending use by the Corporation for program and administrative expenses.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. As provided in Governmental Accounting Standards Board (GASB), the net position liability is required to be measured as of a date no earlier than the end of the Corporation's prior fiscal year (the measurement date). The Corporation has elected to utilize actuarial information as of the beginning of the period in accordance with the available elections under GASB 68, consistently applied from period to period. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Program Fees

Program fees consist of monies paid to the Corporation by borrowers, developers or financial institutions for processing, 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 72, *Fair Value and Measurement Application*, established a hierarchy for financial assets and liabilities recorded at fair value. This standard requires the Corporation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Investments measured at fair value on a recurring basis are summarized below:

2018

		Fair Value Measurements Using		
	Fair Value at June 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
U.S. Government agency securities	$ 20,516,240	$ -	$ 20,516,240	$ -
Corporate debt securities	308,779	-	308,779	-
Municipal debt securities	10,014,558	-	10,014,558	-
Mortgage-backed securities	263,864,688	-	263,864,688	-
Collateralized mortgage obligations	2,577,914	-	2,577,914	-
Other asset-backed securities	122,317	-	122,317	-
Commercial agreements	1,813,933	-	1,813,933	-
	$ 299,218,429	$ -	$ 299,218,429	$ -

2017

		Fair Value Measurements Using		
	Fair Value at June 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
U.S. Government agency securities	$ 19,265,340	$ -	$ 19,265,340	$ -
Corporate debt securities	1,484,437	-	1,484,437	-
Municipal debt securities	8,980,556	-	8,980,556	-
Mortgage-backed securities	291,530,788	-	291,530,788	-
Collateralized mortgage obligations	3,068,964	-	3,068,964	-
Other asset-backed securities	163,033	-	163,033	-
Commercial agreements	1,583,600	-	1,583,600	-
	$ 326,076,718	$ -	$ 326,076,718	$ -

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

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

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, 2018, 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.

Use of Estimates

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

Note 2: Cash Equivalents and Investments

At June 30, 2018 the carrying amount of the Corporation's cash and cash equivalents was $48,705,129 and the bank balance was $48,958,448. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $48,958,448 bank balance, $9,377,489, 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 $39,579,959, $38,910,341 related to the Hardest Hit Fund and the Mortgage Revenue Bond Program. 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.

At June 30, 2017, the carrying amount of the Corporation's cash and cash equivalents was $54,297,793, and the bank balance was $54,731,455. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $54,731,455 bank balance, $8,271,682 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 $46,459,773, $43,796,035 related to the Hardest Hit Fund and the Mortgage Revenue Bond Program. 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.

A summary of the estimated fair value and amortized cost of investments as of June 30, 2018 and 2017 follows:

	2018		2017	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Government agency securities	$ 20,516,240	$ 20,925,961	$ 19,265,340	$ 19,274,963
Corporate debt securities	308,779	310,115	1,484,437	1,476,324
Municipal debt securities	10,014,558	10,125,561	8,980,556	8,946,096
Mortgage-backed securities	263,864,688	256,325,798	291,530,788	274,599,867
Collateralized mortgage obligations	2,577,914	2,722,726	3,068,964	3,149,932
Other asset-backed securities	122,317	121,183	163,033	162,755
Commercial agreements	1,813,933	1,840,000	1,583,600	1,575,000
	$ 299,218,429	$ 292,371,344	$ 326,076,718	$ 309,184,937

At June 30, 2018, the Corporation's securities had scheduled maturities as follows:

		Investment Maturities			
	Estimated Fair Value	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 years
U.S. Government agency securities	$ 20,516,240	$2,930,379	$ 11,385,729	$ 5,744,560	$ 455,572
Corporate debt securities	308,779	308,779	-	-	-
Municipal debt securities	10,014,558	2,358,166	6,327,821	827,041	501,530
Mortgage-backed securities	263,864,688	-	3,823,967	1,526,344	258,514,377
Collateralized mortgage obligations	2,577,914	-	-	39,079	2,538,835
Other asset-backed securities	122,317	-	-	-	122,317
Commercial agreements	1,813,933	1,124,268	689,665	-	-
	$ 299,218,429	$6,721,592	$ 22,227,182	$ 8,137,024	$ 262,132,631

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.

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, 2018, the Corporation's investments in certain Municipal Debt Securities of $3,066,888 and Other Asset-Backed Securities of $58,789 were unrated. The Corporation's remaining investments are rated by Moody's Investor Service or Standard and Poor's as follows:

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, 2018, the Corporation held Ginnie Mae investments (rated Aaa) with a fair value of $235,253,198 and Fannie Mae investments (rated Aaa) with a fair value of $28,604,960, which represent approximately 88 percent of the Corporation's total investment holdings. Ginnie Mae investments are a direct obligation of the U.S. Government and backed by the full faith and credit of the U.S. Government.

Investment Type	Rating	Estimated Value
U.S. Government agency securities	Aaa	$ 20,516,240
Corporate debt securities	Aaa	308,779
Municipal debt securities	Aa	6,947,670
Mortgage-backed securities	Aaa	263,864,688
Collateralized mortgage obligations	Aaa	2,577,914
Other asset-backed securities	Baa	63,528
Commercial agreements	Aaa	1,813,933
		$ 296,092,752

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, 2018 and 2017, $10,546,310 and $10,336,812, 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, 2018 and 2017, $28,685,216 and $29,545,851, 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 July 1, 2016	$ 278,752,117	$ 1,676,877
Proceeds from issuance	85,824,519	6,835,000
Principal repayments	(96,911,513)	(6,903,214)
Premium amortization	(15,254)	-
Balance at June 30, 2017	267,649,869	1,608,663
Proceeds from issuance	33,923,186	-
Principal repayments	(57,973,043)	(68,760)
Premium amortization	(41,757)	-
Balance at June 30, 2018	$ 243,558,255	$ 1,539,903

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.

On December 27, 2017, the Corporation issued $19.3 million of mortgage revenue bonds and $14.5 million of mortgage revenue refunding bonds. On January 15, 2018, the $14.5 million was used to refund the outstanding 2007B and 2008A series revenue bonds.

This transaction resulted in a loss on the refunding of the debt that, in accordance with GASB, will be deferred and amortized into interest expense over the life of the new debt. The deferred loss is computed as follows:

Proceeds required to refund old debt	$ 17,424,000
Less net carrying value of old debt	(17,355,000)
Deferred amount on refunding	$ 69,000

The deferred loss on refunding of debt is included in deferred outflows of resources in the combined statements of net position.

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 year ended June 30, 2018, the Corporation has complied with all bond covenants.

Bonds and notes payable of the Corporation follow:

Issue	Rates (%)	Final Maturity	June 30, 2018	June 30, 2017
2002 Lease Purchase	–	10/01/2007	$ 600,401	$ 600,401
2007B[1]	4.20 – 5.38	12/01/2038	-	14,030,000
2008A[1]	3.90 – 5.625	12/01/2039	-	5,625,000
2008B[2]	4.50 – 6.75	12/01/2039	-	3,710,000
			600,401	23,965,401
2009 Resolution				
2009A	5.00	12/01/2039	585,000	2,400,000
2013A	2.75	12/01/2032	15,718,277	18,434,061
2015A	3.05	12/01/2034	28,828,350	39,120,608
2016A	1.10 – 3.625	12/01/2045	37,856,565	40,546,092
2017A	1.10 – 4.00	12/01/2046	42,459,546	44,327,318
2017D	1.60 – 4.00	12/01/2043	33,293,509	-
			158,741,247	144,828,079
2009 NIBP Resolution				
2009B-1	3.06	12/01/2041	20,600,000	24,040,000
2009B-2	2.32	12/01/2041	41,450,000	46,220,000
2010A	3.05 – 4.55	12/01/2031	13,335,000	17,015,000
2011A	2.80 – 4.50	06/01/2025	8,831,607	11,581,389
			84,216,607	98,856,389
Total bonds payable, net			$ 243,558,255	$ 267,649,869

1 - Refunded on January 15, 2018.
2 - Redeemed on June 1, 2018.

Notes Payable Description	Rates (%)	Final Maturity	June 30, 2018	June 30, 2017
USDA Rural Development	1.00%	05/05/2038	$ 1,539,903	$ 1,608,663

A summary of debt service requirements through 2023 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal	Interest
2019	$ 5,319,902	$ 7,303,390
2020	5,005,000	7,209,093
2021	4,945,000	7,098,257
2022	4,885,000	6,989,633
2023	4,495,000	6,871,980

Five-Year Increments Ending June 30,	Principal	Interest
2024 – 2028	$ 28,491,607	$ 31,927,579
2029 – 2033	48,958,277	28,032,232
2034 – 2038	41,393,752	17,441,258
2039 – 2043	74,281,566	11,230,533
2044 – 2048	27,323,054	2,356,375

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 2018 and 2017. The Corporation expects to meet the spending requirements on substantially all of the outstanding issues.

Note 6: Mortgage Revenue Bond and Smart Solution Programs

The Corporation's Mortgage Revenue Bond ("MRB") and the Smart Solution program provide loans to qualified borrowers for purchases of the borrower's primary residence. To qualify, borrowers must be within income limits, and their homes must meet purchase price limits. The limits for the MRB program are set by Congress, while the limits for the Smart Solution program are set by the Corporation. These loans have 30-year terms, have market rates of interest, and are secured by first mortgages on the residences. At the option of the Corporation, borrowers may also receive funds to be used for down payment assistance and allowable loan closing costs.

The MRB loans 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.

The Smart Solution mortgages are made by the participating lenders, purchased by the Corporation's master servicer and then securitized into Mortgage-Backed Securities. Under the arrangement with the Corporation's master servicer, the master servicer sells the securities to the third-party purchaser. Because the Mortgage-Backed Securities are sold directly by the master servicer to the third-party purchaser, there is no balance of Mortgage-Backed Securities reflected on the combined statements of net position related to the Corporation's Smart Solution program.

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 ("MDA") in 1995 and $5,991,893 in proceeds obtained directly from the State in 1996. The Corporation is responsible for all aspects of the program, including developing lending criteria, establishing interest rates and loan approval, servicing and reporting. Principal, interest and late fee payments are required to be returned to the program for use in granting new loans. Costs incurred by the Corporation for administering the program are not reimbursed to the Corporation.

Note 8: House Bill 530 Program

The Corporation is responsible for management of the House Bill 530 ("HB530") Program, a Mississippi Single Family Residential Housing Program. The program was established by the State in collaboration with the MDA and the Corporation in 1999 as a revolving loan fund to provide low interest financing for the construction of eligible single family owner occupied units in the State for persons of low to moderate income. The Corporation administers the program for MDA, with the State providing $5 million and the Corporation matching with $5 million. Costs incurred by the Corporation for administering the program are not reimbursed to the Corporation.

Note 9: 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 10: Down Payment Assistance Program

The Corporation's Down Payment Assistance Program provides loans to qualified borrowers for down payments and allowable loan closing costs on purchases of the borrower's primary residence. The qualification requirements are generally the same as those of the respective mortgage loan programs under which the primary mortgage loans are made. The down payment assistance loans generally have 10-year terms, have rates that are set by management, are secured by second mortgages on the residences, and the maximum principal amount is three percent of the primary mortgage loan.

Note 11: Lease Purchase Revenue Bond Program

During the year ended June 30, 2007, management elected to terminate the Corporation's Lease Purchase Revenue Bond Program. At June 30, 2018 and 2017, $600,401 bonds payable were outstanding under this program (see *Note 4*).

Note 12: 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 is considered defeased and, therefore, removed as a liability from the Corporation's combined statements of net position. The bonds that have been defeased totaled $0 at June 30, 2018 and 2017.

Note 13: Defined Benefit Pension Plan

Plan Description

The Corporation contributes to the Public Employees' Retirement System of Mississippi ("PERS" or the "System"), a cost-sharing multiple-employer defined benefit pension plan. The PERS was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. The System administers a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years, or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions

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. Combined contributions are expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Corporation were $561,233 and $569,264 for the years ended June 30, 2018 and 2017, respectively.

Net Pension Liability

The Corporation relied on the following reports published by PERS in December of each year:

- Report of the Annual GASB Statement No. 68 – Required Information for the Employers Participating in PERS – Prepared as of June 30, 2017 and 2016
- Schedule of Employer Allocations and Schedule of Collective Pension Amounts – PERS – June 30, 2017 and 2016

Accordingly, this note reflects financial information related to the measurement periods ended June 30, 2017 and 2016. The Actuarial Assumptions section reflects the plan as a whole managed by PERS. The data is not specific to the Corporation, nor does the Corporation manage the investments.

At June 30, 2018 and 2017, the Corporation reported a liability of $9,365,953 and $9,849,201, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating PERS members, actuarially determined. At June 30, 2017 and 2016, the Corporation's proportion was 0.056342 percent and 0.055139 percent, respectively, which was an increase of 0.001203 percent and .002512 percent, respectively, from its proportion measured as of June 30, 2016 and June 30, 2015.

For the year ended June 30, 2018 and 2017, the Corporation recognized pension expense of $1,322,787, and $1,359,194, respectively, which is included in salaries and related benefits. At June 30, 2018 and 2017, the Corporation reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 134,558	$ 68,341
Changes of assumptions	208,168	15,959
Net difference between projected and actual earnings on pension plan investments	-	120,252
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	221,604	-
Corporation contributions subsequent to the measurement date	561,233	-
Total	$ 1,125,563	$ 204,552

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 274,720	$ 26,172
Changes of assumptions	464,312	-
Net difference between projected and actual earnings on pension plan investments	667,235	-
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	216,455	-
Corporation contributions subsequent to the measurement date	569,264	-
Total	$ 2,191,986	$ 26,172

The Corporation reported $561,233 as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an expense/(contra-expense) in pension expense as follows:

Year Ended June 30	
2019	$ 260,255
2020	251,427
2021	29,013
2022	(180,917)
	$ 359,778

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	June 30, 2018	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Broad	27%	4.60%
International equity	18%	4.50%
Emerging markets equity	4%	4.75%
Global	12%	4.75%
Fixed income	18%	0.75%
Real assets	10%	3.50%
Private equity	8%	5.10%
Emerging debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	June 30, 2017	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Broad	34%	5.20%
International equity	19%	5.00%
Emerging markets equity	8%	5.45%
Fixed income	20%	0.25%
Real assets	10%	4.00%
Private equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent at June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Corporation will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Corporation's proportionate share of the net pension liability	$12,284,072	$9,365,953	$6,943,279

Plan Fiduciary Net Position

This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201, by phone at 1-800-444-7377 or by website at www.pers.ms.gov. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 14: 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 15: 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. 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 combined financial statements.

Note 16: Subsequent Events

The Corporation has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through October 10, 2018, the date of issuance of its financial statements, and has determined that no significant events occurred after June 30, 2018 but prior to the issuance of these financial statements that could have a material impact on its combined financial statements.

Supplementary Schedules

Mississippi Home Corporation
Combining Schedule of Net Position
June 30, 2018

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase Program	2007B Program	2008A Program
Assets								
Current Assets								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash and cash equivalents	318	448	187	189	102	558,663	-	-
Accrued interest receivable	2,949	2,850	-	-	-	-		
Total current assets	3,267	3,298	187	189	102	558,663	-	-
Noncurrent Assets								
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Investments, at fair value	475,069	484,856	-	-	-	-	-	-
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Due (to) from other funds	-	-	-	-	-	-	-	-
Total noncurrent assets	475,069	484,856	-	-	-	-	-	-
Total assets	478,336	488,154	187	189	102	558,663	-	-
Deferred Outflows of Resources								
Deferred amount on refunding	-	-	-	-	-	-	-	-
Deferred pension outflow	-	-	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 478,336	$ 488,154	$ 187	$ 189	$ 102	$ 558,663	$ -	$ -
Liabilities								
Current Liabilities								
Bonds payable, net	$ -	$ -	$ -	$ -	$ -	$ 600,401	$ -	$ -
Notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	600,401	-	-
Noncurrent Liabilities								
Bonds payable, net	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Low income housing tax credit program unearned revenues	-	-	-	-	-	-	-	-
Grant fund unearned revenues	-	-	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	318	448	-	-	-	-	-	-
Total noncurrent liabilities	318	448	-	-	-	-	-	-
Total liabilities	318	448	-	-	-	600,401	-	-
Deferred Inflow of Resources								
Deferred pension inflow	-	-	-	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-	-	-	-
Total liabilities and deferred inflow of resources	$ 318	$ 448	$ -	$ -	$ -	$ 600,401	$ -	$ -
Net Position								
Net investments in capital assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	478,018	487,706	187	189	102	(41,738)	-	-
Unrestricted	-	-	-	-	-	-	-	-
Total net position	$ 478,018	$ 487,706	$ 187	$ 189	$ 102	$ (41,738)	$ -	$ -

Mississippi Home Corporation

Combining Schedule of Net Position (Continued)

June 30, 2018

	2008B Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	MS Affordable Housing Development Fund	Total
Assets									
Current Assets									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 306,049	$ 2,510,148	$ -	$ 2,816,197
Restricted cash and cash equivalents	-	3,402,233	1,856,837	5,818,977	-	-	-	-	5,818,977
Accrued interest receivable	-	679,431	250,458	935,688	295	7,081	244,850	14,798	1,202,712
Total current assets	-	4,081,664	2,107,295	6,754,665	295	313,130	2,754,998	14,798	9,837,886
Noncurrent Assets									
Restricted cash and cash equivalents	-	28,571,552	1,692,119	30,263,671	1,156,531	-	7,294,066	1,355,687	40,069,955
Investments, at fair value	-	171,806,411	84,345,582	257,111,918	-	-	42,106,511	-	299,218,429
Mortgage loans receivable, net	-	-	-	-	146,104	2,065,986	31,937,826	4,295,712	38,445,628
Other assets	-	16,769	10,841	27,610	-	-	3,394,593	2,562,031	5,984,234
Due (to) from other funds	-	(499,432)	-	(499,432)	34,381	-	466,738	(1,687)	-
Total noncurrent assets	-	199,895,300	86,048,542	286,903,767	1,337,016	2,065,986	85,199,734	8,211,743	383,718,246
Total assets	-	203,976,964	88,155,837	293,658,432	1,337,311	2,379,116	87,954,732	8,226,541	393,556,132
Deferred Outflows of Resources									
Deferred amount on refunding	-	1,897,959	-	1,897,959	-	-	-	-	1,897,959
Deferred pension outflow	-	-	-	-	-	-	1,125,563	-	1,125,563
Total deferred outflow of resources	-	1,897,959	-	1,897,959	-	-	1,125,563	-	3,023,522
Total assets and deferred outflows of resources	$ -	$ 205,874,923	$ 88,155,837	$ 295,556,391	$ 1,337,311	$ 2,379,116	$ 89,080,295	$ 8,226,541	$ 396,579,654
Liabilities									
Current Liabilities									
Bonds payable, net	$ -	$ 3,000,000	$ 1,650,000	$ 5,250,401	$ -	$ -	$ -	$ -	$ 5,250,401
Notes payable	-	-	-	-	-	-	69,501	-	69,501
Accrued interest payable	-	402,233	206,837	609,070	-	-	7,699	-	616,769
Total current liabilities	-	3,402,233	1,856,837	5,859,471	-	-	77,200	-	5,936,671
Noncurrent Liabilities									
Bonds payable, net	-	155,741,247	82,566,607	238,307,854	-	-	-	-	238,307,854
Notes payable	-	-	-	-	-	-	1,470,402	-	1,470,402
Low income housing tax credit program unearned revenues	-	-	-	-	-	-	21,570,781	-	21,570,781
Grant fund unearned revenues	-	-	-	-	-	-	30,461,586	-	30,461,586
Net pension liability	-	-	-	-	-	-	9,365,953	-	9,365,953
Other liabilities and accrued expenses	-	211,737	13,305	225,808	939,878	5,050	833,204	18,954	2,022,894
Total noncurrent liabilities	-	155,952,984	82,579,912	238,533,662	939,878	5,050	63,701,926	18,954	303,199,470
Total liabilities	-	159,355,217	84,436,749	244,393,133	939,878	5,050	63,779,126	18,954	309,136,141
Deferred Inflow of Resources									
Deferred pension inflow	-	-	-	-	-	-	204,552	-	204,552
Total deferred inflow of resources	-	-	-	-	-	-	204,552	-	204,552
Total liabilities and deferred inflow of resources	$ -	$ 159,355,217	$ 84,436,749	$ 244,393,133	$ 939,878	$ 5,050	$ 63,983,678	$ 18,954	$ 309,340,693
Net Position									
Net investments in capital assets	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,690,874	$ -	$ 1,690,874
Restricted	-	46,519,706	3,719,088	51,163,258	397,433	-	-	8,207,587	59,768,278
Unrestricted	-	-	-	-	-	2,374,066	23,405,743	-	25,779,809
Total net position	$ -	$ 46,519,706	$ 3,719,088	$ 51,163,258	$ 397,433	$ 2,374,066	$ 25,096,617	$ 8,207,587	$ 87,238,961

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase Program	2007B Program	2008A Program
Operating Revenues								
Interest income								
Cash and cash equivalents	$ 121	$ 97	$ 1	$ 1	$ -	$ 4,825	$ 13,380	$ 2,583
Mortgage-backed securities	33,942	31,627	-	-	-	-	473,857	166,649
Other investments	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Total interest income	34,063	31,724	1	1	-	4,825	487,237	169,232
Net decrease in fair value of investments	(14,519)	(15,694)	-	-	-	-	(429,684)	(126,189)
Low income housing tax credit program	-	-	-	-	-	-	-	-
Grant fund revenues	-	-	-	-	-	-	-	-
Program fees	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total operating revenues	19,544	16,030	1	1	-	4,825	57,553	43,043
Operating Expenses								
Interest expense	-	-	-	-	-	-	343,558	156,181
Bond issuance costs	-	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-	-
Grant fund expenses	-	-	-	-	-	-	-	-
Provision for mortgage loan losses	-	-	-	-	-	-	-	-
Program expenses	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	8,282	7,408
Total operating expenses	-	-	-	-	-	-	351,840	163,589
Operating income (loss)	19,544	16,030	1	1	-	4,825	(294,287)	(120,546)
Transfers in (out)	(124,222)	(108,016)	(56)	(29)	(16)	-	(5,835,316)	(859,913)
Net Position, Beginning of Year	582,696	579,692	242	217	118	(46,563)	6,129,603	980,459
Net Position, End of Year	$ 478,018	$ 487,706	$ 187	$ 189	$ 102	$ (41,738)	$ -	$ -

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended June 30, 2018

	2008B Program	2009 Program	2009 NIBP Resolution	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	MS Affordable Housing Development Fund	Total
Operating Revenues									
Interest income									
Cash and cash equivalents	$ 6,080	$ 353,175	$ 28,682	$ 408,945	$ -	$ 1,695	$ 28,694	$ 4,942	$ 444,276
Mortgage-backed securities	199,132	7,533,006	3,255,739	11,693,952	-	-	-	-	11,693,952
Other investments	-	-	-	-	-	-	1,011,887	-	1,011,887
Mortgage loans	-	-	-	-	5,973	86,516	109,591	201,472	403,552
Total interest income	205,212	7,886,181	3,284,421	12,102,897	5,973	88,211	1,150,172	206,414	13,553,667
Net decrease in fair value of investments	(26,977)	(5,667,470)	(2,966,234)	(9,246,767)	-	-	(797,928)	-	(10,044,695)
Low income housing tax credit program	-	-	-	-	-	-	3,423,237	-	3,423,237
Grant fund revenues	-	-	-	-	-	-	20,567,494	-	20,567,494
Program fees	-	-	-	-	-	-	2,440,234	-	2,440,234
Other income	-	335	-	335	194	5,393	619,834	10,510	636,266
Total operating revenues	178,235	2,219,046	318,187	2,856,465	6,167	93,604	27,403,043	216,924	30,576,203
Operating Expenses									
Interest expense	248,158	4,725,540	2,691,180	8,164,617	-	-	15,856	-	8,180,473
Bond issuance costs	-	568,729	-	568,729	-	-	-	-	568,729
Salaries and related benefits	-	-	-	-	-	-	5,531,640	-	5,531,640
Grant fund expenses	-	-	-	-	-	-	19,240,666	-	19,240,666
Provision for mortgage loan losses	-	-	-	-	12,161	29,768	-	(73,048)	(31,119)
Program expenses	-	-	-	-	-	-	886,837	-	886,837
Other	16,073	93,651	45,719	171,133	5,272	13,145	2,048,512	89,479	2,327,541
Total operating expenses	264,231	5,387,920	2,736,899	8,904,479	17,433	42,913	27,723,511	16,431	36,704,767
Operating income (loss)	(85,996)	(3,168,874)	(2,418,712)	(6,048,014)	(11,266)	50,691	(320,468)	200,493	(6,128,564)
Transfers in (out)	(1,020,335)	8,204,618	(171,857)	84,858	38,372	4,318	(131,866)	4,318	-
Net Position, Beginning of Year	1,106,331	41,483,962	6,309,657	57,126,414	370,327	2,319,057	25,548,951	8,002,776	93,367,525
Net Position, End of Year	$ -	$ 46,519,706	$ 3,719,088	$ 51,163,258	$ 397,433	$ 2,374,066	$ 25,096,617	$ 8,207,587	$ 87,238,961

Mississippi Home Corporation
Combining Schedule of Cash Flows
Year Ended June 30, 2018

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase Program	2007B Program	2008A Program
Cash flows from operating activities:								
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Down payment assistance disbursements	-	-	-	-	-	-	-	-
Grant funds expended	-	-	-	-	-	-	-	-
Payments to vendors	(8,490)	(10,320)	-	-	-	-	(12,600)	(11,727)
Fee income received	-	-	-	-	-	-	-	-
Grant funds received	-	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(8,490)	(10,320)	-	-	-	-	(12,600)	(11,727)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Principal repayment of bonds	-	-	-	-	-	-	(14,030,000)	(5,625,000)
Principal repayment of notes	-	-	-	-	-	-	-	-
Reaquisition costs paid on bond refunding	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	(400,451)	(181,657)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-	-	-	(14,430,451)	(5,806,657)
Cash flows from capital and related financing activities:								
Property and equipment additions	-	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-	-
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	93,867	80,112	-	-	-	-	16,644,117	5,841,659
Interest received on investments	38,770	38,146	1	1	-	4,825	561,150	194,486
Net cash provided by (used in) investing activities	132,637	118,258	1	1	-	4,825	17,205,267	6,036,145
Transfers	(124,222)	(108,016)	(56)	(29)	(16)	-	(5,835,316)	(859,913)
Net increase (decrease) in cash and cash equivalents	(75)	(78)	(55)	(28)	(16)	4,825	(3,073,100)	(642,152)
Cash and cash equivalents, beginning of year	393	526	242	217	118	553,838	3,073,100	642,152
Cash and cash equivalents, end of year	$ 318	$ 448	$ 187	$ 189	$ 102	$ 558,663	$ -	$ -

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2018

	2008B Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	MS Affordable Housing Development Fund	Total
Cash flows from operating activities:									
Loan principal payments received	$ -	$ -	$ -	$ -	$ 95,804	$ 490,526	$ 557,365	$ 1,109,675	$ 2,253,370
Loan interest payments received	-	-	-	-	5,916	84,987	108,445	201,058	400,406
Loan disbursements	-	-	-	-	(197,146)	(898,549)	(459,044)	(678,540)	(2,233,279)
Payments to employees	-	-	-	-	-	-	(4,763,395)	-	(4,763,395)
Down payment assistance disbursements	-	-	-	-	-	-	(218,570)	-	(218,570)
Grant funds expended	-	-	-	-	-	-	(19,555,495)	-	(19,555,495)
Payments to vendors	(20,391)	(490,802)	(42,838)	(597,168)	(256,325)	(22,197)	(2,662,031)	(101,469)	(3,639,190)
Fee income received	-	-	-	-	-	5,363	6,147,020	10,444	6,162,827
Grant funds received	-	-	-	-	-	-	17,961,632	-	17,961,632
Other income received	-	335	-	335	195	1,723	1,135,476	5,008	1,142,737
Net cash provided by (used in) operating activities	(20,391)	(490,467)	(42,838)	(596,833)	(351,556)	(338,147)	(1,748,597)	546,176	(2,488,957)
Cash flows from noncapital financing activities:									
Proceeds from issuance of bonds	-	33,923,186	-	33,923,186	-	-	-	-	33,923,186
Principal repayment of bonds	(3,710,000)	(19,978,043)	(14,630,000)	(57,973,043)	-	-	-	-	(57,973,043)
Principal repayment of notes	-	-	-	-	-	-	(68,761)	-	(68,761)
Reaquisition costs paid on bond refunding	-	(69,000)	-	(69,000)	-	-	-	-	(69,000)
Interest paid	(266,749)	(4,511,655)	(2,739,442)	(8,099,954)	-	-	(16,154)	-	(8,116,108)
Bond issuance costs paid	-	(568,729)	-	(568,729)	-	-	-	-	(568,729)
Due (from) to other programs	-	359,996	-	359,996	2,019	-	(362,015)	-	-
Net cash provided by (used in) noncapital financing activities	(3,976,749)	9,155,755	(17,369,442)	(32,427,544)	2,019	-	(446,930)	-	(32,872,455)
Cash flows from capital and related financing activities:									
Property and equipment additions	-	-	-	-	-	-	(215,279)	-	(215,279)
Net cash used in capital and related financing activities	-	-	-	-	-	-	(215,279)	-	(215,279)
Cash flows from investing activities:									
Purchase of investments	-	(24,810,456)	-	(24,810,456)	-	-	(8,957,734)	-	(33,768,190)
Redemption of investments	4,053,159	1,362,143	14,742,892	42,817,949	-	-	7,608,811	-	50,426,760
Interest received on investments	224,488	7,830,548	3,329,493	12,221,908	-	-	1,103,549	-	13,325,457
Net cash provided by (used in) investing activities	4,277,647	(15,617,765)	18,072,385	30,229,401	-	-	(245,374)	-	29,984,027
Transfers	(1,020,335)	8,204,618	(171,857)	84,858	38,372	4,318	(131,866)	4,318	-
Net increase (decrease) in cash and cash equivalents	(739,828)	1,252,141	488,248	(2,710,118)	(311,165)	(333,829)	(2,788,046)	550,494	(5,592,664)
Cash and cash equivalents, beginning of year	739,828	30,721,644	3,060,708	38,792,766	1,467,696	639,878	12,592,260	805,193	54,297,793
Cash and cash equivalents, end of year	$ -	$ 31,973,785	$ 3,548,956	$ 36,082,648	$ 1,156,531	$ 306,049	$ 9,804,214	$ 1,355,687	$ 48,705,129

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2018

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase Program	2007B Program	2008A Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 19,544	$ 16,030	$ 1	$ 1	$ -	$ 4,825	$ (294,287)	$ (120,546)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	-	-	-	-	-	-	400,451	181,657
Bond issuance costs paid	-	-	-	-	-	-	-	-
Amortization of bond premium	-	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-	-
Amortization of bond refunding	-	-	-	-	-	-	-	-
Net decrease in fair value of investments	14,519	15,694	-	-	-	-	429,684	126,189
Realized loss on investments	-	-	-	-	-	-	-	-
Interest received on investments	(38,770)	(38,146)	(1)	(1)	-	(4,825)	(561,150)	(194,486)
Changes in assets and liabilities:								
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	610	497	-	-	-	-	73,913	25,253
(Increase) decrease in other assets	-	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	-	-	-	-	-	-	(56,893)	(25,476)
Increase (decrease) in low income housing tax credit program unearned revenues	-	-	-	-	-	-	-	-
Increase (decrease) in grant fund unearned revenues	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(4,393)	(4,395)	-	-	-	-	(4,318)	(4,318)
Total adjustments	(28,034)	(26,350)	(1)	(1)	-	(4,825)	281,687	108,819
Net cash provided by (used in) operating activities	$ (8,490)	$ (10,320)	$ -	$ -	$ -	$ -	$ (12,600)	$ (11,727)

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2018

	2008B Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	MS Affordable Housing Development Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:									
Operating income (loss)	$ (85,996)	$ (3,168,874)	$ (2,418,712)	$ (6,048,014)	$ (11,266)	$ 50,691	$ (320,468)	$ 200,493	$ (6,128,564)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Interest paid	266,749	4,511,655	2,739,442	8,099,954	-	-	16,154	-	8,116,108
Bond issuance costs paid	-	568,729	-	568,729	-	-	-	-	568,729
Amortization of bond discount (premium)	-	(31,975)	(9,782)	(41,757)	-	-	-	-	(41,757)
Amortization of investment (discount) premium	-	9,048	-	9,048	-	-	104,689	-	113,737
Amortization of bond refunding	-	157,000	-	157,000	-	-	-	-	157,000
Net (increase) decrease in fair value of investments	26,977	5,667,470	2,966,234	9,246,767	-	-	797,928	-	10,044,695
Realized(gain) loss on investments	-	-	-	-	-	-	41,288	-	41,288
Interest received on investments	(224,488)	(7,830,548)	(3,329,493)	(12,221,908)	-	-	(1,103,549)	-	(13,325,457)
Changes in assets and liabilities:									
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	(89,181)	(388,040)	98,321	395,102	16,202
(Increase) decrease in accrued interest receivable	19,277	(64,680)	45,071	99,941	(56)	(1,529)	(14,175)	254	84,435
(Increase) decrease in other assets	-	1,006	1,840	2,846	-	-	567,441	(43,869)	526,418
Increase (decrease) in accrued interest payable	(18,592)	88,859	(38,479)	(50,581)	-	-	(298)	-	(50,879)
Increase (decrease) in low income housing tax credit program unearned revenues	-	-	-	-	-	-	804,841	-	804,841
Increase (decrease) in grant fund unearned revenues	-	-	-	-	-	-	(3,117,530)	-	(3,117,530)
Increase (decrease) in other liabilities and accrued expenses	(4,318)	(398,157)	1,041	(418,858)	(251,053)	731	376,761	(5,804)	(298,223)
Total adjustments	65,605	2,678,407	2,375,874	5,451,181	(340,290)	(388,838)	(1,428,129)	345,683	3,639,607
Net cash provided by (used in) operating activities	$ (20,391)	$ (490,467)	$ (42,838)	$ (596,833)	$ (351,556)	$ (338,147)	$ (1,748,597)	$ 546,176	$ (2,488,957)

Mississippi Home Corporation
Schedule of Employer Contributions and the Proportionate Share of the Net Pension Liability
PERS Pension Plan
Year Ended June 30, 2018

Schedule of Employer Contributions

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutory required employer contributions	$ 561,233	$ 569,264	$ 555,561	$ 517,835	$ 528,197	$ 446,164	$ 356,526	$ 323,912	$ 300,528	$ 279,303
Contributions in relation to the statutorily required contributions	(561,233)	(569,264)	(555,561)	(517,835)	(528,197)	(446,164)	(356,526)	(323,912)	(300,528)	(279,303)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 3,563,384	$ 3,614,376	$ 3,527,365	$ 3,287,839	$ 3,353,630	$ 3,128,780	$ 2,858,759	$ 2,699,263	$ 2,504,382	$ 2,356,974
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%	14.26%	12.47%	12.00%	12.00%	11.85%

Schedule of Proportionate Share of the Net Pension Liability

This schedule reflects the information provided by PERS.
No other years were available.

	2017	2016	2015	2014	2013
Proportion of the net position liability (asset)	0.056342%	0.055139%	0.052627%	0.054883%	0.051191%
Proportionate share of the net pension liability (asset)	$ 9,365,952	$ 9,849,201	$ 8,135,098	$ 6,661,791	$ 7,092,993
Covered-employee payroll	$ 3,614,376	$ 3,527,365	$ 3,287,839	$ 3,353,630	$ 3,128,780
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259%	279%	247%	199%	227%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%	67%	61%

* The amounts presented for each fiscal year were determined as of June 30

Mississippi Home Corporation
Notes to Supplementary Schedule
For the Year Ended June 30, 2018

Changes of assumptions

- 2017
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB TO 2022. Small adjustments were also made to the Mortality Table for disabled lives.
  - The wage inflation assumption was reduced from 3.75% to 3.25%.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
  - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
  - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

- 2016
  - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by *The Wall Street Journal* on December 31 of each preceding year, with a minimum rate of one percent and a maximum rate of five percent.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Mississippi Home Corporation
Jackson, Mississippi

We have audited, 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, the combined financial statements of Mississippi Home Corporation (the Corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2018 which contained a reference to the report of other auditors.

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 or significant deficiencies. 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.

BKD, LLP

Jackson, Mississippi
October 10, 2018