

Missouri Housing Trust Fund
Accountants' Reports and Financial Statements
June 30, 2012 and 2011



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION

Missouri Housing Trust Fund
June 30, 2012 and 2011

Contents

Independent Accountants' Report.....	1
Management's Discussion and Analysis	2
Financial Statements	
Balance Sheets.....	5
Statements of Revenues, Expenses and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Accountants' Report

The Commissioners of the Missouri Housing Development Commission
Missouri Housing Trust Fund
Kansas City, Missouri

We have audited the accompanying balance sheets of the Missouri Housing Trust Fund 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 Missouri Housing Trust Fund'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.

As described in *Note 1*, the financial statements present only the Missouri Housing Trust Fund. These statements do not purport to, and do not present the financial position of the Missouri Housing Development Commission as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund 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.

BKD, LLP

September 21, 2012

Missouri Housing Trust Fund

Management's Discussion and Analysis

Years Ended June 30, 2012 and 2011

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

Introduction – Missouri Housing Trust Fund

The Missouri Housing Trust Fund was created by the Missouri State Legislature in 1994 to help meet the housing needs of very low income Missourians. The Missouri Housing Development Commission administers the 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.

Overview of the Financial Statements

This annual financial report consists of Management's Discussion and Analysis and the financial statements, including notes to the financial statements. The Trust Fund maintains its financial records on the accrual basis of accounting.

2012 Financial Highlights

- Total assets were \$3.9 million at June 30, 2012, a decline of 28.5% from 2011. This decline resulted from an increase in grants in 2012.
- Net assets decreased 28.3% as of June 30, 2012.
- Recording fee revenue decreased 2.1% to \$3.3 million in fiscal year 2012. This decrease in fee revenue resulted from decreased real estate related document filings.
- Grants totaled \$4.8 million in 2012, an increase of 32.0% from 2011.

2011 Financial Highlights

- Total assets were \$5.5 million at June 30, 2011, a decline of 7.9% from 2010.
- Net assets decreased 4.6% as of June 30, 2011.
- Recording fee revenue decreased 6.7% to \$3.4 million in fiscal year 2011. This decrease in fee revenue resulted from decreased real estate related document filings.
- Grants totaled \$3.6 million in 2011, a decrease of 11.0% from 2010.

Missouri Housing Trust Fund
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

Financial Position

The following table summarizes the Trust Fund's assets, liabilities and 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
Current Assets					
Investments	\$ 3,000	\$ 4,417	\$ 4,436	\$ (1,417)	\$ (19)
Other	914	1,057	802	(143)	255
Total current assets	3,914	5,474	5,238	(1,560)	236
Noncurrent Assets	-	-	706	-	(706)
Total assets	3,914	5,474	5,944	(1,560)	(470)
Current Liabilities	85	131	346	(46)	(215)
Restricted Net Assets	<u>\$ 3,829</u>	<u>\$ 5,343</u>	<u>\$ 5,598</u>	<u>\$ (1,514)</u>	<u>\$ (255)</u>

Investments

Investments consist of Federal Home Loan Bank (FHLB) term deposits and U.S. government and agency fixed rate securities. The Trust Fund's investment policy emphasizes preservation of principal. At June 30, 2012, the Trust Fund had \$3.0 million in investments compared to \$4.4 million at June 30, 2011, and \$5.1 million at June 30, 2010.

Net Assets

The Trust Fund's net assets are restricted to use as authorized by Section 215.034-215.038, RSMo, the Trust Fund enabling legislation.

Missouri Housing Trust Fund
Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

Operating Activities

The following table summarizes the Trust Fund'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	2011 vs 2010
Revenues					
Recording fees	\$ 3,338	\$ 3,411	\$ 3,654	\$ (73)	\$ (243)
Interest income	13	38	61	(25)	(23)
Total revenues	3,351	3,449	3,715	(98)	(266)
Expenses					
Grants	4,799	3,636	4,085	1,163	(449)
Administrative expenses	66	68	73	(2)	(5)
Total expenses	4,865	3,704	4,158	1,161	(454)
Change in Net Assets	<u>\$ (1,514)</u>	<u>\$ (255)</u>	<u>\$ (443)</u>	<u>\$ (1,259)</u>	<u>\$ 188</u>

During fiscal year 2012, there was a decrease of 2.1% in recording fee revenue as compared to 2011. For fiscal year 2011, there was a decrease of 6.7% in recording fee revenue as compared to 2010. These fees are generated by a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing. The decreases in the fee revenue in fiscal years 2012 and 2011 are a result of decreased real estate related document filings.

Contacting Trust Fund's Financial Management

This financial report is designed to provide stakeholders in the Trust Fund with a general overview of the Trust Fund'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 our website at www.mhdc.com.

Missouri Housing Trust Fund

Balance Sheets

June 30, 2012 and 2011

(In Thousands)

Assets

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 912	\$ 1,040
Investments	3,000	4,417
Accrued interest receivable	<u>2</u>	<u>17</u>
Total current assets	<u>3,914</u>	<u>5,474</u>
Total assets	<u><u>\$ 3,914</u></u>	<u><u>\$ 5,474</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 85	\$ 131
Net Assets		
Restricted	<u>3,829</u>	<u>5,343</u>
Total liabilities and net assets	<u><u>\$ 3,914</u></u>	<u><u>\$ 5,474</u></u>

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

	2012	2011
Operating Revenues		
Recording fees	\$ 3,338	\$ 3,411
Interest income	13	38
Total operating revenues	3,351	3,449
Operating Expenses		
Trust Fund grants	4,799	3,636
Administrative expenses	66	68
Total operating expenses	4,865	3,704
Decrease in Net Assets	(1,514)	(255)
Net Assets, Beginning of Year	5,343	5,598
Net Assets, End of Year	\$ 3,829	\$ 5,343

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

	2012	2011
Cash Flows From Operating Activities		
Recording fee revenue	\$ 3,338	\$ 3,411
Payments for grants and other items	(4,911)	(3,919)
Net cash used in operating activities	(1,573)	(508)
Cash Flows From Investing Activities		
Proceeds from sale of investments	4,895	4,950
Purchase of investments	(3,500)	(4,290)
Income received on investments	50	122
Net cash provided by investing activities	1,445	782
Increase (Decrease) in Cash and Cash Equivalents	(128)	274
Cash and Cash Equivalents, Beginning of Year	1,040	766
Cash and Cash Equivalents, End of Year	\$ 912	\$ 1,040
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ (1,514)	\$ (255)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Income – investments	(35)	(103)
Change in fair value of investments	22	65
Change in assets and liabilities		
Decrease in accounts payable	(46)	(215)
Net cash used in operating activities	\$ (1,573)	\$ (508)

Missouri Housing Trust Fund

Notes to Financial Statements

June 30, 2012 and 2011

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

The Missouri Housing Trust Fund (the “Trust Fund”) is authorized by Section 215.034, RSMo to financially assist, by loans or grants, the development of housing stock and to provide housing assistance to persons and families with income at or below specified levels. The Trust Fund is administered by and reported as a fund of the Missouri Housing Development Commission (the “Commission”), which is the housing finance agency for the state of Missouri.

The following is a summary of the more significant accounting policies of the Trust Fund.

Basis of Accounting

The Trust Fund maintains its financial records on the accrual basis of accounting.

The Trust Fund’s financial statements have been prepared on the basis of the Governmental Proprietary Fund concept of the Governmental Accounting Standards Board (GASB). The Governmental Proprietary Fund concept is utilized when financial activities are operated similarly to private business enterprises and financed through fees and charges.

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.

Classification of Revenues

Revenues and expenses are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Trust Fund’s principal ongoing operations. The principal operating revenues of the Trust Fund are derived from recording fees and interest income from investments. Operating expenses consist primarily of grants. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Trust Fund has no nonoperating activities.

Missouri Housing Trust Fund
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Investments

Investments may include Federal Home Loan Bank (FHLB) term deposits reported at cost and U.S. government and agency securities 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.

Investment Policy

The Commission administers the Trust Fund in accordance with Chapter 215 of the Missouri State Statutes. Section 215.034 RSMo directs the State Treasurer to allocate all moneys in the Missouri Housing Trust Fund to the Commission for disbursement and investment as directed by the Statute. Chapter 215 permits the Commission to invest any funds not required for immediate disbursement in obligations of the state of Missouri or of the United States government or any instrumentality thereof, or bank certificates of deposit. At June 30, 2012 and 2011, all of the Trust Fund's investments were in compliance with the state statute.

Investment Types and Maturities

At June 30, 2012, the Trust Fund's investments include FHLB term deposits reported at cost totaling \$3,000,000, all of which mature in less than one year. At June 30, 2011, the Trust Fund's investments included \$4,417,000 in U.S. government and agency securities, all of which had maturities of less than one year. At June 30, 2011, as reported at fair value, the Trust Fund's U.S. government and agencies securities consisted of \$504,000 Fannie Mae, \$3,512,000 Federal Home Loan Bank (FHLB) and \$401,000 U.S. Treasury debt securities.

Credit Risk

The following table (in thousands of dollars) provides information on the credit ratings associated with the Trust Fund's investments in debt securities at June 30, 2012 and 2011:

Year	Investment Type	S&P	Moody's	Fair Value
2012	-	-	-	\$ -
2011	U.S. government and agencies	AAA*	Aaa	\$ 4,417

* Effective August 16, 2011, the S&P ratings of the U.S. government agencies were lowered to AA+.

Missouri Housing Trust Fund
Notes to Financial Statements
June 30, 2012 and 2011

Concentration of Credit Risk

State statute places no limit on the amount the Trust Fund may invest in any one permitted issuer. The following table lists investments in issuers, including FHLB term deposits, that represent 5% or more of total U.S. government agency investments at June 30, 2012 and 2011:

Issuer	Percent of Total Investments	
	2012	2011
Federal Home Loan Bank	100%	80%
Fannie Mae	0%	11%
U.S. Treasury	0%	9%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of the Trust Fund's bank deposits of \$612,000 is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institution. The Trust Fund's deposits with the FHLB include \$300,000 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with its policy, the Trust Fund addresses custodial credit risk by pre-qualifying institutions with which the Trust Fund places investments, diversifying its investments portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government agency securities are carried at fair value. At June 30, 2011, securities approximating \$4,417,000 were uninsured and unregistered investments for which the securities were held by the counterparty, or by its trust department or agent, but not in the Trust Fund's name.

Note 3: Revenue from the State of Missouri

In accordance with Section 215.034, RSMo, the state of Missouri distributes to the Trust Fund a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing.

Missouri Housing Trust Fund
Notes to Financial Statements
June 30, 2012 and 2011

Note 4: Administrative Expenses

The Trust Fund reimburses the Commission for administrative costs not to exceed 2% of Trust Fund revenues.

Note 5: Commitments

At June 30, 2012 and 2011, the Trust Fund has outstanding program commitments of approximately \$2,899,000 and \$5,114,000, respectively. These commitments represent Trust Fund grants that were approved prior to year end for which disbursements will be made in the subsequent fiscal years.