Mississippi Home Corporation

Independent Auditor’s Reports and Combined Financial Statements

June 30, 2020 and 2019

Mississippi Home Corporation
June 30, 2020 and 2019

Contents

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Independent Auditor's Report

Board of Directors
Mississippi Home Corporation
Jackson, Mississippi

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 years ended June 30, 2020 and 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020 and 2019, 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.

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 audits were 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 audits 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 14, 2020, 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 solely 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 effectiveness of the Corporation's 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 14, 2020

Mississippi Home Corporation
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

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, 2020 and 2019. This MD&A should be read in conjunction with the accompanying basic combined financial statements and notes thereto, as well as our independent auditor's report thereon.

Required Basic Financial Statements

The required basic combined financial statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer information about the Corporation's activities. The combined statements of net position include all of the Corporation's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Corporation's creditors (liabilities). The assets are presented in order of liquidity, and liabilities are presented in order of nearness to payment.

All of the reporting period's revenues and expenses are accounted for in the combined statements of revenues, expenses and changes in net position. These statements measure the activities of the Corporation's operations 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, noncapital financing, capital and related financing and investing activities and provide information regarding the sources and uses of cash and the changes in the cash balances during the reporting period.

2020 Financial Highlights

- Total assets and deferred outflows of resources increased $99.9 million, or 21.0 percent
- Total liabilities and deferred inflow of resources increased $86.0 million, or 22.4 percent
- Cash and investments increased $96.6 million, or 22.6 percent
- Bonds payable increased $76.0 million, or 24.3 percent
- Total net position increased $13.9 million, or 15.1 percent, including a $10.6 million increase in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $7.0 million, or 20.7 percent
- Total operating expenses increased $5.7 million, or 18.1 percent
- Interest income increased $2.9 million, or 20.4 percent
- Interest expense increased $2.6 million, or 30.5 percent
- Grant fund revenues increased $2.9 million, or 19.7 percent

Mississippi Home Corporation

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

- Grant fund expenses increased $2.4 million, or 18.6 percent
- Operating income (excluding fair value adjustments) increased $1.2 million, or 62.0 percent

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, 2020:

	2020	2019	Change Dollars	Change %
Cash and cash equivalents				
Restricted	$ 50,304,439	$ 51,484,601	$ (1,180,162)	-2.3%
Unrestricted	5,826,278	8,649,557	(2,823,279)	-32.6%
Investments, at fair value	467,328,860	366,686,509	100,642,351	27.4%
Mortgage loans, net	40,595,022	38,145,665	2,449,357	6.4%
Other assets	8,818,212	8,178,852	639,360	7.8%
Total assets	572,872,811	473,145,184	99,727,627	21.1%
Deferred outflows of resources	2,633,281	2,420,520	212,761	8.8%
Total assets and deferred outflows of resources	$ 575,506,092	$ 475,565,704	$ 99,940,388	21.0%
Bonds payable, net	$ 388,327,313	$ 312,301,517	$ 76,025,796	24.3%
Notes payable	1,400,111	1,470,356	(70,245)	-4.8%
Low income housing tax credit program unearned revenues	22,736,951	21,826,938	910,013	4.2%
Grant fund unearned revenues	42,127,829	34,229,691	7,898,138	23.1%
Net pension liability	10,275,647	9,281,198	994,449	10.7%
All other liabilities	4,451,137	4,058,326	392,811	9.7%
Total liabilities	469,318,988	383,168,026	86,150,962	22.5%
Deferred inflow of resources	123,481	228,748	(105,267)	-46.0%
Total liabilities and deferred inflow of resources	$ 469,442,469	$ 383,396,774	$ 86,045,695	22.4%
Net investments in capital assets	$ 1,325,965	$ 1,487,977	$ (162,012)	-10.9%
Restricted net position	83,522,163	64,890,918	18,631,245	28.7%
Unrestricted net position	21,215,495	25,790,035	(4,574,540)	-17.7%
Total net position	$ 106,063,623	$ 92,168,930	$ 13,894,693	15.1%

Mississippi Home Corporation

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

The following table summarizes the changes in the Corporation's operating revenues and expenses, before fair value adjustments, for the fiscal years ended June 30, 2020 and 2019:

	2020	2019	Change Dollars	Change %
Interest on mortgage-backed securities	$ 15,113,173	$ 12,060,018	$ 3,053,155	25.3%
Interest on cash and other investments	1,674,612	1,846,793	(172,181)	-9.3%
Interest on mortgage loans	428,461	390,884	37,577	9.6%
Low income housing tax credit program	3,672,474	2,915,030	757,444	26.0%
Grant fund revenues	17,731,480	14,814,843	2,916,637	19.7%
Program fees	1,714,638	1,248,780	465,858	37.3%
All other income	420,398	498,784	(78,386)	-15.7%
Total operating revenues	40,755,236	33,775,132	6,980,104	20.7%
Interest expense	10,918,390	8,366,933	2,551,457	30.5%
Bond issuance costs	1,956,700	1,552,885	403,815	26.0%
Salaries and related benefits	6,010,123	5,455,020	555,103	10.2%
Grant fund expenses	15,549,600	13,115,124	2,434,476	18.6%
Program expenses	528,852	506,666	22,186	4.4%
All other expenses	2,540,366	2,771,254	(230,888)	-8.3%
Total operating expenses	37,504,031	31,767,882	5,736,149	18.1%
Operating income before fair value adjustments	$ 3,251,205	$ 2,007,250	$ 1,243,955	62.0%

The Corporation reported total assets and deferred outflows of resources of $575.5 million at June 30, 2020. This represented an increase of $99.9 million compared to June 30, 2019. Total liabilities and deferred inflow of resources for the same period increased $86.0 million, while total net position increased $13.9 million.

Cash and cash equivalents decreased $4.0 million to $56.1 million at June 30, 2020, compared to June 30, 2019. The net decrease was due primarily to a decrease in cash equivalents to fund the purchase of mortgage backed securities offset by an increase in cash related to the Hardest Hit Fund.

Investments increased $100.6 million to $467.3 million at June 30, 2020, compared to June 30, 2019. The net increase 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; offset by
- The purchase of $119.5 million in mortgage-backed securities under the Corporation's open indenture.

The increase in deferred outflows of resources of $0.2 million in 2020 is primarily related to pension allocation adjustments.

The increase in total liabilities of $86.2 million in 2020 was attributable primarily to:

- A net increase in bonds payable of $76.0 million resulting from the following factors:
    - Calls resulting from the mortgage-backed securities prepayments; offset by
    - Issuance of the Series 2019B and 2020A revenue bonds; and

- An increase in grant fund unearned revenues of $7.9 million due to funds received from awarding agencies pending use for program and administrative expenses.

Total operating revenues before fair value adjustments for fiscal year 2020 were $40.8 million, compared to $33.8 million for fiscal year 2019. The increase in operating revenues was attributable primarily to two factors:

- An increase in interest income of $2.9 million which resulted from an overall higher level of earning assets; and

- An increase in "flow-through" revenues of $2.9 million from the Corporation's management of federal grant programs.

Total operating expenses were $37.5 million in fiscal year 2020, up from $31.8 million in fiscal year 2019. The increase in operating expenses was attributable primarily to two factors:

- An increase in interest expense of $2.6 million which resulted from a higher level of bonds payable; and

- An increase in "flow-through" expenses of $2.4 million from the Corporation's management of federal grant programs.

As a result of the above factors, operating income before fair value adjustments was $3.3 million in 2020, compared to $2.0 million in 2019.

2019 Financial Highlights

- Total assets and deferred outflows of resources increased $79.0 million, or 19.9 percent
- Total liabilities and deferred inflow of resources increased $74.1 million, or 23.9 percent
- Cash and investments increased $78.9 million, or 22.7 percent
- Bonds payable increased $68.7 million, or 28.2 percent
- Total net position increased $4.9 million, or 5.7 percent, including a $2.9 million increase in the fair value of investments

- Total operating revenues (excluding fair value adjustments) decreased $6.8 million, or 16.9 percent
- Total operating expenses decreased $4.9 million, or 13.5 percent
- Interest income increased $0.7 million, or 5.5 percent
- Interest expense increased $0.2 million, or 2.3 percent
- Grant fund revenues decreased $5.8 million, or 28.0 percent
- Grant fund expenses decreased $6.1 million, or 31.8 percent
- Operating income (excluding fair value adjustments) decreased $1.9 million, or 48.7 percent

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, 2019:

	2019	2018	Change Dollars	Change %
Cash and cash equivalents				
Restricted	$ 51,484,601	$ 45,888,932	$ 5,595,669	12.2%
Unrestricted	8,649,557	2,816,197	5,833,360	207.1%
Investments, at fair value	366,686,509	299,218,429	67,468,080	22.5%
Mortgage loans receivable, net	38,145,665	38,445,628	(299,963)	-0.8%
Other assets	8,178,852	7,186,946	991,906	13.8%
Total assets	473,145,184	393,556,132	79,589,052	20.2%
Deferred outflows of resources	2,420,520	3,023,522	(603,002)	-19.9%
Total assets and deferred outflow of resources	$ 475,565,704	$ 396,579,654	$ 78,986,050	19.9%
Bonds payable, net	$ 312,301,517	$ 243,558,255	$ 68,743,262	28.2%
Notes payable	1,470,356	1,539,903	(69,547)	-4.5%
Low income housing tax credit program unearned revenues	21,826,938	21,570,781	256,157	1.2%
Grant fund unearned revenues	34,229,691	30,461,586	3,768,105	12.4%
Net pension liability	9,281,198	9,365,953	(84,755)	-0.9%
All other liabilities	4,058,326	2,639,663	1,418,663	53.7%
Total liabilities	383,168,026	309,136,141	74,031,885	23.9%
Deferred inflow of resources	228,748	204,552	24,196	11.8%
Total liabilities and deferred inflow of resources	$ 383,396,774	$ 309,340,693	$ 74,056,081	23.9%
Net investments in capital assets	$ 1,487,977	$ 1,690,874	$ (202,897)	-12.0%
Restricted net position	64,890,918	59,768,278	5,122,640	8.6%
Unrestricted net position	25,790,035	25,779,809	10,226	0.0%
Total net position	$ 92,168,930	$ 87,238,961	$ 4,929,969	5.7%

The following table summarizes the changes in the Corporation's operating revenues and expenses, before fair value adjustments, for the fiscal years ended June 30, 2019 and 2018:

			Change	
	2019	2018	Dollars	%
Interest on mortgage-backed securities	$ 12,060,018	$ 11,693,952	$ 366,066	3.1%
Interest on cash and other investments	1,846,793	1,456,163	390,630	26.8%
Interest on mortgage loans	390,884	403,552	(12,668)	-3.1%
Low income housing tax credit program	2,915,030	3,423,237	(508,207)	-14.8%
Grant fund revenues	14,814,843	20,567,494	(5,752,651)	-28.0%
Program fees	1,248,780	2,440,234	(1,191,454)	-48.8%
All other income	498,784	636,266	(137,482)	-21.6%
Total operating revenues	33,775,132	40,620,898	(6,845,766)	-16.9%
Interest expense	8,366,933	8,180,473	186,460	2.3%
Bond issuance costs	1,552,885	568,729	984,156	173.0%
Salaries and related benefits	5,455,020	5,531,640	(76,620)	-1.4%
Grant fund expenses	13,115,124	19,240,666	(6,125,542)	-31.8%
Program expenses	506,666	886,837	(380,171)	-42.9%
All other expenses	2,771,254	2,296,422	474,832	20.7%
Total operating expenses	31,767,882	36,704,767	(4,936,885)	-13.5%
Operating income before fair value adjustments	$ 2,007,250	$ 3,916,131	$ (1,908,881)	-48.7%

The Corporation reported total assets and deferred outflows of resources of $475.6 million at June 30, 2019. This represented an increase of $79.0 million compared to June 30, 2018. Total liabilities and deferred inflow of resources for the same period increased $74.1 million, while total net position increased $4.9 million.

Cash and cash equivalents increased $11.4 million to $60.1 million at June 30, 2019, compared to June 30, 2018. The increase was due primarily to an increase in cash equivalents to fund up front down payment assistance related to an increase in mortgage revenue bond activity and an increase in cash related to the Hardest Hit Fund.

Investments increased $67.5 million to $366.7 million at June 30, 2019, compared to June 30, 2018. The net increase 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; offset by

- The purchase of $99.8 million in mortgage-backed securities under the Corporation's open indenture.

The decrease in deferred outflows of resources of $0.6 million in 2019 is primarily related to pension allocation adjustments.

The increase in total liabilities of $74.0 million in 2019 was attributable primarily to:

- A net increase in bonds payable of $68.7 million resulting from the following factors:
    - Calls resulting from the mortgage-backed securities prepayments; offset by
    - Issuance of the Series 2018A and 2019A revenue bonds; and
- An increase in grant fund unearned revenues of $3.8 million due to funds received from awarding agencies pending use for program and administrative expenses.

Total operating revenues before fair value adjustments for fiscal year 2019 were $33.8 million, compared to $40.6 million for fiscal year 2018. The decrease in operating revenues was attributable primarily to a decrease in "flow-through" revenues of $5.8 million from the Corporation's management of federal grant programs.

Total operating expenses were $31.8 million in fiscal year 2019, down from $36.7 million in fiscal year 2018. The decrease in operating expenses was attributable primarily to two factors:

- An increase in bond issuance costs of $1.0 million for the issuance of the 2018A and 2019A series revenue bonds; offset by

- A decrease in "flow-through" expenses of $6.1 million from the Corporation's management of federal grant programs.

As a result of the above factors, operating income before fair value adjustments was $2.0 million in 2019, compared to $3.9 million in 2018.

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 rates 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, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 5,826,278	$ 8,649,557
Restricted cash and cash equivalents	10,494,941	8,983,928
Accrued interest receivable	1,636,146	1,385,076
Total current assets	17,957,365	19,018,561
Noncurrent Assets		
Restricted cash and cash equivalents	39,809,498	42,500,673
Investments, at fair value	467,328,860	366,686,509
Mortgage loans receivable, net of allowance for loan losses of $1,137,760 in 2020 and $987,516 in 2019	40,595,022	38,145,665
Other assets	7,182,066	6,793,776
Total noncurrent assets	554,915,446	454,126,623
Total assets	572,872,811	473,145,184
Deferred Outflows of Resources		
Deferred amount on refunding	1,515,503	1,716,957
Deferred pension outflow	1,117,778	703,563
Total deferred outflows of resources	2,633,281	2,420,520
Total assets and deferred outflows of resources	$ 575,506,092	$ 475,565,704
Liabilities		
Current Liabilities		
Bonds payable, net	$ 9,580,401	$ 7,165,401
Notes payable	70,899	70,196
Accrued interest payable	945,867	819,513
Total current liabilities	10,597,167	8,055,110
Noncurrent Liabilities		
Bonds payable, net	378,746,912	305,136,116
Notes payable	1,329,212	1,400,160
Low income housing tax credit program unearned revenues	22,736,951	21,826,938
Grant fund unearned revenues	42,127,829	34,229,691
Net pension liability	10,275,647	9,281,198
Other liabilities and accrued expenses	3,505,270	3,238,813
Total noncurrent liabilities	458,721,821	375,112,916
Total liabilities	469,318,988	383,168,026
Deferred Inflow of Resources		
Deferred pension inflow	123,481	228,748
Total deferred inflow of resources	123,481	228,748
Total liabilities and deferred inflow of resources	$ 469,442,469	$ 383,396,774
Net Position		
Net investments in capital assets	$ 1,325,965	$ 1,487,977
Restricted	83,522,163	64,890,918
Unrestricted	21,215,495	25,790,035
Total net position	$ 106,063,623	$ 92,168,930

Mississippi Home Corporation

Combined Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Interest income		
Cash and cash equivalents	$ 663,296	$ 762,647
Mortgage-backed securities	15,113,173	12,060,018
Other investments	1,011,316	1,084,146
Mortgage loans	428,461	390,884
Total interest income	17,216,246	14,297,695
Net increase in fair value of investments	10,643,488	2,922,719
Low income housing tax credit program	3,672,474	2,915,030
Grant fund revenues	17,731,480	14,814,843
Program fees	1,714,638	1,248,780
Other income	420,398	498,784
Total operating revenues	51,398,724	36,697,851
Operating Expenses		
Interest expense	10,918,390	8,366,933
Bond issuance costs	1,956,700	1,552,885
Salaries and related benefits	6,010,123	5,455,020
Grant fund expenses	15,549,600	13,115,124
Provision for mortgage loan losses	282,352	333,179
Program expenses	528,852	506,666
Other	2,258,014	2,438,075
Total operating expenses	37,504,031	31,767,882
Operating income	13,894,693	4,929,969
Net Position, Beginning of Year	92,168,930	87,238,961
Net Position, End of Year	$ 106,063,623	$ 92,168,930

Mississippi Home Corporation
Combined Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Loan principal payments received	$ 2,509,760	$ 2,728,118
Loan interest payments received	426,691	389,360
Loan disbursements	(3,260,342)	(2,493,561)
Payments to employees	(5,466,951)	(5,069,840)
Down payment assistance disbursements	-	(41,238)
Grant funds expended	(15,565,089)	(13,135,125)
Payments to vendors	(2,420,662)	(1,714,593)
Fee income received	5,868,655	4,005,481
Grant funds received	23,252,375	18,085,977
Other income received	850,205	971,810
Net cash provided by operating activities	6,194,642	3,726,389
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	131,347,569	99,991,597
Proceeds from issuance of notes	-	6,670,000
Principal repayment of bonds	(55,127,564)	(31,164,992)
Principal repayment of notes	(70,245)	(6,739,547)
Interest paid	(10,784,791)	(8,066,531)
Bond issuance costs paid	(1,956,700)	(1,552,885)
Net cash provided by noncapital financing activities	63,408,269	59,137,642
Cash flows from capital and related financing activities:		
Property and equipment additions	(125,101)	(40,607)
Proceeds from sale of property and equipment	22,200	-
Net cash used in capital and related financing activities	(102,901)	(40,607)
Cash flows from investing activities:		
Purchase of investments	(168,406,554)	(111,860,993)
Redemption of investments	77,906,347	46,812,943
Interest received on investments	16,744,613	13,653,655
Proceeds from sale of real estate owned	252,143	-
Net cash used in investing activities	(73,503,451)	(51,394,395)
Net increase (decrease) in cash and cash equivalents	(4,003,441)	11,429,029
Cash and cash equivalents, beginning of year	60,134,158	48,705,129
Cash and cash equivalents, end of year	$ 56,130,717	$ 60,134,158

Mississippi Home Corporation

Combined Statements of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 13,894,693	$ 4,929,969
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Interest paid	10,784,791	8,066,531
Bond issuance costs paid	1,956,700	1,552,885
Amortization of bond premium	(194,209)	(83,343)
Amortization of investment premium	234,612	7,737
Amortization of bond refunding	201,454	181,002
Net (increase) decrease in fair value of investments	(10,643,488)	(2,922,719)
Realized loss on investments	13,933	19,062
Gain on sale of fixed assets	(22,200)	-
Interest received on investments	(16,744,613)	(13,653,655)
Changes in assets and liabilities:		
(Increase) decrease in mortgage loans receivable, net	(2,449,357)	299,963
(Increase) decrease in accrued interest receivable	(251,070)	(182,364)
(Increase) decrease in other assets	(262,533)	(293,045)
Increase (decrease) in deferred pension inflow	(105,267)	24,196
(Increase) decrease in deferred pension outflow	(414,215)	422,000
Increase (decrease) in accrued interest payable	126,354	202,744
Increase (decrease) in low income housing tax credit program unearned revenues	910,013	256,157
Increase (decrease) in grant fund unearned revenues	7,898,138	3,768,105
Increase (decrease) in net pension liability	994,449	(84,755)
Increase (decrease) in other liabilities and accrued expenses	266,457	1,215,919
Total adjustments	(7,700,051)	(1,203,580)
Net cash provided by (used in) operating activities	$ 6,194,642	$ 3,726,389

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.

Mortgage Loans Receivable, Mortgage-Backed Securities and Investments

A portion of the mortgage loans in the General Corporate Fund is 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 mortgage loan losses totaled $282,352 and $333,179 in 2020 and 2019, 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, 2020 and 2019, $1,956,700 and $1,552,885 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, 2020 and 2019, no refunding losses were deferred.

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:

	2020			
	Fair Value Measurements Using			
	Fair Value at June 30, 2020	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	$ 9,479,005	$ -	$ 9,479,005	$ -
Municipal debt securities	11,289,955	-	11,289,955	-
Mortgage-backed securities	441,325,612	-	441,325,612	-
Collateralized mortgage obligations	3,133,721	-	3,133,721	-
Other asset-backed securities	1,084,097	-	1,084,097	-
Commercial agreements	1,016,470	-	1,016,470	-
	$ 467,328,860	$ -	$ 467,328,860	$ -

	2019			
	Fair Value Measurements Using			
	Fair Value at June 30, 2019	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	$ 18,797,168	$ -	$ 18,797,168	$ -
Municipal debt securities	7,777,275	-	7,777,275	-
Mortgage-backed securities	336,422,132	-	336,422,132	-
Collateralized mortgage obligations	2,630,691	-	2,630,691	-
Other asset-backed securities	99,776	-	99,776	-
Commercial agreements	959,467	-	959,467	-
	$ 366,686,509	$ -	$ 366,686,509	$ -

The valuation technique used to measure fair value for the items in the tables above is the fair value of securities available for sale as 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, 2020, 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 (GAAP) 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, 2020, the carrying amount of the Corporation's cash and cash equivalents was $56,130,717, and the bank balance was $56,391,499. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $56,391,499 bank balance, $6,808,985, 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 $49,582,514, $44,798,629 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, 2019, the carrying amount of the Corporation's cash and cash equivalents was $60,134,158, and the bank balance was $60,193,027. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $60,193,027 bank balance, $7,723,628, 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 $52,469,399, $44,463,901 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, 2020 and 2019 follows:

	2020		2019	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U.S. Government agency securities	$ 9,479,005	$ 9,204,250	$ 18,797,168	$ 18,704,878
Municipal debt securities	11,289,955	11,007,645	7,777,275	7,703,013
Mortgage-backed securities	441,325,612	421,512,801	336,422,132	326,749,309
Collateralized mortgage obligations	3,133,721	3,149,528	2,630,691	2,702,356
Other asset-backed securities	1,084,097	1,081,342	99,776	97,149
Commercial agreements	1,016,470	960,000	959,467	960,000
	$ 467,328,860	$ 446,915,566	$ 366,686,509	$ 356,916,705

At June 30, 2020, 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	$ 9,479,005	$ 297,403	$ 3,150,229	$ 5,680,828	$ 350,545
Municipal debt securities	11,289,955	2,014,100	4,016,802	4,217,313	1,041,740
Mortgage-backed securities	441,325,612	-	7,201,749	9,410,648	424,713,215
Collateralized mortgage obligations	3,133,721	-	11,050	509,220	2,613,451
Other asset-backed securities	1,084,097	-	-	1,008,173	75,924
Commercial agreements	1,016,470	-	1,016,470	-	-
	$ 467,328,860	$ 2,311,503	$ 15,396,300	$ 20,826,182	$ 428,794,875

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, 2020, the Corporation's investments in certain Municipal Debt Securities of $3,644,046 and Other Asset-Backed Securities of $75,924 were unrated. The Corporation's remaining investments are rated by Moody's Investor Service or Standard and Poor's as follows:

Investment Type	Rating	Estimated Value
U.S. Government agency securities	Aaa	$ 9,479,005
Municipal debt securities	Aa	7,645,909
Mortgage-backed securities	Aaa	441,325,612
Collateralized mortgage obligations	Aaa	3,133,721
Other asset-backed securities	Aaa	1,008,173
Commercial agreements	Aaa	1,016,470
		$ 463,608,890

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, 2020, the Corporation held Ginnie Mae investments (rated Aaa) with a fair value of $395,230,011 and Fannie Mae investments (rated Aaa) with a fair value of $45,920,931, which represent approximately 94 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.

Note 3: Mortgage Loans Receivable

Mortgage loans receivable is comprised of real estate mortgage loans and real estate construction loans, as follows:

- Real estate mortgage loans are secured by personal residences and payable in periodic installments. As of June 30, 2020 and 2019, $10,510,311 and $10,409,165, 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, 2020 and 2019, $31,222,471 and $28,724,016, 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, 2018	$ 243,558,255	$ 1,539,903
Proceeds from issuance	99,991,597	6,670,000
Principal repayments	(31,164,992)	(6,739,547)
Premium amortization	(83,343)	-
Balance at June 30, 2019	312,301,517	1,470,356
Proceeds from issuance	131,347,569	-
Principal repayments	(55,127,564)	(70,245)
Premium amortization	(194,209)	-
Balance at June 30, 2020	$ 388,327,313	$ 1,400,111

The Corporation has the option to redeem bonds after they have been outstanding for 10 years without premium. Certain extraordinary redemptions, as governed by the bond resolutions, are permitted prior to the foregoing redemption dates.

The bonds are secured, as described in the applicable bond resolution, by a pledge of the revenues, monies, investments, mortgage loans and other assets of the applicable programs. Management believes that, for the year ended June 30, 2020, the Corporation has complied with all bond covenants.

Bonds and notes payable of the Corporation follow:

Issue	Rates (%)	Final Maturity	June 30, 2020	June 30, 2019
2002 Lease Purchase	–	10/01/2007	$ 600,401	$ 600,401
			600,401	600,401
2009 Resolution				
2013A	2.75	12/01/2032	10,974,276	12,997,945
2015A	3.05	12/01/2034	16,444,795	22,028,690
2016A	1.35 – 3.625	12/01/2045	31,804,970	34,811,071
2017A	1.45 – 4.00	12/01/2046	36,397,552	39,564,928
2017D	2.20 – 4.00	12/01/2043	28,382,737	31,003,701
2018A	2.05 - 4.00	12/01/2044	37,186,928	39,444,841
2019A	1.70 - 4.00	12/01/2048	58,826,232	59,983,441
2019B	1.15 - 3.50	12/01/2049	66,544,499	-
2020A	0.85 - 3.75	06/01/2049	64,329,834	-
			350,891,823	239,834,617
2009 NIBP Resolution				
2009B-1	3.06	12/01/2041	-	17,690,000
2009B-2	2.32	12/01/2041	32,550,000	37,410,000
2010A	3.25 – 4.55	12/01/2031	-	10,300,000
2011A	3.375 – 4.50	06/01/2025	4,285,089	6,466,499
			36,835,089	71,866,499
Total bonds payable, net			$ 388,327,313	$ 312,301,517

Notes Payable Description	Rates (%)	Final Maturity	June 30, 2020	June 30, 2019
USDA Rural Development	1.00%	05/05/2038	$ 1,400,111	$ 1,470,356

A summary of debt service requirements through 2025 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal	Interest
2021	$ 9,651,300	$ 11,242,834
2022	9,345,000	11,082,193
2023	9,310,000	10,898,494
2024	10,755,000	10,720,446
2025	9,435,000	10,472,229

Five-Year Increments Ending June 30,	Principal	Interest
2026 – 2030	$ 49,835,000	$ 48,746,151
2031 – 2035	84,584,071	41,171,498
2036 – 2040	54,444,182	30,336,435
2041 – 2045	77,574,754	20,334,815
2046 – 2050	74,793,117	9,103,741

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 both 2020 and 2019. 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 may call 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 Programs

The Corporation's Down Payment Assistance Programs provide 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 two down payment assistance programs are:

- Smart Solutions Program - 10-year terms, interest rates set by management, are secured by second mortgages on the residences, and the maximum principal amount is 3.5 percent of the primary mortgage loan.
- MRB7 Program – 10-year terms, zero percent interest rate, forgivable after 10 years as long as the home is owner-occupied, are secured by second mortgages on the residences, and the maximum principal amount is $7,000.

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, 2020 and 2019, $600,401 bonds payable were outstanding under this program (see *Note 4*).

Note 12: 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 17.40 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 $708,860 and $599,151 for the years ended June 30, 2020 and 2019, 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, 2019 and 2018
- Schedule of Employer Allocations and Schedule of Collective Pension Amounts – PERS – June 30, 2019 and 2018

Accordingly, this note reflects financial information related to the measurement periods ended June 30, 2019 and 2018. 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, 2020 and 2019, the Corporation reported a liability of $10,275,647 and $9,281,198, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the Corporation's proportion was 0.058411 percent and 0.0558 percent, respectively, which was an increase of 0.002611 percent and a decrease of 0.000542 percent, respectively, from its proportion measured as of June 30, 2018 and 2017.

For the years ended June 30, 2020 and 2019, the Corporation recognized pension expense of $1,183,826 and $960,593, respectively, which is included in salaries and related benefits. At June 30, 2020 and 2019, the Corporation reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 6,079	$ 11,060
Changes of assumptions	100,743	-
Net difference between projected and actual earnings on pension plan investments	-	112,421
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	302,096	-
Corporation contributions subsequent to the measurement date	708,860	-
Total	$ 1,117,778	$ 123,481

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 40,687	$ 39,125
Changes of assumptions	5,478	5,125
Net difference between projected and actual earnings on pension plan investments	-	184,498
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	58,247	-
Corporation contributions subsequent to the measurement date	599,151	-
Total	$ 703,563	$ 228,748

The Corporation reported $708,860 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, 2020. 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	
2021	$ 166,706
2022	(48,229)
2023	120,046
2024	46,914
	$ 285,437

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 - 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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 weighting 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, 2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	27%	4.90%
International equity	22%	4.75%
Global equity	12%	5.00%
Debt securities	20%	1.50%
Real estate	10%	4.00%
Private equity	8%	6.25%
Cash equivalents	1%	0.25%
Total	100%	

The total pension liability in the June 30, 2018 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, 2018 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 weighting 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%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent at June 30, 2019 and 2018. 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	$ 13,507,694	$ 10,275,647	$ 7,607,883

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 13: Deferred Compensation Plan

The State offers its employees a multiple-employer deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected or under contract, providing services for the State, state agencies, counties, municipalities or other political subdivisions, for which compensation is paid. The Plan permits employees of the Corporation to defer a portion of their income until future years.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employer (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of those entities which employ deferred compensation participants. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of the deferred account for each participant. The Corporation believes that it has no liabilities with respect to the State's plan.

Note 14: Conduit Issues

The Corporation has issued certain conduit multi-family housing revenue bonds, the proceeds of which were made available to various developers for rental housing. 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 15: Subsequent Events

The Corporation has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through October 14, 2020, the date of issuance of its combined financial statements, and has determined that no significant events, other than that mentioned below, occurred after June 30, 2020, but prior to the issuance of these financial statements that could have a material impact on its combined financial statements.

On August 19, 2020, the Corporation issued $48,520,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from June 1, 2021 to December 1, 2050, and bear interest rates from 0.20 percent to 3.25 percent.

Note 16: COVID-19

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Corporation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Schedules

Mississippi Home Corporation
Combining Schedule of Net Position
June 30, 2020

	1995CD Program	1995IJ Program	2002 Lease Purchase Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program
Assets						
Current Assets						
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash and cash equivalents	—	—	576,074	8,947,998	970,869	10,494,941
Accrued interest receivable	1,950	1,860	—	1,302,194	94,259	1,400,263
Total current assets	1,950	1,860	576,074	10,250,192	1,065,128	11,895,204
Noncurrent Assets						
Restricted cash and cash equivalents	218	294	—	21,000,137	223,642	21,224,291
Investments, at fair value	316,957	319,890	—	389,002,327	39,393,264	429,032,438
Mortgage loans receivable, net	—	—	—	—	—	—
Other assets	—	—	—	66,927	4,785	71,712
Due (to) from other funds	—	—	—	—	—	—
Total noncurrent assets	317,175	320,184	—	410,069,391	39,621,691	450,328,441
Total assets	319,125	322,044	576,074	420,319,583	40,686,819	462,223,645
Deferred Outflows of Resources						
Deferred amount on refunding	—	—	—	1,515,503	—	1,515,503
Deferred pension outflow	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	1,515,503	—	1,515,503
Total assets and deferred outflows of resources	$ 319,125	$ 322,044	$ 576,074	$ 421,835,086	$ 40,686,819	$ 463,739,148
Liabilities						
Current Liabilities						
Bonds payable, net	$ —	$ —	$ 600,401	$ 8,085,000	$ 895,000	$ 9,580,401
Notes payable	—	—	—	—	—	—
Accrued interest payable	—	—	—	862,998	75,869	938,867
Total current liabilities	—	—	600,401	8,947,998	970,869	10,519,268
Noncurrent Liabilities						
Bonds payable, net	—	—	—	342,806,823	35,940,089	378,746,912
Notes payable	—	—	—	—	—	—
Low income housing tax credit program unearned revenues	—	—	—	—	—	—
Grant fund unearned revenues	—	—	—	—	—	—
Net pension liability	—	—	—	—	—	—
Other liabilities and accrued expenses	218	294	—	42,040	10,626	53,178
Total noncurrent liabilities	218	294	—	342,848,863	35,950,715	378,800,090
Total liabilities	218	294	600,401	351,796,861	36,921,584	389,319,358
Deferred Inflow of Resources						
Deferred pension inflow	—	—	—	—	—	—
Total deferred inflow of resources	—	—	—	—	—	—
Total liabilities and deferred inflow of resources	$ 218	$ 294	$ 600,401	$ 351,796,861	$ 36,921,584	$ 389,319,358
Net Position						
Net investments in capital assets	$ —	$ —	$ —	$ —	$ —	$ —
Restricted	318,907	321,750	(24,327)	70,038,225	3,765,235	74,419,790
Unrestricted	—	—	—	—	—	—
Total net position	$ 318,907	$ 321,750	$ (24,327)	$ 70,038,225	$ 3,765,235	$ 74,419,790

Mississippi Home Corporation
Combining Schedule of Net Position (continued)
Year Ended June 30, 2020

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Assets					
Current Assets					
Cash and cash equivalents	$ —	$ 373,884	$ 5,452,394	$ —	$ 5,826,278
Restricted cash and cash equivalents	—	—	—	—	10,494,941
Accrued interest receivable	1,797	8,150	209,472	16,464	1,636,146
Total current assets	1,797	382,034	5,661,866	16,464	17,957,365
Noncurrent Assets					
Restricted cash and cash equivalents	2,004,031	—	16,042,209	538,967	39,809,498
Investments, at fair value	—	—	38,296,422	—	467,328,860
Mortgage loans receivable, net	471,286	2,184,029	33,355,806	4,583,901	40,595,022
Other assets	—	—	3,828,412	3,281,942	7,182,066
Due (to) from other funds	28,892	—	(27,205)	(1,687)	—
Total noncurrent assets	2,504,209	2,184,029	91,495,644	8,403,123	554,915,446
Total assets	2,506,006	2,566,063	97,157,510	8,419,587	572,872,811
Deferred Outflows of Resources					
Deferred amount on refunding	—	—	—	—	1,515,503
Deferred pension outflow	—	—	1,117,778	—	1,117,778
Total deferred outflows of resources	—	—	1,117,778	—	2,633,281
Total assets and deferred outflows of resources	$ 2,506,006	$ 2,566,063	$ 98,275,288	$ 8,419,587	$ 575,506,092
Liabilities					
Current Liabilities					
Bonds payable, net	$ —	$ —	$ —	$ —	$ 9,580,401
Notes payable	—	—	70,899	—	70,899
Accrued interest payable	—	—	7,000	—	945,867
Total current liabilities	—	—	77,899	—	10,597,167
Noncurrent Liabilities					
Bonds payable, net	—	—	—	—	378,746,912
Notes payable	—	—	1,329,212	—	1,329,212
Low income housing tax credit program unearned revenues	—	—	22,736,951	—	22,736,951
Grant fund unearned revenues	—	—	42,127,829	—	42,127,829
Net pension liability	—	—	10,275,647	—	10,275,647
Other liabilities and accrued expenses	1,809,244	4,322	1,624,550	13,976	3,505,270
Total noncurrent liabilities	1,809,244	4,322	78,094,189	13,976	458,721,821
Total liabilities	1,809,244	4,322	78,172,088	13,976	469,318,988
Deferred Inflow of Resources					
Deferred pension inflow	—	—	123,481	—	123,481
Total deferred inflow of resources	—	—	123,481	—	123,481
Total liabilities and deferred inflow of resources	$ 1,809,244	$ 4,322	$ 78,295,569	$ 13,976	$ 469,442,469
Net Position					
Net investments in capital assets	$ —	$ —	$ 1,325,965	$ —	$ 1,325,965
Restricted	696,762	—	—	8,405,611	83,522,163
Unrestricted	—	2,561,741	18,653,754	—	21,215,495
Total net position	$ 696,762	$ 2,561,741	$ 19,979,719	$ 8,405,611	$ 106,063,623

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

	1995CD Program	1995IJ Program	2002 Lease Purchase Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program
Operating Revenues						
Interest income						
Cash and cash equivalents	$ 128	$ 124	$ 7,081	$ 584,810	$ 30,435	$ 622,578
Mortgage-backed securities	22,981	20,236	—	12,992,668	2,077,288	15,113,173
Other investments	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—
Total interest income	23,109	20,360	7,081	13,577,478	2,107,723	15,735,751
Net increase (decrease) in fair value of investments	(1,720)	1,046	—	8,244,523	1,521,728	9,765,577
Low income housing tax credit program	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—
Program fees	—	—	—	—	—	—
Other income	—	—	—	70,045	—	70,045
Total operating revenues	21,389	21,406	7,081	21,892,046	3,629,451	25,571,373
Operating Expenses						
Interest expense	—	—	—	9,167,949	1,736,138	10,904,087
Bond issuance costs	—	—	—	1,956,700	—	1,956,700
Salaries and related benefits	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—
Provision for mortgage loan losses	—	—	—	—	—	—
Program expenses	—	—	—	—	—	—
Other	—	—	—	186,078	34,662	220,740
Total operating expenses	—	—	—	11,310,727	1,770,800	13,081,527
Operating income (loss)	21,389	21,406	7,081	10,581,319	1,858,651	12,489,846
Transfers in (out)	(103,635)	(71,752)	—	10,354,438	(4,455,416)	5,723,635
Net Position, Beginning of Year	401,153	372,096	(31,408)	49,102,468	6,362,000	56,206,309
Net Position, End of Year	$ 318,907	$ 321,750	$ (24,327)	$ 70,038,225	$ 3,765,235	$ 74,419,790

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended June 30, 2020

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Operating Revenues					
Interest income					
Cash and cash equivalents	$ 5,641	$ 2,096	$ 29,782	$ 3,199	$ 663,296
Mortgage-backed securities	—	—	—	—	15,113,173
Other investments	9,376	—	1,001,940	—	1,011,316
Mortgage loans	13,248	96,543	108,722	209,948	428,461
Total interest income	28,265	98,639	1,140,444	213,147	17,216,246
Net increase (decrease) in fair value of investments	—	—	877,911	—	10,643,488
Low income housing tax credit program	—	—	3,672,474	—	3,672,474
Grant fund revenues	—	—	17,731,480	—	17,731,480
Program fees	—	—	1,714,638	—	1,714,638
Other income	199	3,015	299,689	47,450	420,398
Total operating revenues	28,464	101,654	25,436,636	260,597	51,398,724
Operating Expenses					
Interest expense	—	—	14,303	—	10,918,390
Bond issuance costs	—	—	—	—	1,956,700
Salaries and related benefits	—	—	6,010,123	—	6,010,123
Grant fund expenses	—	—	15,549,600	—	15,549,600
Provision for mortgage loan losses	51,416	21,757	190,274	18,905	282,352
Program expenses	—	—	528,852	—	528,852
Other	5,071	9,306	1,925,111	97,786	2,258,014
Total operating expenses	56,487	31,063	24,218,263	116,691	37,504,031
Operating income (loss)	(28,023)	70,591	1,218,373	143,906	13,894,693
Transfers in (out)	297,677	4,714	(6,030,230)	4,204	—
Net Position, Beginning of Year	427,108	2,486,436	24,791,576	8,257,501	92,168,930
Net Position, End of Year	$ 696,762	$ 2,561,741	$ 19,979,719	$ 8,405,611	$ 106,063,623

Mississippi Home Corporation
Combining Schedule of Cash Flows
Year Ended June 30, 2020

	1995CD Program	1995IJ Program	2002 Lease Purchase Program	2009 Resolution	2009 NIBP Resolution	Total Bond 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	(2,859)	(3,870)	—	(220,557)	(31,837)	(259,123)
Fee income received	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—
Other income received	—	—	—	70,045	—	70,045
Net cash provided by (used in) operating activities	(2,859)	(3,870)	—	(150,512)	(31,837)	(189,078)
Cash flows from noncapital financing activities:						
Proceeds from issuance of bonds	—	—	—	131,347,569	—	131,347,569
Proceeds from issuance of notes	—	—	—	—	—	—
Principal repayment of bonds	—	—	—	(20,107,564)	(35,020,000)	(55,127,564)
Principal repayment of notes	—	—	—	—	—	—
Interest paid	—	—	—	(8,924,391)	(1,845,745)	(10,770,136)
Bond issuance costs paid	—	—	—	(1,956,700)	—	(1,956,700)
Due (from) to other programs	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	—	—	—	100,358,914	(36,865,745)	63,493,169
Cash flows from capital and related financing activities:						
Property and equipment additions	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—
Cash flows from investing activities:						
Purchase of investments	—	—	—	(153,052,075)	—	(153,052,075)
Redemption of investments	80,006	51,076	—	24,298,866	37,858,144	62,288,092
Interest received on investments	26,433	24,467	7,081	13,477,062	2,231,900	15,766,943
Proceeds from sale of real estate owned	—	—	—	—	—	—
Net cash provided by (used in) investing activities	106,439	75,543	7,081	(115,276,147)	40,090,044	(74,997,040)
Transfers	(103,635)	(71,752)	—	10,354,438	(4,455,416)	5,723,635
Net increase (decrease) in cash and cash equivalents	(55)	(79)	7,081	(4,713,307)	(1,262,954)	(5,969,314)
Cash and cash equivalents, beginning of year	273	373	568,993	34,661,442	2,457,465	37,688,546
Cash and cash equivalents, end of year	$ 218	$ 294	$ 576,074	$ 29,948,135	$ 1,194,511	$ 31,719,232

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2020

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Cash flows from operating activities:					
Loan principal payments received	$ 487,404	$ 520,621	$ 607,981	$ 893,754	$ 2,509,760
Loan interest payments received	11,927	94,531	111,084	209,149	426,691
Loan disbursements	(915,884)	(932,374)	(372,683)	(1,039,401)	(3,260,342)
Payments to employees	—	—	(5,466,951)	—	(5,466,951)
Down payment assistance disbursements	—	—	—	—	—
Grant funds expended	—	—	(15,565,089)	—	(15,565,089)
Payments to vendors	61,243	(12,498)	(2,104,613)	(105,671)	(2,420,662)
Fee income received	—	2,997	5,856,650	9,008	5,868,655
Grant funds received	—	—	23,252,375	—	23,252,375
Other income received	199	2,114	774,284	3,563	850,205
Net cash provided by (used in) operating activities	(355,111)	(324,609)	7,093,038	(29,598)	6,194,642
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	—	—	—	—	131,347,569
Proceeds from issuance of notes	—	—	—	—	—
Principal repayment of bonds	—	—	—	—	(55,127,564)
Principal repayment of notes	—	—	(70,245)	—	(70,245)
Interest paid	—	—	(14,655)	—	(10,784,791)
Bond issuance costs paid	—	—	—	—	(1,956,700)
Due (from) to other programs	3,314	—	(3,314)	—	—
Net cash provided by (used in) noncapital financing activities	3,314	—	(88,214)	—	63,408,269
Cash flows from capital and related financing activities:					—
Property and equipment additions	—	—	(125,101)	—	(125,101)
Proceeds from sale of property and equipment	—	—	22,200	—	22,200
Net cash provided by (used in) capital and related financing activities	—	—	(102,901)	—	(102,901)
Cash flows from investing activities:					
Purchase of investments	—	—	(15,101,678)	(252,801)	(168,406,554)
Redemption of investments	9,376	—	15,608,879	—	77,906,347
Interest received on investments	5,641	—	972,029	—	16,744,613
Proceeds from sale of real estate owned	—	—	—	252,143	252,143
Net cash provided by (used in) investing activities	15,017	—	1,479,230	(658)	(73,503,451)
Transfers	297,677	4,714	(6,030,230)	4,204	—
Net increase (decrease) in cash and cash equivalents	(39,103)	(319,895)	2,350,923	(26,052)	(4,003,441)
Cash and cash equivalents, beginning of year	2,043,134	693,779	19,143,680	565,019	60,134,158
Cash and cash equivalents, end of year	$ 2,004,031	$ 373,884	$ 21,494,603	$ 538,967	$ 56,130,717

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2020

	1995CD Program	1995IJ Program	2002 Lease Purchase Program	2009 Resolution	2009 NIBP Resolution	Total Bond Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 21,389	$ 21,406	$ 7,081	$ 10,581,319	$ 1,858,651	$ 12,489,846
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Interest paid	—	—	—	8,924,391	1,845,745	10,770,136
Bond issuance costs paid	—	—	—	1,956,700	—	1,956,700
Amortization of bond premium	—	—	—	(182,800)	(11,409)	(194,209)
Amortization of investment (discount) premium	—	—	—	265,107	—	265,107
Amortization of bond refunding	—	—	—	201,454	—	201,454
Net (increase) decrease in fair value of investments	1,720	(1,046)	—	(8,244,523)	(1,521,728)	(9,765,577)
Realized loss on investments	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—
Interest received on investments	(26,433)	(24,467)	(7,081)	(13,477,062)	(2,231,900)	(15,766,943)
Changes in assets and liabilities:						
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	520	317	—	(365,523)	124,177	(240,509)
(Increase) decrease in other assets	—	—	—	(36,360)	4,434	(31,926)
Increase (decrease) in deferred pension outflow	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	—	—	—	224,903	(98,197)	126,706
Increase (decrease) in low income housing tax credit program unearned revenues	—	—	—	—	—	—
Increase in grant fund unearned revenues	—	—	—	—	—	—
Increase (decrease) in net pension liability	—	—	—	—	—	—
Increase (decrease) in deferred pension inflow	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(55)	(80)	—	1,882	(1,610)	137
Total adjustments	(24,248)	(25,276)	(7,081)	(10,731,831)	(1,890,488)	(12,678,924)
Net cash provided by (used in) operating activities	$ (2,859)	$ (3,870)	$ —	$ (150,512)	$ (31,837)	$ (189,078)

Mississippi Home Corporation
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2020

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (28,023)	$ 70,591	$ 1,218,373	$ 143,906	$ 13,894,693
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Interest paid	—	—	14,655	—	10,784,791
Bond issuance costs paid	—	—	—	—	1,956,700
Amortization of bond premium	—	—	—	—	(194,209)
Amortization of investment (discount) premium	(9,376)	—	(21,119)	—	234,612
Amortization of bond refunding	—	—	—	—	201,454
Net (increase) decrease in fair value of investments	—	—	(877,911)	—	(10,643,488)
Realized loss on investments	—	—	13,933	—	13,933
Gain on sale of fixed assets	—	—	(22,200)	—	(22,200)
Interest received on investments	(5,641)	—	(972,029)	—	(16,744,613)
Changes in assets and liabilities:					
(Increase) decrease in mortgage loans receivable, net	(377,064)	(392,767)	(1,755,986)	76,460	(2,449,357)
(Increase) decrease in accrued interest receivable	(1,321)	(2,011)	(6,430)	(799)	(251,070)
(Increase) decrease in other assets	—	—	19,341	(249,948)	(262,533)
Increase (decrease) in deferred pension outflow	—	—	(414,215)	—	(414,215)
Increase (decrease) in accrued interest payable	—	—	(352)	—	126,354
Increase (decrease) in low income housing tax credit program unearned revenues	—	—	910,013	—	910,013
Increase in grant fund unearned revenues	—	—	7,898,138	—	7,898,138
Increase (decrease) in net pension liability	—	—	994,449	—	994,449
Increase (decrease) in deferred pension inflow	—	—	(105,267)	—	(105,267)
Increase (decrease) in other liabilities and accrued expenses	66,314	(422)	199,645	783	266,457
Total adjustments	(327,088)	(395,200)	5,874,665	(173,504)	(7,700,051)
Net cash provided by (used in) operating activities	$ (355,111)	$ (324,609)	$ 7,093,038	$ (29,598)	$ 6,194,642

Mississippi Home Corporation
Schedule of Employer Contributions and the Proportionate Share of the Net Pension Liability
PERS Pension Plan
Year Ended June 30, 2020

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required employer contribution	$ 708,860	$ 599,151	$ 561,233	$ 569,264	$ 555,561	$ 517,835	$ 528,197	$ 446,164	$ 356,526	$ 323,912
Contributions in relation to the statutorily required contributions	(708,860)	(599,151)	(561,233)	(569,264)	(555,561)	(517,835)	(528,197)	(446,164)	(356,526)	(323,912)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,073,906	$ 3,804,137	$ 3,563,384	$ 3,614,376	$ 3,527,365	$ 3,287,839	$ 3,353,630	$ 3,128,780	$ 2,858,759	$ 2,699,263
Contributions as a percentage of covered-employee payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%	14.26%	12.47%	12.00%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.058411%	0.055800%	0.056342%	0.055139%	0.052627%	0.054883%	0.051191%
Proportionate share of the net pension liability (asset)	$ 10,275,647	$ 9,281,198	$ 9,365,953	$ 9,849,201	$ 8,135,098	$ 6,661,791	$ 7,092,993
Covered-employee payroll	$ 3,804,137	$ 3,563,384	$ 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	270%	260%	259%	279%	247%	199%	227%
Plan fiduciary net position as a percentage of the total pension liability	62%	63%	61%	57%	62%	67%	61%

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

See Notes to Supplementary Schedule

Changes of assumptions

- 2019
  - The expectation of retired life mortality was changed to PubS.H-2010(B) Retiree Table with the following adjustments. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvement in life expectancy.
  - The expectation of disabled mortality was changed to Pub T.H.-2010 Disabled Retiree Table for disabled retirees with the following adjustments. For males, 137% of male rates at all ages. For females, 115% for female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 3.00% to 2.75%.
  - The wage inflation assumption was reduced from 3.25% to 3.00%.
  - Withdrawal rates, pre-retirement mortality 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 7% to 9%.
- 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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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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, 2020, 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 combined financial statements, and have issued our report thereon dated October 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined 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 Corporation's combined 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 combined 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
October 14, 2020