Missouri Housing Development Commission

Accountants' Report and Financial Statements

June 30, 2012 and 2011

Missouri Housing Development Commission
June 30, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

910 E. St. Louis Street, Suite 200
P.O. Box 1190
Springfield, MO 65801-1190
417.865.8701 Fax 417.865.0682 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

The Commissioners
Missouri Housing Development Commission
Kansas City, Missouri

We have audited the accompanying balance sheets of Missouri Housing Development Commission (the "Commission") as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining balance sheet, combining statement of revenues, expenses and changes in net assets, real estate owned – Oak Meadows statement of revenues, expenses and changes in net assets and statement of cash flows listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

September 21, 2012

Missouri Housing Development Commission

Management's Discussion and Analysis

June 30, 2012 and 2011

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2012, and June 30, 2011. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction – Missouri Housing Development Commission

The Missouri Housing Development Commission (the "Commission") was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri. The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission secures resources through the sale of tax-exempt and taxable bonds and notes and through sale of mortgage assets, for the purposes of financing owner-occupied residential mortgage loans for lower- and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower- and moderate-income persons. The Commission's net assets are also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the Missouri Housing Trust Fund, the Missouri Affordable Housing Assistance Program and the federal and state housing tax credits for the state of Missouri. The Commission also administers federal grant programs, including the HOME Investment Partnership Program and contracts for the Project Based Section 8 program, which provides rental subsidies.

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

2012 Financial Highlights

- Total assets were $2.2 billion, a decrease of 7.7% from June 30, 2011, reflecting a decrease in mortgage assets.

- Fiscal year 2012 mortgage investment purchases and originations totaled $269.9 million as compared to $294.4 million in fiscal year 2011. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled $468.5 million in fiscal year 2012 as compared to $223.5 million in fiscal year 2011.

- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $56.8 million in fiscal year 2012 and totaled $110.7 million in fiscal year 2011.

- Total revenues were $265.1 million in fiscal year 2012, a decrease of 17.9% from fiscal year 2011. Excluding the net change in fair value of investments, total revenues were $246.1 million in fiscal year 2012, representing a decrease of 23.0%. Revenues from federal programs were $147.4 million in fiscal year 2012 as compared to $216.5 million in fiscal year 2011. Fiscal year 2012 federal programs include $5.5 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009 as compared to $76.1 million in fiscal year 2011.

- Net operating income, excluding the net change in fair value of investments, was $23.1 million in fiscal year 2012 as compared to $33.8 million in fiscal year 2011. Excluding federal programs and the net change in fair value of investments, net operating income was $13.8 million in fiscal year 2012 as compared to $5.7 million in fiscal year 2011.

- Net assets increased $42.1 million (6.2%) as of June 30, 2012. Excluding the change in fair value of investments, net assets increased $35.2 million (5.9%) as of June 30, 2012.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

2011 Financial Highlights

- Total assets were $2.38 billion, a decrease of 2.5% from June 30, 2010.

- Fiscal year 2011 mortgage investment purchases and originations totaled $294.4 million as compared to $287.5 million in fiscal year 2010.

- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $110.7 million in fiscal year 2011 and totaled $438.9 million in fiscal year 2010.

- Total revenues were $323.0 million in fiscal year 2011, a decrease of 1.28% from fiscal year 2010. Excluding the net change in fair value of investments, total revenues were $319.4 million in fiscal year 2011, representing an increase of 15.7%. Revenues from federal programs were $216.5 million in fiscal year 2011 as compared to $166.5 million in fiscal year 2010. Fiscal year 2011 federal programs include $76.1 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009.

- Net operating income, excluding the net change in fair value of investments, was $33.8 million in fiscal year 2011 as compared to $36.1 million in fiscal year 2010.

- Net assets increased $37.3 million (5.8%) as of June 30, 2011. Excluding the change in fair value of investments, net assets increased $30.6 million (5.5%) as of June 30, 2011.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

Financial Position

The following table summarizes the Commission's current, restricted and noncurrent assets and liabilities and displays restricted and unrestricted net assets as of June 30, 2012, June 30, 2011, and June 30, 2010.

Condensed Financial Information
Assets, Liabilities and Net Assets (In Thousands)

	June 30,			$ change	
	2012	2011	2010	2012 vs 2011	2011 vs 2010
Assets					
Current assets	$ 22,914	$ 40,517	$ 53,705	$ (17,603)	$ (13,188)
Restricted investments	181,748	188,702	188,580	(6,954)	122
Restricted mortgage	1,564,367	1,747,780	1,661,563	(183,413)	86,217
Other restricted assets	233,235	239,228	312,722	(5,993)	(73,494)
Capital assets	976	1,295	1,427	(319)	(132)
Other	192,310	160,556	221,081	31,754	(60,525)
Total assets	$ 2,195,550	$ 2,378,078	$ 2,439,078	$ (182,528)	$ (61,000)
Liabilities					
Current liabilities	$ 5,152	$ 21,061	$ 10,304	$ (15,909)	$ 10,757
Current liabilities – payable from restricted assets	140,255	169,368	133,296	(29,113)	36,072
Long-term bonds payable	1,319,145	1,498,690	1,643,843	(179,545)	(145,153)
Other	9,098	9,188	9,162	(90)	26
Total liabilities	$ 1,473,650	$ 1,698,307	$ 1,796,605	$ (224,657)	$ (98,298)
Net Assets					
Invested in capital assets	$ 976	$ 1,295	$ 1,427	$ (319)	$ (132)
Restricted	457,533	423,612	381,612	33,921	42,000
Unrestricted	263,391	254,864	259,434	8,527	(4,570)
Total net assets	$ 721,900	$ 679,771	$ 642,473	$ 42,129	$ 37,298

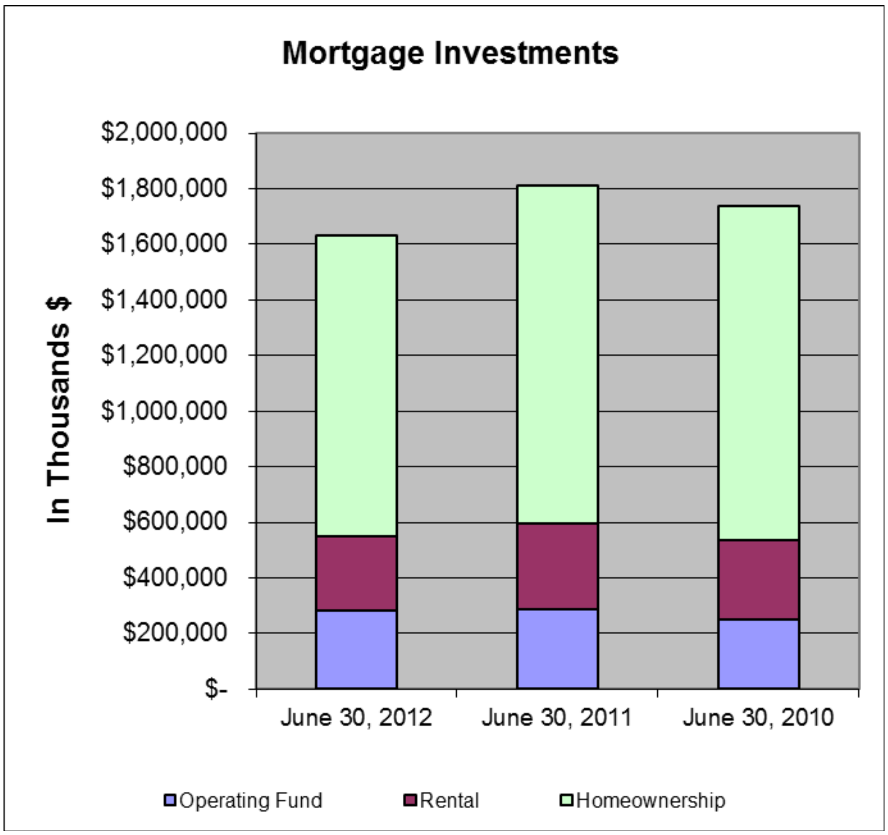
Investments

Investments consist of FHLB term deposits, U.S. government and agency fixed rate securities and guaranteed investment agreement contracts. The Commission's investment policy emphasizes preservation of principal. At June 30, 2012, the Commission had $324.2 million in investments as compared to $302.2 million at June 30, 2011, and $368.5 million at June 30, 2010.

Mortgage Investments

The Commission's mortgage investments decreased 10.0% during fiscal year 2012 and increased 4.4% during fiscal year 2011. Mortgage investments comprise 74.3% of the Commission's total assets at June 30, 2012, as compared to 76.2% at June 30, 2011, and 71.1% at June 30, 2010. Government National Mortgage Association (GNMA), Fannie Mae and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities (MBS) comprise 66.9% of the Commission's mortgage investments at June 30, 2012, compared to 68.3% at June 30, 2011, and 69.6% at June 30, 2010. In fiscal year 2012 new loans totaled $269.9 million, with mortgage asset sales, prepayment activity and change in fair value resulting in a net decrease of $181.2 million in the mortgage investment portfolio as reported. In fiscal year 2011 new loans totaled $294.4 million, with mortgage asset sales, prepayment activity and change in fair value resulting in a net increase of $76.4 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed rental loan portfolio backed by FHA insurance including Risk-Share loans. The Commission's loan loss reserve is 2.6% of total mortgage investments at June 30, 2012 (2.4% at June 30, 2011, and 2.5% at June 30, 2010), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

The mix of mortgage investments among operating fund loans, rental and homeownership bond-financed programs at June 30, 2012, June 30, 2011, and June 30, 2010, is depicted in the following chart:



The Commission's operating fund mortgage investments as reported are comprised of mortgage-backed securities and loans financed with fund balances (net assets) and Federal Home Loan Bank (FHLB) advances totaling $95.5 million at June 30, 2012, as compared to $109.6 million at June 30, 2011 and $100.9 million at June 30, 2010. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling $160.7 million at June 30, 2012, as compared to $151.5 million at June 30, 2011, and $138.2 million at June 30, 2010. In addition, the operating fund loans at June 30, 2012, include $26.1 million in loans financed by the federal Tax Credit Assistance Program (TCAP), as compared to $25.8 million at June 30, 2011, and $11.4 million at June 30, 2010. The Commission's rental loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in 50% of the insured risk. These loans totaled $172.0 million at June 30, 2012, $201.2 million at June 30, 2011, and $173.9 million at June 30, 2010. The Commission's rental loan portfolio also includes conduit loans, which totaled $89.7 million at June 30, 2012, $97.6 million at June 30, 2011, and $99.2 million at June 30, 2010. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

Debt

At June 30, 2012, the Commission had $1.35 billion in bonds and notes outstanding as compared to $1.54 billion outstanding at June 30, 2011, and $1.65 billion at June 30, 2010.

During fiscal year 2012, new debt resulted from issuance of a one series of homeownership Treasury New Issue Bond Program (NIBP) Market Bonds, which totaled $50 million and one multifamily conduit bond issue totaling $6.8 million. The overall net decrease in debt during fiscal year 2012 resulted from principal payments and redemptions that exceeded current year issuances, including a net decrease in FHLB advances of $13.2 million. During fiscal year 2011, new debt resulted from the issuance of two series of homeownership NIBP Market Bonds, which totaled $80 million, and five multifamily bond issues totaling $30.7 million and a net increase in FHLB advances of $8.5 million. The overall net increase in debt during fiscal year 2011 resulted from current year issuances that exceeded principal payments and redemptions. For additional information, see *Note 5*, Bonds Payable and Long-Term Liabilities, in the Notes to Financial Statements.

Net Assets

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net assets as compared to total assets) was 31.2% at June 30, 2012, as compared to 27.0% at June 30, 2011, and 24.9% at June 30, 2010. Excluding unrealized gains and losses, net assets were $627.4 million at June 30, 2012, $592.2 million at June 30, 2011, and $561.6 million at June 30, 2010, representing growth of 5.9% in fiscal year 2012, growth of 5.5% in fiscal year 2011 and growth of 5.7% in fiscal year 2010. A significant portion of the Commission's net assets are restricted by bond indenture, grant agreements and other legal requirements. Net assets provide liquidity and capital adequacy to support the Commission's general obligations and commitments, such as the Commission's general obligation bonds and participation in HUD's Risk-Share Program, that are secured by the Commission's full faith and credit.

Operating Activities

The following table summarizes the Commission's revenues, expenses and changes in net assets for fiscal years 2012, 2011 and 2010.

Condensed Financial Information
Revenues, Expenses and Changes in Net Assets (In Thousands)

	2012	2011	2010	$ change 2012 vs 2011	$ change 2011 vs 2010
Operating Revenues					
Interest and investment income	$ 99,795	$ 89,597	$ 140,729	$ 10,198	$ (51,132)
Grants and federal assistance	147,351	216,480	166,525	(69,129)	49,955
Other	17,917	16,884	19,905	1,033	(3,021)
Total operating revenues	265,063	322,961	327,159	(57,898)	(4,198)
Operating Expenses					
Interest expense	59,168	63,199	70,847	(4,031)	(7,648)
Compensation and administrative expenses	12,574	13,258	13,553	(684)	(295)
Grants and federal assistance	138,039	188,420	146,471	(50,381)	41,949
Other	13,153	20,786	9,131	(7,633)	11,655
Total operating expenses	222,934	285,663	240,002	(62,729)	45,661
Change in Net Assets	$ 42,129	$ 37,298	$ 87,157	$ 4,831	$ (49,859)

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2012, overall revenues decreased due, primarily, to a decrease in federal assistance revenue offset by an increase in fair value adjustments. Interest and investment income increased $10.2 million in fiscal year 2012 primarily due to fair value adjustments. During fiscal year 2011, overall revenues decreased due, primarily, to a decrease in fair value adjustments offset by an increase in federal assistance revenue. Interest and investment income decreased $51.1 million in fiscal year 2011 primarily due to a decrease in fair value adjustments. Excluding the effects of fair value reporting, the change in net assets was an increase of $35.2 million in fiscal year 2012, $30.6 million in fiscal year 2011 and $30.2 million in fiscal year 2010, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting and conduit bond-financed assets, were 5.8% and 1.7%, respectively, for fiscal year 2012. This compares to 5.3% and 1.4%, respectively, for fiscal year 2011.

Revenues

Interest and investment income totaled $99.8 million in fiscal year 2012, as compared to $89.6 million in fiscal year 2011 (an increase of 11.4% in fiscal year 2012) and $140.7 million in fiscal year 2010 (a decrease of 36.3% in fiscal year 2011). This income includes fair value increases of $19.0 million in fiscal year 2012, $3.5 million in fiscal year 2011 and $51.1 million in fiscal year 2010. During fiscal years 2012 and 2011 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 6.1% in fiscal year 2012 and decreased 4.0% in fiscal year 2011, reflecting the decrease in the Commission's mortgage investment asset base and decreases in interest rates and earnings as compared to the prior year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

Grants and Federal Assistance

Federal and state grant program revenues and expenses represent activity related to projects funded by the U.S. Department of Housing and Urban Development (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled $147.4 million in fiscal year 2012 as compared to $216.5 million in fiscal year 2011 and $166.5 million in fiscal year 2010 while expenses incurred were $138.0 million in fiscal year 2012, $188.4 million in fiscal year 2011 and $146.5 million in fiscal year 2010. The fiscal year 2012 decrease and the fiscal year 2011 increase were primarily due to Tax Credit Replacement (TCR) funding. This federal stimulus program, along with TCAP funding, provided by the American Recovery and Reinvestment Act of 2009 totaled $5.5 million in revenue in fiscal year 2012, as compared to $76.1 million in fiscal year 2011 and $32.9 million in fiscal year 2010. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to effectively use federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Missourians.

Expenses

Interest costs were $59.2 million for fiscal year 2012 as compared to $63.2 million for fiscal year 2011 (a decrease of 6.4% in fiscal year 2012) and $70.8 million for fiscal year 2010 (a decrease of 10.8% in fiscal year 2011). The fiscal year 2012 and 2011 decreases are primarily attributable to the decrease in the amount of total debt outstanding and to the decrease in the rates on newer debt issues, particularly the low short-term interest rates on the NIBP Market Bonds.

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled $12.6 million in fiscal year 2012 ($13.3 million in fiscal year 2011 and $13.6 million in fiscal year 2010). Excluding the net change in the fair value of investments, these costs represented 5.1% of revenues in fiscal year 2012 as compared to 4.2% of revenues in fiscal year 2011 and 4.9% of revenues in fiscal year 2010.

Contacting MHDC's Financial Management

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact the Director of Finance at the Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri, 64111 or visit the Commission's website at www.mhdc.com.

Missouri Housing Development Commission

Balance Sheets

June 30, 2012 and 2011

(In Thousands)

Assets	2012	2011
Current Assets		
Cash and cash equivalents	$ 4,392	$ 16,642
Investments	6,028	12,472
Mortgage investments	10,305	4,496
Accrued interest receivable	1,691	1,496
Real estate owned	-	2,051
Accounts receivable – other	433	3,300
Prepaid expenses	65	60
Total current assets	22,914	40,517
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	218,657	222,847
Investments	181,748	188,702
Mortgage investments	1,564,367	1,747,780
Accrued interest receivable	5,970	6,895
Deferred financing charges	8,105	9,486
Accounts receivable – other	503	-
Total restricted assets	1,979,350	2,175,710
Investments	136,381	101,068
Mortgage investments, net of current portion and allowances for loan losses of $44,172 and $44,362 at June 30, 2012 and 2011, respectively	55,929	59,488
Capital assets, less accumulated depreciation of $3,458 and $2,927 at June 30, 2012 and 2011, respectively	976	1,295
Total noncurrent assets	2,172,636	2,337,561
Total assets	$ 2,195,550	$ 2,378,078

See Notes to Financial Statements

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Bonds and notes payable	$ 2,247	$ 15,449
Accounts payable	1,745	4,495
Deferred revenue	1,160	1,117
Total current liabilities	5,152	21,061
Current Liabilities – Payable From Restricted Assets		
Bonds and notes payable	26,232	50,830
Accrued interest payable	17,442	20,574
Escrow deposits	96,046	97,312
Rent subsidies and other payables	338	324
Accounts payable	197	328
Total current liabilities – payable from restricted assets	140,255	169,368
Noncurrent Liabilities		
Bonds and notes payable	19	78
Deferred revenue	9,098	9,188
Payable from restricted assets		
Bonds and notes payable	1,319,126	1,498,612
Total noncurrent liabilities	1,328,243	1,507,878
Total liabilities	1,473,650	1,698,307
Net Assets		
Invested in capital assets	976	1,295
Restricted	457,533	423,612
Unrestricted, including designated balances	263,391	254,864
Total net assets	721,900	679,771
Total liabilities and net assets	$ 2,195,550	$ 2,378,078

Missouri Housing Development Commission
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Operating Revenues		
Interest and investment income		
Income – mortgage investments	$ 74,514	$ 78,742
Income – investments	6,291	7,331
Net increase in fair value of investments	18,990	3,524
Total interest and investment income	99,795	89,597
Administration fees	6,969	7,299
Other income	10,948	9,585
Federal program income	147,351	216,480
Total operating revenues	265,063	322,961
Operating Expenses		
Interest expense on bonds	59,168	63,199
Bond debt expense	446	378
Compensation	8,175	8,798
General and administrative expenses	4,399	4,460
Provision for loan and real estate owned losses	-	300
Rent and other subsidy payments	7,908	16,473
Housing Trust Fund grants	4,799	3,635
Federal program expenses	138,039	188,420
Total operating expenses	222,934	285,663
Change in Net Assets	42,129	37,298
Net Assets, Beginning of Year	679,771	642,473
Net Assets, End of Year	$ 721,900	$ 679,771

Missouri Housing Development Commission

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Cash Flows From Operating Activities		
Interest received on mortgage investments	$ 74,915	$ 78,530
Fees, charges and other	20,833	12,781
Principal repayments on mortgage investments	230,420	221,247
Proceeds from sale of mortgage investments	238,086	2,258
Disbursements of mortgage loans	(269,930)	(294,394)
Federal revenue	147,351	216,480
Federal expenses	(138,039)	(188,420)
Collection of compliance and origination fees	1,475	1,894
Cash payments for compensation, administrative and other costs	(12,042)	(13,258)
Other operating payments	(16,025)	(18,356)
Net cash provided by operating activities	277,044	18,762
Cash Flows From Noncapital Financing Activities		
Retirement of principal on bonds	(463,356)	(417,546)
Proceeds from issuance of bonds	250,576	315,097
Interest paid on bonds	(64,827)	(68,441)
Deferred financing charges paid	(593)	(1,025)
Change in escrow deposits	(1,266)	10,133
Net cash used in noncapital financing activities	(279,466)	(161,782)
Cash Flows Used In Capital and Related Financing Activities		
Payments for capital assets	(276)	(467)
Cash Flows From Investing Activities		
Purchases of investments	(396,404)	(315,159)
Proceeds from maturities and sales of investments	376,543	379,021
Interest received on investments	6,119	7,924
Net cash provided by (used in) investing activities	(13,742)	71,786
Net Decrease in Cash and Cash Equivalents	(16,440)	(71,701)
Cash and Cash Equivalents, Beginning of Year	239,489	311,190
Cash and Cash Equivalents, End of Year	$ 223,049	$ 239,489

Missouri Housing Development Commission
Statements of Cash Flows
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Reconciliation of Increase In Net Assets To Net Cash Provided By (Used In) Operating Activities		
Increase in net assets	$ 42,129	$ 37,298
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	532	541
Net increase in fair value of investments	(18,990)	(3,524)
Amortization of discounts on loans	(500)	(175)
Compliance and origination fee receipts	1,475	1,894
Amortization of deferred revenue	(1,499)	(1,586)
Income – investments	(6,291)	(7,331)
Provision for loan losses	-	300
Proceeds from sale of mortgage loans	238,086	2,258
Net change in mortgage loans	(39,510)	(73,185)
Interest expense related to bonds and capital leases	59,168	63,199
Change in assets and liabilities		
Decrease (increase) in accounts receivable	2,364	(2,517)
Decrease (increase) in accrued interest receivable	901	(37)
Decrease (increase) in prepaid expenses	(5)	47
Increase (decrease) in accounts payable and and accrued expenses	(2,867)	1,580
Decrease in real estate owned	2,051	-
Net cash provided by operating activities	$ 277,044	$ 18,762

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Missouri Housing Development Commission (the "Commission") is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State Statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed $200,000,000. At June 30, 2012 and 2011, the Commission had $80,813,000 and $75,162,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri.

Reporting Entity

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

The Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's financial statements are prepared using the flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the balance sheet. The statement of revenues, expenses and changes in net assets presents increases, *i.e.*, revenues, and decreases, *i.e.*, expenses, in total net assets.

Revenues and expense are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consists primarily of interest expense on bonds outstanding and federal program expenses and other costs to administer its affordable housing programs. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market funds, overnight repurchase agreements and FHLB daily time accounts and term deposits.

Investments

Securities purchased under agreements to resell, U.S. government and agency securities and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the years ended June 30, 2012 and 2011, the net increase in fair value of investments was $18,990,000 and $3,524,000, respectively.

Mortgage Investments

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program and net assets are used to make or purchase mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

Real Estate Owned

Real estate owned was acquired through a deed in lieu of a foreclosure transaction and was recorded at the value of the investment in the loan, which was lower than the estimated fair market value less estimated selling costs. During 2012 the real estate owned was sold and the related activity, including the gain on sale, totaled $2,255,000 and is included in other income.

Deferred Financing Charges

Costs related to selling and issuing bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Original Issue Discounts/Premiums

Original issue bond discounts and premiums are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Capital Assets

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

Net Assets

Net assets are classified as follows:

Invested in Capital Assets: This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted Net Assets: This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors, grantors, contributions, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Represents those net assets used at the discretion of the Board of Commissioners to complement bond and loan programs, to fund housing initiatives and to provide for the Commission's operations. Certain unrestricted net assets have been designated by the Commission to provide for its housing programs. Unrestricted net assets provide additional security for the Commission's general obligations and commitments.

Fees, Charges and Expenses

Deferred revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see *Note 2*).

Federal Assistance and Grants

The Commission administers grants and federal assistance programs, representing "pass-through" financial assistance, on the behalf of secondary recipients. The Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission. Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred.

Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Note 2: Description of Funds or Programs

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri State Statutes and the respective bond resolutions.

Operating Fund

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately $5,426,000 and $6,088,000 at June 30, 2012 and 2011, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include $3,895,000 and $3,996,000 at June 30, 2012 and 2011, respectively, which are FHA-insured "Risk-Share Mortgage Loans," as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing rental or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. In addition, separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Rental Bond-Financed Programs

The Commission's Rental Bond-Financed Programs were established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible rental developments. All loans, with the exception of most of the loans financed by conduit Rental Housing Revenue Bonds, are insured by HUD. Uninsured conduit loans, which totaled $80,813,000 and $88,522,000 at June 30, 2012 and 2011, respectively, are financed by the borrowers with limited obligation revenue bonds which are denoted by "**" in *Note 5*.

Rural Growth and Homeownership Bond-Financed Programs

The Commission's Rural Growth and Homeownership Bond-Financed Programs were established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA or USDA/RD.

Special Homeownership Bond-Financed Program

The Commission's Special Homeownership Bond-Financed Program was established under the United State Treasury's Single Family New Issue Bond Program to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage-backed securities on eligible owner-occupied units.

Note 3: Cash and Investments

A summary of cash and investments as of June 30, 2012 and 2011, is as follows *(in thousands)*:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash	$ 34,614	$ 34,614	$ 35,050	$ 35,050
FHLB daily time accounts	2,970	2,970	13,000	13,000
Securities purchased under agreements to resell	2,245	2,245	2,055	2,055
Money market funds	183,220	183,220	189,384	189,384
Total cash and cash equivalents	223,049	223,049	239,489	239,489
Investments				
FHLB term deposits	3,000	3,000	-	-
U.S. Treasury bonds and notes and agency obligations	284,767	288,725	263,668	265,370
Guaranteed investment contracts	32,432	32,432	36,872	36,872
Total investments	320,199	324,157	300,540	302,242
Total cash and cash equivalents and investments	$ 543,248	$ 547,206	$ 540,029	$ 541,731

Investment Policy

General

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2012, all of the Commission's general investments (non-bond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

Indentures

The Commission's Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2012, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

Investment Maturities

As of June 30, 2012 and 2011, the Commission had the following investments and maturities (amounts are in thousands):

June 30, 2012

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
FHLB term deposits	$ 3,000	$ 3,000	$ -	$ -	$ -
U.S. Treasury securities	14,790	2,001	4,842	-	7,947
U.S. agency securities	273,935	24,353	52,290	197,292	-
Guaranteed investment contracts	32,432	-	-	1,620	30,812
Total investments	$ 324,157	$ 29,354	$ 57,132	$ 198,912	$ 38,759

June 30, 2011

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
U.S. Treasury securities	$ 19,500	$ 6,332	$ 6,809	$ -	$ 6,359
U.S. agency securities	245,870	36,607	136,141	73,122	-
Guaranteed investment contracts	36,872	-	-	1,425	35,447
Total investments	$ 302,242	$ 42,939	$ 142,950	$ 74,547	$ 41,806

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The demand repurchase agreements are collateralized by obligations of the United States of America or its agencies, and have a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2012, as reported at fair value, the Commission's U.S. agency securities consist of $78,792,000 Federal Home Loan Bank (FHLB), $64,679,000 Federal Farm Credit Bank (FFCB), $52,547,000 FHLMC and $77,917,000 Fannie Mae debt securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's. Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2012:

Issuer	Percent of Total Investments
Federal Home Loan Bank	25.2%
Fannie Mae	24.0%
Federal Farm Credit Bank	20.0%
Federal Home Loan Mortgage Corporation	16.2%

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2012 and 2011, securities approximating $273,935,000 and $246,271,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission's name.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits of $34,554,000 is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institution. Deposits with the FHLB include $60,000 in a demand deposit account, $2,970,000 in daily time accounts and $3,000,000 in term deposits, which are uninsured and uncollateralized, secured by the full faith and credit of the FHLB System with implicit government support. The Commission's money market funds of $183,220,000 are uninsured and uncollateralized and are invested primarily in portfolios of U.S. Treasury and government securities.

Note 4: Mortgage Investments

Mortgage investments reflected in the balance sheet consist of the following as of June 30, 2012 and 2011 *(in thousands)*:

	2012	2011
Total mortgage loan principal outstanding	$ 586,904	$ 622,088
Less: Allowance for mortgage loan losses	(44,172)	(44,362)
Deferred origination and commitment fees	(2,718)	(3,196)
Mortgage loans, net	540,014	574,530
Total mortgage-backed securities, at cost	1,000,022	1,151,375
Unrealized gain (loss) on securitized mortgage loans	90,565	85,859
Mortgage-backed securities, at fair value	1,090,587	1,237,234
Mortgage investments, net	$ 1,630,601	$ 1,811,764

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling $182,685,000 and $172,449,000 as of June 30, 2012 and 2011, respectively. A portion of these loans totaling $60,468,000 and $49,774,000 at June 30, 2012 and 2011, respectively, include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of $ 21,933,000 and $20,953,000 is attributable to this portfolio at June 30, 2012 and 2011, respectively. At June 30, 2012, and June 30, 2011, mortgages also include $30,367,000 and $30,081,000, respectively, financed by the federal Tax Credit Assistance Program (TCAP). An estimated allowance for mortgage loan losses of $4,294,000 and $4,254,000 is attributable to this portfolio at June 30, 2012 and 2011, respectively.

The Commission warehouses mortgage-backed securities created by its single family homeownership programs. The securities have been funded by net assets or through short-term FHLB advances which are secured by pledged U.S. agency securities and mortgage-backed securities, which totaled $28,472,000 at June 30, 2012, and $38,669,000 at June 30, 2011. The balance of warehoused mortgage-backed securities was $8,903,000 and $19,557,000 at June 30, 2012, and June 30, 2011, respectively.

The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program generally require that mortgage loans be made to borrowers whose household income does not exceed the statewide median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program provide funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Rental Bond-Financed Programs provide long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with the U.S. Department of Housing and Urban Development (HUD), which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling $171,962,000, representing 62 loans as of June 30, 2012, and $201,175,000, representing 62 loans as of June 30, 2011.

The proceeds of the Rental Housing Revenue Bonds, the Homeownership Revenue Bonds and the Special Homeownership Revenue Bonds as well as resources of the Commission's Mortgage-Backed Security Warehousing Program, as listed below, were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the pooled mortgage loans financed by the Homeownership, Special Homeownership and Rental Programs are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment. The financing rates related to the mortgage-backed securities at June 30, 2012, are as follows:

Issue	Mortgage Rate	Certificate Rate
Rental Housing Revenue Bonds		
Series 1999	6.185%	5.185%
Series 2002 G	6.90%	6.65%
2005 Series I-A	5.85%	5.60%
Homeownership Mortgage Revenue Bonds		
Issue of November 1, 1986	8.25%	7.75%
1988 Series C	8.80%	8.30%
Homeownership Loan Program (1995 Indenture)		
1995 Series B	6.5%, 7.65%	6%, 7.15%
1995 Series D	6.55%, 7.45%	6.05%, 6.95%
1996 Series B	8%	7.50%
1996 Series C	7.87%	7.37%
1997 Series A	6.3%, 6.85%, 7.85%	5.8%, 6.35%, 7.35%
1997 Series A-4	6.84%	6.34%
1997 Series B	6.31%, 7.31%	5.81%, 6.81%
1997 Series C	7.35%	6.85%
1998 Series B	6.1%, 7.35%	5.6%, 6.85%
1998 Series D	6.05%, 6.67%, 6.95%	5.55%, 6.17%, 6.45%
1998 Series E	5.90%	5.40%
1999 Series A	5.87%	5.37%
1999 Series B	6.25%, 7.1%	5.75%, 6.6%
1999 Series C	6.77%	6.27%
2000 Series A	7.03%, 7.93%	6.53%, 7.43%
2000 Series B	6.97%, 7.87%	6.47%, 7.37%
2000 Series C	6.6%, 7.5%	6.1%, 7%
2001 Series A	6.1%, 6.85%	5.6%, 6.35%
2001 Series B	6.16%, 6.91%	5.66%, 6.41%
2001 Series C	5.5%, 6.4%, 8.25%	5%, 5.9%, 7.75%
2002 Series A	6.05%, 6.84%	5.55%, 6.34%
2002 Series B	6.08%, 6.65%, 6.83%	5.58%, 6.15%, 6.33%
2002 Series C	5.2%, 6.1%, 6.79%	4.7%, 5.6%, 6.29%
2003 Series A	5.42%, 6.27%	4.92%, 5.77%
2003 Series B	5.25%, 5.85%, 6.09%, 7.45%	4.75%, 5.35%, 5.59%, 6.95%
2003 Series C	5.99%	5.49%
2003 Series D	5.08%, 6.08%	4.58%, 5.58%
2004 Series A	4.95%, 5.65%, 7.3%	4.45%, 5.15%, 6.8%
2004 Series B	5.9%, 5.95%, 6.6%	5.4%, 5.45%, 6.1%
2004 Series C	5.7%, 5.95%, 6.3%	5.2%, 5.45%, 5.8%
2004 Series D	5.875%	5.375%
2005 Series A	5.4%, 5.9%, 7.99%	4.9%, 5.4%, 7.49%
2005 Series B	5.6%, 6.1%	5.1%, 5.6%
2005 Series C	5.3%, 5.8%, 6.9%	4.8%, 5.3%, 6.4%

Issue	Mortgage Rate	Certificate Rate
Homeownership Loan Program (1995 Indenture) (Continued)		
2005 Series D	5.6%, 6.125%	5.1%, 5.625%
2006 Series A	5.65%, 6.15%	5.15%, 5.65%
2006 Series B	5.75%, 6.25%	5.25%, 5.75%
2006 Series C	6%, 6.41%	5.5%, 5.91%
2006 Series D	6.3%, 6.71%	5.8%, 6.21%
2006 Series E	6.15%, 6.6%	5.65%, 6.1%
2007 Series A	5.9%, 6%, 6.35%, 6.45%	5.4%, 5.5%, 5.85%, 5.95%
2007 Series B	5.99%, 6.09%, 6.45%, 6.55%	5.49%, 5.59%, 5.95%, 6.05%
2007 Series C	5.95%, 6.05%, 6.105%, 6.4%, 6.555%	5.45%, 5.55%, 5.605%, 5.9%, 6.055%
2007 Series D	6.29%, 6.445%, 6.84%, 6.995%	5.79%, 5.945%, 6.34%, 6.495%
2007 Series E	6.04%, 6.195%, 6.49%, 6.645%	5.54%, 5.695%, 5.99%, 6.145%
2008 Series A	5.99%, 6.145%, 6.46%, 6.615%	5.49%, 5.645%, 5.96%, 6.115%
2008 Series B	5.25%, 5.65%, 5.70%, 6.25%, 6.45%, 6.54%, 6.65%, 6.7%, 6.9%, 7.1%, 7.54%	4.75%, 5.15%, 5.2%, 5.75% 5.95%, 6.04%, 6.15%, 6.2%, 6.4%, 6.6%, 7.04%
2008 Series C	5.4%, 5.45%, 5.55%, 5.6%, 5.85%, 6.01%, 6.19%, 6.25%, 6.31%, 6.45%, 6.49%, 6.5%, 6.69%, 7.15%, 7.29%	4.9%, 4.95%, 5.05%, 5.1%, 5.35%, 5.51%, 5.69%, 5.75%, 5.81%, 5.95%, 5.99%, 6%, 6.19%, 6.65%, 6.79%,
2009 Series A	5.5%, 5.55%, 5.65%, 5.75%, 5.85%, 6%, 6.15%, 6.25%, 6.3%, 7.72%	5%, 5.05%, 5.15%, 5.25%, 5.35%, 5.5%, 5.65%, 5.75%, 5.8%, 7.22%
2009 Series B	5.4%, 5.5%, 5.55%, 5.72%, 5.85%, 6%, 6.01%, 6.02%, 6.15%, 6.25%, 6.3%, 6.31%, 6.4%, 6.49%, 6.5%, 6.63%	4.9%, 5%, 5.05%, 5.22%, 5.35%, 5.5%, 5.51%, 5.52%, 5.65%, 5.75%, 5.8%, 5.81%, 5.9%, 5.99%, 6%, 6.13%
2009 Series C	5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.25%, 8.7%, 8.8%	5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.75%, 8.2%, 8.3%
2009 Series D	5.1%, 5.35%, 5.4%, 5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 7.75%	4.6%, 4.85%, 4.9%, 5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 7.25%
Special Homeownership Loan Program (2009 Indenture)		
2009 Series E-1	4.9%, 5.1%, 5.125%, 5.25%, 5.275%, 5.35%, 5.4%, 5.5%, 5.55%, 5.625%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.31%	4.4%, 4.6%, 4.625%, 4.75%, 4.775%, 4.85%, 4.9%, 5%, 5.05%, 5.125%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.81%
2009 Series E-2	3.5%, 4%, 4.5%, 4.9%, 5%, 5.125%, 5.35%, 5.4%, 5.6%, 5.625%, 5.75%, 5.775%, 5.85%	3%, 3.5%, 4%, 4.4%, 4.5%, 4.625%, 4.85%, 4.9%, 5.1%, 5.125%, 5.25%, 5.275%, 5.35%
2009 Series E-3	3.5%, 3.7%, 4%, 4.2%, 4.5%, 4.65%, 4.7%, 4.85%, 4.9%, 5%, 5.15%, 5.4%, 5.625%	3%, 3.2%, 3.5%, 3.7%, 4%, 4.15%, 4.2%, 4.35%, 4.4%, 4.5%, 4.65%, 4.9%, 5.125 %
2009 Series E-4	3.5%, 3.675%, 3.8%, 3.75%, 4%, 4.175%, 4.3%, 4.25%, 4.55%, 4.5%, 4.65%, 4.8%, 4.75%, 5.05%, 5%, 5.15%, 5.3%, 5.25%, 5.4%	3%, 3.075%, 3.2%, 3.25%, 3.5%, 3.575%, 3.70%, 3.75%, 3.95%, 4%, 4.15%, 4.20%, 4.25%, 4.45%, 4.5%, 4.65%, 4.7%, 4.75%, 4.9%
Mortgage-Backed Securities Warehousing Program		
Homeownership Portfolio	3.5%, 4%, 4.5%, 4.8%, 5%	3%, 3.5%, 4%, 4.2%, 4.5%

GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the balance sheet at fair value. As of June 30, 2012, the par value of securitized mortgage loans consist of 84.8% GNMA, 13.3% Fannie Mae and 1.9% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments (*in thousands*):

	2012		2011	
	Carrying Value	Cost	Carrying Value	Cost
GNMA, Fannie Mae and FHLMC mortgage-backed securities	$ 1,090,587	$ 1,000,022	$ 1,237,234	$ 1,151,375
Other mortgage loans	584,186	584,186	618,892	618,892
Total mortgage investments	$ 1,674,773	$ 1,584,208	$ 1,856,126	$ 1,770,267

Note 5: Bonds Payable and Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2012 *(in thousands)*:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Amount Due Within One Year
Operating – notes payable	$ 15,399	$ 1,431,563	$ (1,444,769)	$ 2,193	$ 2,193
Rental bond – financed program	313,601	6,800	(45,956)	274,445	6,933
Rural Growth & Homeownership Bond-Financed Programs	842,029	-	(183,421)	658,608	10,284
Special Homeownership Bond-Financed Program	372,220	50,000	(27,895)	394,325	7,325
Total bonds and notes payable	1,543,249	1,488,363	(1,702,041)	1,329,571	26,735
Unamortized premium, discount and deferred amount on refunding	21,592	897	(4,509)	17,980	1,690
Total bonds and notes payable, net	1,564,841	1,489,260	(1,706,550)	1,347,551	28,425
Deferred revenue	10,305	1,452	(1,499)	10,258	1,160
Capital leases	128	-	(55)	73	54
Total long-term debt and other obligations	$ 1,575,274	$ 1,490,712	$ (1,708,104)	$ 1,357,882	$ 29,639

The net proceeds of bond issues are used to provide financing for rental bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2012 and 2011, follows *(in thousands)*, including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding 2012	Outstanding 2011
Rental Bond – Financed Program			
Series September 1, 1989, Westminster Place (9.25%), due 2030***	$ 1,845	$ 1,270	$ 1,310
Series 1996A Truman Farm Villas (5.75% to 6.20%), due 2011 - 2028**	7,700	-	6,560
Series 1996A Brookstone Village (6.0% to 6.2%), due 2016 - 2028**	8,400	-	6,800
Series 1999 O'Fallon Place Apts. (4.60% to 5.25%), due 2011 - 2032*,**	6,710	5,315	5,440
Series 1999 The Mansion Apts. Phase II (6.125% to 6.170%), due 2022 - 2032**	6,730	5,755	5,880
Series 1999 East Hills Village Apts. (7.3%), due 2030**	2,750	2,355	2,410
2000 Series 1 (5.7% to 6.1%), due 2011 - 2031	11,540	9,040	9,275
2001 Series I (4.50% to 5.25%), due 2011 - 2027	21,780	3,465	4,295
2001 Series II (4.85% to 5.50%), due 2011 - 2023	46,360	3,735	4,340
2001 Series III (4.70% to 5.25%), due 2011 - 2021	22,850	1,170	1,295
2001 Series 1A (4.500% to 5.375%), due 2011 - 2033	7,300	4,260	4,410
2001 Series 2A (5.25% to 5.30%), due 2021 - 2032	3,800	3,100	3,190
Series 2002 G JB Hughes Apts. I & II (6.2% to 6.3%), due 2019 - 2037*,**	2,550	2,279	2,316
Series 2002 H JB Hughes Apts. I & II (6.9%), due 2038**	450	134	207
2002 Series 1 Bevo-Bavarian (5.30% to 5.55%), due 2017 - 2038	12,890	11,585	11,780
2002 Series 2 Columbia Square Townhomes (5.2% to 5.3%), due 2022 - 2034	4,440	3,060	3,170
2002 Series 4 Hawthorne Place Apts. (5.15% to 5.20%), due 2022 - 2034	20,505	12,825	13,120
2003 Series 1 Pevely Square Apts. (5.2% to 5.3%), due 2023 - 2034	5,105	2,345	2,395
2003 Series 2 Parkview Place Apts. (4.05% to 5.25%), due 2011 - 2035	5,715	3,885	4,160
2003 Series 3 Hyder Elderly Apts. (4.250% to 5.625%), due 2011 - 2040	3,965	3,615	3,670
2003 Series 4 Ridge Crest Apts. (4.60% to 5.45%), due 2013 - 2035	3,925	2,200	2,305
2003 Series 5 Kensington Heights Apts. (3.90% to 5.28%), due 2011 - 2040	5,075	4,585	4,665
2003 Series 6 Historic Ellison Apts. (3.5% to 5.0%), due 2011 - 2035	5,280	1,955	2,005
2003 Series 7 Autumn House/Jefferson Manor (4.3% to 5.1%), due 2013 - 2035	4,695	4,105	4,200
2003 Series 8 Stratford Commons (3.9% to 5.2%), due 2011 - 2035	4,385	1,995	2,045
2003 Series 9 Rural Development Apts. (4.35% to 5.10%), due 2013 - 2034	8,590	3,150	3,225
2003 Series 10 Hidden Valley Apts. (3.7% to 5.1%), due 2011 - 2036	10,880	9,615	9,830
2004 Series 1 Hickory Townhomes (4.05% to 4.95%), due 2018 - 2036	3,160	2,790	2,855
2004 Series 2 Winter Garden Apts. (3.40% to 4.95%), due 2011 - 2035	4,190	3,640	3,730
2004 Series 3 Woodlen Place Apts. (5.10% to 5.33%), due 2018 - 2035	1,800	1,195	1,225
Total forward	255,365	114,423	132,108

	Original Amount Authorized	Outstanding 2012	Outstanding 2011
Total forward	$ 255,365	$ 114,423	$ 132,108
Rental Bond – Financed Program *(Continued)*			
2004 Series 4 Festus Gardens Apts. (5.25%), due 2036	5,990	4,005	4,085
2004 Series 5 FP-San Remo Apts. (4.40% to 5.45%), due 2012 - 2036	3,785	2,105	2,155
2004 Series 6 Allen Market Lane Apts. (4.70% to 5.15%), due 2018 - 2036	6,735	3,300	3,370
Series 2004 Bridgeport Apts. (6.6%), due 2041**	6,580	6,261	6,328
2005 Series 1 St. Louis Brewery Apts. (4.5% to 4.9%), due 2020 - 2036	8,125	3,150	3,220
2005 Series 2 Meadowglen Apts. (3.55% to 4.85%), due 2011 - 2042	8,540	6,555	6,655
2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016 - 2036	6,520	5,490	5,615
2005 Series 4 Park Place Apts. (3.7% to 4.7%), due 2011 - 2037	10,330	9,310	9,515
2005 Series 5 Hawkins Village Apts. (4.0% to 5.0%), due 2011 - 2042	5,335	4,940	5,020
2005 Series 6 Ivanhoe Gardens Apts. (4.000% to 4.875%), due 2011 - 2036	4,240	2,385	2,435
2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*,**	2,750	1,310	1,340
2005 Series II ChapelRidge of St. Joseph (6.3%), due 2047**	7,150	6,922	6,974
2005 Series III ChapelRidge of Union (6.4%), due 2047**	6,375	6,177	6,222
2005 Series IV ChapelRidge of Blue Springs (6.4%), due 2047**	9,800	9,525	9,593
2006 Series 1 Meadow Ridge Townhouses (4.0% to 5.0%), due 2011 - 2037	6,360	2,650	2,830
2006 Series 2 Ashley Park Apts. (4.000% to 4.875%), due 2011 - 2037	7,290	6,030	6,155
2006 Series 3 Eureka & Wendell Apts. (4.0% to 5.0%), due 2011 - 2047	3,165	3,030	3,045
2006 Series 4 Justin Place Apts. (4.2% to 5.0%), due 2011 - 2042	5,640	2,135	2,165
2006 Series 5 Metropolitan Village Apts. (4.2% to 5.0%), due 2011 - 2038	5,960	5,555	5,665
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048**	15,046	4,173	4,283
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048**	8,721	2,170	2,244
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048**	5,329	1,047	1,082
2006 Series IV Washington Apts. (6.568%), due 2024**	7,500	2,733	2,771
2006 Series V Lost Tree South Apts. (6.244%), due 2026**	4,400	3,015	3,061
2006 Series VII Cedar Tree Apts. (5.73%), due 2026**	2,500	1,718	1,737
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026**	3,200	2,624	2,654
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026**	1,800	1,279	1,294
2006 Series X Center Apts. (5.73%), due 2026**	1,900	1,189	1,203
2007 Series 1 Linden Campus Apts. (4.0% to 4.7%), due 2011 - 2048	3,980	1,920	1,940
2007 Series I Park Ridge Apts. (5.665%), due 2039**	12,000	10,515	10,678
2007 Series II Mexico I Apts. (5.88%), due 2026**	1,100	651	662
2007 Series III Princeton Manor Apts. (variable rate), due 2027**	2,152	1,548	1,562
Total forward	445,663	239,840	259,666

	Original Amount Issued	Outstanding 2012	Outstanding 2011
Total forward	$ 445,663	$ 239,840	$ 259,666
Rental Bond – Financed Program *(Continued)*			
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027**	970	763	770
2007 Series V Westside Apts. (variable rate), due 2027**	2,400	866	877
2007 Series VI Longfellow Apts. (variable rate), due 2040**	6,400	2,635	2,670
2009 Series 1 Courthouse Apts. (3.00% to 5.25%), due 2012 - 2042	18,940	5,775	18,940
2010 Series 1 Basie Court Apts. (1.0% to 4.5%), due 2012 - 2042	4,967	1,497	4,967
2010 Series 2 Samantha Heights Apts. (1.00% to 4.75%), due 2012 - 2042	8,610	6,310	8,610
2010 Series 3 Wesley Senior Towers Apts. (1.300% to 5.125%), due 2012 - 2042	5,395	5,395	5,395
2010 Series 4 Lucas Heights Apts. (2.85% to 5.40%), due 2012 - 2042	8,175	3,575	8,175
2010 Series 5 Grandview Estates (2.00% to 5.25%), due 2012 - 2042	3,531	1,031	3,531
2011 Series I Brookstone Village (6.00%), due 2021**	6,800	6,758	-
	511,851	274,445	313,601
Less: Unamortized debt discount	-	(138)	(146)
Add: Unamortized debt premium	-	376	412
Less: Deferred amount on refunding	-	(244)	(292)
	511,851	274,439	313,575
Rural Growth and Homeownership Bond – Financed Programs			
1999 Series I (5.10%), due 2030	5,095	310	345
2000 Series A redeemed in 2011*	98,135	-	1,785
2000 Series B redeemed in 2011*	70,000	-	2,615
2000 Series C redeemed in 2011*	84,390	-	4,760
2001 Series A redeemed in 2011*	100,000	-	9,095
2001 Series B redeemed in 2011*	70,000	-	6,965
2001 Series C redeemed in 2011*	46,490	-	7,875
2002 Series A redeemed in 2012*	45,000	-	5,190
2002 Series B redeemed in 2012*	80,000	-	9,980
2002 Series C redeemed in 2012*	80,000	-	15,145
2003 Series A (4.25% to 5.78%), due 2012 - 2035*	50,000	9,955	11,140
2003 Series B (4.15% to 5.375%), due 2012 - 2034*	78,795	18,125	21,050
2003 Series C (4.00% to 5.35%), due 2012 - 2034*	60,000	17,135	20,170
2003 Series D (4.00% to 5.55%), due 2012 - 2034*	70,000	18,020	20,610
Total forward	937,905	63,545	136,725

Missouri Housing Development Commission
Notes to Financial Statements
June 30, 2012 and 2011

	Original Amount Authorized	Outstanding 2012	Outstanding 2011
Total forward	$ 937,905	$ 63,545	$ 136,725
Rural Growth and Homeownership Bond – Financed Programs *(Continued)*			
2004 Series A (3.40% to 5.15%), due 2011 - 2035*	57,280	19,590	23,150
2004 Series B (4.60% to 6.35%), due 2011 - 2035*	60,000	17,090	20,200
2004 Series C (3.95% to 6.00%), due 2011 - 2035*	60,000	19,945	21,995
2004 Series D (3.55% to 5.50%), due 2011 - 2035*	40,000	15,795	18,115
2005 Series A (3.7% to 5.9%), due 2011 - 2036*	54,680	20,539	24,394
2005 Series B (4.0% to 5.8%), due 2011 - 2036*	75,000	27,975	32,445
2005 Series C (3.75% to 5.60%), due 2011 - 2036*	68,000	29,230	35,085
2005 Series D (3.95% to 6.00%), due 2011 - 2036*	50,000	18,240	22,195
2006 Series A (3.85% to 6.00%), due 2011 - 2037*	50,000	17,185	22,000
2006 Series B (4.05% to 6.05%), due 2011 - 2037*	100,000	37,645	45,695
2006 Series C (4.1% to 5.9%), due 2011 - 2037*	60,000	25,665	30,310
2006 Series D (4.95% to 6.15%), due 2011 - 2037*	70,000	25,120	30,415
2006 Series E (5.60% to 5.88%), due 2037*	40,000	15,460	18,430
2007 Series A (4.625% to 6.000%), due 2011 - 2038*	50,000	20,465	22,900
2007 Series B (5.05% to 5.78%), due 2038*	35,000	17,305	19,330
2007 Series C (4.70% to 6.25%), due 2011 - 2038*	100,000	48,460	58,170
2007 Series D (4.70% to 6.38%), due 2011 - 2038*	50,000	21,985	24,660
2007 Series E (4.9% to 5.6%), due 2011 - 2038*	66,000	32,670	36,910
2008 Series A (3.0% to 5.7%), due 2011 - 2039*	50,000	23,010	26,935
2008 Series B (4.00% to 5.75%), due 2011 - 2034*	65,000	29,195	37,595
2008 Series C-1 (5.615%), due 2039*, ***	8,000	4,312	5,480
2008 Series C-2 (4.48%), due 2039*, ***	12,000	5,222	6,545
2008 Series C-3 (5.24%), due 2039*, ***	10,000	4,702	6,200
2008 Series C-4 (5.06%), due 2039*, ***	10,000	5,819	6,573
2009 Series A (1.80% to 5.35%), due 2011 - 2039*	30,000	20,715	23,955
2009 Series B-1 (4.63%), due 2040*, ***	10,000	5,552	7,694
2009 Series B-2 (4.64%), due 2040*, ***	5,000	3,432	4,048
2009 Series C (1.2% to 5.0%), due 2011 - 2036*	40,000	27,605	33,665
2009 Series D (1.0% to 4.8%), due 2011 - 2040*	45,000	35,135	40,215
	2,308,865	658,608	842,029
Less: Unamortized debt discount	-	(38)	(51)
Add: Unamortized debt premium	-	15,357	19,941
Less: Deferred amount on refunding	-	(221)	(724)
	2,308,865	673,706	861,195

	Original Amount Authorized	Outstanding 2012	Outstanding 2011
Special Homeownership Bond - Financed Program			
2009 Series E (variable), due 2041*	$ 260,000	$ 30,000	$ 80,000
2009 Series E-1 (1.10% to 5.00%), due 2012 - 2041*	100,000	79,895	93,245
2009 Series E-2 (0.875% to 4.50%), due 2012 - 2041*	100,000	88,595	98,975
2009 Series E-3 (0.75% to 4.625%), due 2012 - 2041*	100,000	95,875	100,000
2009 Series E-4 (0.30% to 4.25%), due 2012 - 2041*	100,000	99,960	-
	660,000	394,325	372,220
Add: Unamortized debt premium	-	2,888	2,452
	660,000	397,213	374,672
Total	$ 3,480,716	$ 1,345,358	$ 1,549,442

The proceeds of bond issues denoted by "*" are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission's loan programs.

The proceeds of bond issues denoted by "**" are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower. The total aggregate amount of conduit debt outstanding was $89,717,000 at June 30, 2012, and $97,618,000 at June 30, 2011.

The bond issues denoted by "***" are general obligation bonds. All other bond issues are revenue bonds and conduit debt as described previously.

During the fiscal years ended June 30, 2012 and 2011, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of $2,357,000 and $2,945,000 for the years ended June 30, 2012 and 2011, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the applicable bond indentures.

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows *(in thousands)*:

Bonds Maturing During Years Ending June 30,	Principal	Interest	Total
2013	$ 24,542	$ 55,030	$ 79,572
2014	20,828	54,401	75,229
2015	20,152	53,829	73,981
2016	21,726	53,179	74,905
2017	21,818	52,440	74,258
2018 - 2022	113,121	250,393	363,514
2023 - 2027	133,128	225,533	358,661
2028 - 2032	183,757	191,446	375,203
2033 - 2037	307,152	144,022	451,174
2038 - 2042	449,901	49,215	499,116
2043 - 2047	26,899	934	27,833
2048 - 2052	3,454	66	3,520
2053 - 2057	900	-	900
	$ 1,327,378	$ 1,130,488	$ 2,457,866

In addition to bonds payable, the Commission had short-term FHLB advances totaling $2,193,000 and $15,399,000 at June 30, 2012 and 2011, respectively. The short-term FHLB advances included rollover financings of $1,238,685,000 in fiscal year 2012 and $2,115,427,000 in fiscal year 2011. The principal and interest on the short-term FHLB advances is payable at maturity as follows *(in thousands)*:

Maturity Date	Interest Rate	Principal	Interest	Total
2013	0.35%	$ 2,193	$ -	$ 2,193

Note 6: Escrow Deposits and Rent Subsidies Payable

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the Housing Assistance Programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

Note 7: Restrictions and Designations

Restricted Cash and Investments

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The Trust Indentures between the Commission and the Trustees establish special accounts for the segregation of assets and restrictions on the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposits in restricted accounts for the various issues within the Rental Bond-Financed Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program.

As of June 30, 2012 and 2011, the assets of all accounts satisfied the requirements as established by the Trust Indentures. Such assets are restricted as follows (*in thousands*):

	2012	2011
Program and Construction Funds – construction escrows and other restricted funds	$ 74,757	$ 86,934
Mortgage Escrow Accounts – insurance, taxes, replacement reserves and other mortgage escrows	96,275	85,056
Federal Program Funds	1,789	1,404
Missouri Housing Trust Fund	3,912	5,457
Bond Proceeds Accounts – funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of cost of issuance	42,513	12,596
Revenue and Debt Service Funds – program revenues for debt services payments	143,177	192,422
Debt Service and Other Bond Reserve Accounts – reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	37,982	27,680
	$ 400,405	$ 411,549

Restricted Net Assets

Pursuant to certain bond resolutions, the Commission has restricted the net assets of the Rental Bond-Financed Mortgage Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, net assets associated with the federal grant agreements of the HOME Investment Partnership Program, Rural Housing and Economic Development and Tax Credit Assistance Program (TCAP) are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to State Statute, the Commission has restricted the amount of net assets representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

Below is a summary of restricted net assets by bond resolution and State Statute as of June 30, 2012 and 2011 *(in thousands)*:

	2012	2011
Restricted Net Assets		
Restricted by bond resolution	$ 226,771	$ 207,682
Restricted by collateral custodial agreement - FHLB	28,472	21,579
Restricted by Grant Agreement – HOME Investment Partnership Program	162,432	152,694
Restricted by Grant Agreement – Rural Housing and Economic Development	34	99
Restricted by Grant Agreement – TCAP	26,073	25,827
Restricted earnings of HUD-purchased Loans	9,922	10,388
Restricted by State Statute – Missouri Housing Trust Fund	3,829	5,343
Total restricted net assets	$ 457,533	$ 423,612

Commission Designated Net Assets

The Commission has designated certain unrestricted assets for its affordable housing programs. The Commission has the discretion to reverse any designated net assets and as of June 30, 2012 and 2011, has designated the following amounts *(in thousands)*:

		2012		2011
Designated By Commission For				
Tenant assistance	$	29,912	$	35,764
Loans not funded by a bond sale		83,559		86,723
Loan commitments not yet disbursed		12,117		9,050
Home Improvement and Multifamily Interest Subsidy Program		5,001		5,192
Single Family Homeownership Program		20,000		20,000
Single Family Cash Assistance Program		18,347		11,854
Single Family Refi Assistance		-		18
Bellefontaine Habilitation Center Rehabilitation Grant		2,225		6,949
Rural Initiative Program		983		978
Total commission designated net assets	$	172,144	$	176,528

Note 8: Pension Plan

All eligible Commission employees participate in the Missouri State Employees' Plan (MSEP). This plan is a single-employer public employee defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. The plan is administered by the Missouri State Employees' Retirement System (MOSERS). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P.O. Box 209, Jefferson City, Missouri 65102, or on their website at www.mosers.org.

Covered employees hired prior to January 1, 2011, do not contribute toward MSEP. Covered employees hired on or after January 1, 2011, contribute 4% of pretax pay to the MSEP. The employer is required to contribute at an actuarially determined rate. The contribution requirements for the years ended June 30, 2012, 2011 and 2010, was $779,000, $815,000 and $759,000, respectively, of which the Commission contributed 100%. These contributions represent 13.8%, 13.6% and 12.0% of total salaries during 2012, 2011 and 2010, respectively. These contributions are expensed by the Commission when incurred.

The annual required contributions for MSEP for the current year was determined as part of an actuarial valuation of MSEP as of June 30, 2010, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MSEP includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, and (c) the assumption that benefits will increase between 2.56% and 3.2% per year after retirement. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a five-year period.

In accordance with GASB accounting and financial reporting requirements, the Commission currently has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years; however, see *Note 12* for future changes in accounting standards.

Note 9: Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the state of Missouri (the "State") provides postemployment health care and life insurance benefits, in accordance with State Statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at www.mchcp.org. There are currently thirteen Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 65. Health care benefits are funded through both employer and retiree contributions. MOSERS' life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 65%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, during fiscal year 2012, the State assessed a charge that ranged from 4.03% to 4.24% of total employee salary to the Commission. During fiscal year 2011, this charge ranged from 3.60% to 4.37% of total employee salary. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal year 2012, 2011 and 2010, expenses of approximately $222,000, $243,000 and $290,000 were recognized for postretirement health care benefits, respectively, which represent 100% of the required amount.

Note 10: Commitments, Contingencies and Concentrations

Leases

The Commission rents office space in Kansas City, Missouri, in accordance with a three-year lease, and in St. Louis, Missouri, in accordance with a 10-year lease. Both of these leases are accounted for as operating leases.

Lease expenditures for the years ended June 30, 2012 and 2011, were $787,000 and $899,000, respectively. Future minimum lease payments for these leases are as follows *(in thousands)*:

Year	Amount
2013	$ 723
2014	729
2015	556
2016	310
2017 - 2021	26
	$ 2,344

Federal Programs

The Commission participates in various federal grant programs, primarily with HUD. In addition to an annual financial audit, the Commission is also subject to program audits, as deemed necessary by its federal grantor agencies that may result in disallowed costs to the Commission. The Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2012.

Litigation

From time to time, the Commission may be a defendant in legal actions related to its programs and operations. While the final outcomes of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Commission's financial position.

Other

The Commission is the administrator of the Project-Based Section 8 program in the state of Missouri. This contract, which terminates September 30, 2012, results in over $100,000,000 in housing assistance payment revenue and expense activity annually. This contract may at the option of HUD be extended for up to two additional and successive renewal terms of three months each. HUD is in the process of competitively bidding this program administration contract. MHDC is participating in this bidding process.

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. During May 2011, the Commission's real estate owned property was significantly damaged by a tornado. The debris removal and replacement of the property was adequately insured for which the Commission received insurance proceeds during 2012. The Commission has not had any other significant insurance settlements in any of the last three years.

The Commission carries commercial insurance for workers' compensation, for which there were no significant insurance settlements in fiscal years 2012 and 2011.

The Commission has committed to mortgage loans funded by the operating fund net assets of $33,555,000 that have not been disbursed as of June 30, 2012.

Economic Conditions

The tenuous economy continues to present housing finance agencies with circumstances and challenges, which in some cases have resulted in large fluctuations in the fair value of investments and mortgage-backed securities, declines in investment earnings, constraints on liquidity and some difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Commission.

The Commission is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current economic environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the Commission.

Note 11: Subsequent Events

In September 2011, the Commission expanded authorization for the issuance of Treasury New Issue Bond Program (NIBP) Single Family Mortgage Revenue Bonds (Special Homeownership Loan Program) in an aggregate principal amount to not exceed $510,000,000. Through fiscal year 2012, $430,000,000 of these bonds were issued. The remaining authorized bonds may be issued during fiscal year 2013 and will not exceed $80,000,000 in new Market Bond issuances.

In June 2012 the Commission authorized four multifamily housing revenue bond issues that are expected to be issued during fiscal year 2013 and will not exceed a total of $29,000,000.

In September 2012 the Commission authorized multifamily housing refunding revenue bonds, 2012 Series 1. These bonds are expected to be issued during fiscal year 2013 in an aggregate amount not to exceed $45,000,000 for purposes of refunding certain prior multifamily housing revenue bonds of the Commission.

Note 12: Future Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are defined as a consumption of net assets that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net assets that is applicable to a future reporting period. Additionally, Statement No. 63 renames the statement of net assets as the statement of net position. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provides additional accounting and financial reporting guidance related to deferred outflows and inflows of resources. The provisions of Statements No. 63 and 65 are effective for the Commission's fiscal years ending June 30, 2013, and June 30, 2014, respectively. However, the Commission anticipates adopting the provisions of both of these Statements in its fiscal year ending June 30, 2013, resulting in its fiscal year 2012 change in net position increasing by approximately $900,000 and ending net position decreasing by approximately $5,400,000.

In June 2012 the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and will expand required disclosures. This Statement will be effective for the Commission's fiscal year ending June 30, 2015. The Commission has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Supplementary Information

Missouri Housing Development Commission

Combining Balance Sheet

June 30, 2012

(In Thousands)

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Program	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 4,392	$ -	$ -	$ -	$ 4,392
Investments	6,028	-	-	-	6,028
Mortgage investments	10,305	-	-	-	10,305
Accrued interest receivable	1,691	-	-	-	1,691
Accounts receivable – other	433	-	-	-	433
Prepaid expenses	65	-	-	-	65
Total current assets	22,914	-	-	-	22,914
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	8,837	54,655	73,795	81,370	218,657
Investments	73,303	77,634	30,811	-	181,748
Mortgage investments	216,062	267,067	732,173	349,065	1,564,367
Accrued interest receivable	273	1,148	3,356	1,193	5,970
Deferred financing charges	-	63	5,697	2,345	8,105
Accounts receivable – other	470	33	-	-	503
Total restricted assets	298,945	400,600	845,832	433,973	1,979,350
Investments	136,381	-	-	-	136,381
Mortgage investments, net of current portion and allowances for loan losses of $44,172	55,929	-	-	-	55,929
Capital assets, less accumulated depreciation of $3,458	976	-	-	-	976
Total noncurrent assets	492,231	400,600	845,832	433,973	2,172,636
Total assets	$ 515,145	$ 400,600	$ 845,832	$ 433,973	$ 2,195,550

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Programs	Total
Liabilities and Net Assets					
Current Liabilities					
Bonds and notes payable	$ 2,247	$ -	$ -	$ -	$ 2,247
Accounts payable	1,745	-	-	-	1,745
Deferred revenue	1,160	-	-	-	1,160
Total current liabilities	5,152	-	-	-	5,152
Current Liabilities – Payable From Restricted Assets					
Bonds and notes payable	-	6,905	11,713	7,614	26,232
Accrued interest payable	-	4,392	10,952	2,098	17,442
Escrow deposits	5,409	90,637	-	-	96,046
Rent subsidies and other payables	338	-	-	-	338
Accounts payable	-	38	159	-	197
Total current liabilities – payable from restricted assets	5,747	101,972	22,824	9,712	140,255
Noncurrent Liabilities					
Bonds and notes payable	19	-	-	-	19
Deferred revenue	9,098	-	-	-	9,098
Payable from restricted assets					
Bonds and notes payable	-	267,534	661,993	389,599	1,319,126
Total noncurrent liabilities	9,117	267,534	661,993	389,599	1,328,243
Total liabilities	20,016	369,506	684,817	399,311	1,473,650
Net Assets					
Invested in capital assets	976	-	-	-	976
Restricted	230,762	31,094	161,015	34,662	457,533
Unrestricted	263,391	-	-	-	263,391
Total net assets	495,129	31,094	161,015	34,662	721,900
Total liabilities and net assets	$ 515,145	$ 400,600	$ 845,832	$ 433,973	$ 2,195,550

Missouri Housing Development Commission
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
(In Thousands)

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Program	Total
Operating Revenues					
Interest and investment income					
Income – mortgage investments	$ 6,371	$ 12,350	$ 42,540	$ 13,253	$ 74,514
Income – investments	4,793	377	1,064	57	6,291
Net increase in fair value of investments	9,157	1,580	(6,186)	14,439	18,990
Total interest and investment income	20,321	14,307	37,418	27,749	99,795
Administration fees	6,969	-	-	-	6,969
Other income	8,588	(1)	2,282	79	10,948
Federal program income	147,351	-	-	-	147,351
Total operating revenues	183,229	14,306	39,700	27,828	265,063
Operating Expenses					
Interest expense on bonds	99	9,670	38,457	10,942	59,168
Bond debt expense	65	147	180	54	446
Compensation	8,175	-	-	-	8,175
General and administrative expenses	4,399	-	-	-	4,399
Rent and other subsidy payments	7,908	-	-	-	7,908
Housing Trust Fund grants	4,799	-	-	-	4,799
Federal program expenses	138,039	-	-	-	138,039
Total operating expenses	163,484	9,817	38,637	10,996	222,934
Change in Net Assets	19,745	4,489	1,063	16,832	42,129
Net Assets, Beginning of Year	472,089	27,627	162,282	17,773	679,771
Interfund Transfers	3,295	(1,022)	(2,330)	57	-
Net Assets, End of Year	$ 495,129	$ 31,094	$ 161,015	$ 34,662	$ 721,900

Missouri Housing Development Commission
Real Estate Owned – Oak Meadows
Statement of Revenues, Expenses and Changes in Net Assets
Year Ending June 30, 2012

Rent revenue - gross potential	$	206,430
Apartments - vacancies		206,430
Net rental revenue (rent revenue less vacancies)		-
Financial revenue - project operations		1
Total financial revenue		1
Laundry and vending revenue		(387)
Tenant charges		(4,588)
Miscellaneous revenue		2,573,700
Total other revenue		2,568,725
Total revenue		2,568,726
Office expenses		2,948
Management fee/bookkeeping/accounting services		9,000
Manager or superintendent salaries		7,482
Audit expense		14,350
Telephone expense		1,434
Bad debts		23,169
Miscellaneous administrative expenses		150
Total administrative expenses		58,533
Electricity		2,431
Water		1,268
Gas		1,984
Sewer		396
Total utilities expense		6,079
Total expenses carried forward		64,612

Missouri Housing Development Commission
Real Estate Owned – Oak Meadows
Statement of Revenues, Expenses and Changes in Net Assets
Year Ending June 30, 2012

Balance Carried Forward	$ 64,612
Payroll	7,222
Contracts	3,346
Secruity Payroll/Contract	210,512
Heating/cooling repairs and maintenance	280
Exterminating	(62)
Vacant unit preparation	2,367
Miscellaneous operating and maintenance expenses	1,849
Total operating and maintenance expenses	225,514
Real estate taxes	13,416
Payroll taxes (project’s share)	1,049
Property and liability insurance (hazard)	7,067
Health insurance and other employee benefits	2,523
Total taxes and insurance	24,055
Total cost of operations	314,181
Change in unrestricted net assets	$ 2,254,545
Previous year unrestricted net assets	$ 2,260,103
Change in unrestricted net assets	2,254,545
Distributions	(4,514,648)
Unrestricted net assets	$ -

Missouri Housing Development Commission

Real Estate Owned – Oak Meadows

Statement of Cash Flows

Year Ended June 30, 2012

Cash Flows From Operating Activities		
Rental receipts	$	8,038
Interest receipts		1
Other operating receipts		2,578,576
Administrative		(18,881)
Management fee		(9,000)
Utilities		(6,079)
Salaries and wages		(18,276)
Operating and maintenance		(327,657)
Real estate taxes		(22,809)
Property insurance		(7,067)
Other operating expenses		(10,663)
Net cash provided by operating activities		2,166,183
Cash Flows From Investing Activities		
Net withdrawals from reserves		251,263
Net cash provided by investing activities		251,263
Cash Flows From Financing Activities		
Distributions		(4,514,648)
Other financing activities		2,051,168
Net cash used in financing activities		(2,463,480)
Decrease in Cash		(46,034)
Cash, Beginning of Year		46,034
Cash, End of Year	$	-
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Increase in net assets	$	2,254,545
Decrease in tenant accounts receivable		60,488
Decrease in accounts receivable - other		2,594,462
Decrease in prepaid expenses		53,609
Decrease in cash restricted for tenant security deposits		13,416
Decrease in accounts payable		(2,752,560)
Decrease in accrued liabilities		(15,080)
Decrease in tenant security deposits in trust		(13,416)
Decrease in prepaid revenue		(29,281)
Net cash provided by operating activities	$	2,166,183