
MISSOURI HOUSING TRUST FUND
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013



Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
 Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9 - 12



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri Housing Trust Fund (Trust Fund) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Missouri Housing Trust Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust Fund as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

RubinBrown LLP

September 18, 2014

MISSOURI HOUSING TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2014 and 2013

Our discussion and analysis of Missouri Housing Trust Fund's (Trust Fund) financial performance provides an overview of the Trust Fund's financial activities for the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the Trust Fund's financial statements and accompanying notes.

Introduction - Missouri Housing Development Commission

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 (the 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.

2014 Financial Highlights

- Total assets were \$4.7 million at June 30, 2014, an increase of 4.6% from 2013. This increase resulted from an increase in recording fee revenue in 2014.
- Net position increased 4.3% as of June 30, 2014.
- Recording fee revenue was \$3.8 million in fiscal year 2014, an increase of 13.6% from 2013. This increase in fee revenue resulted from increased real estate document filings.
- Grants totaled \$3.5 million in 2014, an increase of 29.8% from 2013.

2013 Financial Highlights

- Total assets were \$4.5 million at June 30, 2013, an increase of 15.3% from 2012. This increase resulted from a decrease in grants in 2013.
- Net position increased 14.5% as of June 30, 2013.
- Recording fee revenue was \$3.3 million in fiscal year 2013, consistent with 2012.
- Grants totaled \$2.7 million in 2013, a decrease of 43.1% from 2012.

MISSOURI HOUSING TRUST FUND

Management's Discussion and Analysis (*Continued*)

Financial Position

The following table summarizes the Trust Fund's assets, liabilities and net position as of June 30, 2014, June 30, 2013, and June 30, 2012.

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

	<u>June 30,</u>			<u>\$ Change</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014 vs 2013</u>	<u>2013 vs 2012</u>
Current Assets					
Investments	\$ 4,353	\$ 3,900	\$ 3,000	\$ 453	\$ 900
Other	365	612	914	(247)	(302)
Total Assets	<u>4,718</u>	<u>4,512</u>	<u>3,914</u>	<u>206</u>	<u>598</u>
Current Liabilities	<u>144</u>	<u>128</u>	<u>85</u>	<u>16</u>	<u>43</u>
Restricted Net Position	<u>\$ 4,574</u>	<u>\$ 4,384</u>	<u>\$ 3,829</u>	<u>\$ 190</u>	<u>\$ 555</u>

Investments

Investments consist of Federal Home Loan Bank (FHLB) term deposits, U.S. government and agency fixed rate securities, and collateralized certificates of deposit. The Trust Fund's investment policy emphasizes preservation of principal. At June 30, 2014, the Trust Fund had \$4.4 million in investments compared to \$3.9 million at June 30, 2013, and \$3.0 million at June 30, 2012.

Net Position

The Trust Fund's net position is 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 (*Continued*)

Operating Activities

The following table summarizes the Trust Fund's revenues, expenses and changes in net position for fiscal years 2014, 2013 and 2012.

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

	2014	2013	2012	\$ Change	
				2014 vs 2013	2013 vs 2012
Revenues					
Recording fees	\$ 3,800	\$ 3,344	\$ 3,338	\$ 456	\$ 6
Interest income	11	10	13	1	(3)
Total Revenues	3,811	3,354	3,351	457	3
Expenses					
Grants	3,545	2,732	4,799	813	(2,067)
Administrative expenses	76	67	66	9	1
Total Expenses	3,621	2,799	4,865	822	(2,066)
Change in Net Position	\$ 190	\$ 555	\$ (1,514)	\$ (365)	\$ 2,069

For fiscal year 2014, recording fee revenue increased 13.6% from 2013. During fiscal year 2013, recording revenue was consistent with fiscal year 2012 at \$3.3 million. These fees are generated by a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing.

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 the Commission's website at www.mhdc.com.

MISSOURI HOUSING TRUST FUND

STATEMENT OF NET POSITION

June 30, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash	\$ 362	\$ 608
Investments	4,353	3,900
Accrued interest receivable	3	4
Total Assets	<u>4,718</u>	<u>4,512</u>
Liabilities		
Current Liabilities		
Accounts payable	144	128
Total Liabilities	<u>144</u>	<u>128</u>
Net Position		
Restricted	4,574	4,384
Total Net Position	<u>\$ 4,574</u>	<u>\$ 4,384</u>

MISSOURI HOUSING TRUST FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2014 and 2013 (In Thousands)

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Recording fees	\$ 3,800	\$ 3,344
Interest income	11	10
Total Operating Revenues	3,811	3,354
Operating Expenses		
Grants	3,545	2,732
Administrative expenses	76	67
Total Operating Expenses	3,621	2,799
Change in Net Position	190	555
Net Position, Beginning of Year	4,384	3,829
Net Position, End of Year	\$ 4,574	\$ 4,384

MISSOURI HOUSING TRUST FUND

STATEMENT OF CASH FLOWS Years Ended June 30, 2014 and 2013 (In Thousands)

	2014	2013
Cash Flows From Operating Activities		
Recording fee revenue	\$ 3,800	\$ 3,344
Payments for grants and other items	(3,605)	(2,756)
Net Cash Provided by Operating Activities	195	588
Cash Flows From Investing Activities		
Proceeds from sale of investments	5,250	5,400
Purchase of investments	(5,706)	(6,300)
Income received on investments	15	8
Net Cash Used in Investing Activities	(441)	(892)
Decrease in Cash	(246)	(304)
Cash, Beginning of Year	608	912
Cash, End of Year	\$ 362	\$ 608
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities		
Change in net position	\$ 190	\$ 555
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Income - investments	(14)	(10)
Change in fair value of investments	3	—
Change in assets and liabilities		
Increase in accounts payable	16	43
Net Cash Provided by Operating Activities	\$ 195	\$ 588

Missouri Housing Trust Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies

The Missouri Housing Trust Fund (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 for 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 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 fee 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.

MISSOURI HOUSING TRUST FUND

Notes to Financial Statements (*Continued*)

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.

Net Position

Net position represents the difference between assets and liabilities in the Trust Fund's financial statements. The Trust Fund's net position is restricted to use as authorized by Section 215.034-215.038, RSMo, the Trust Fund enabling legislation.

2. Investments

Investments may include Federal Home Loan Bank (FHLB) term deposits and bank certificates of deposit 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, 2014 and 2013, all of the Trust Fund's investments were in compliance with the state statute.

MISSOURI HOUSING TRUST FUND

Notes to Financial Statements *(Continued)*

Investment Types and Maturities

At June 30, 2014, the Trust Fund's investments, all of which mature in less than one year, include \$1,000,000 bank certificates of deposit reported at cost and \$3,353,000 U.S. Treasury and government agency securities reported at fair value. At June 30, 2013, the Trust Fund's investments included \$800,000 bank certificates of deposit recorded at cost, \$2,300,000 FHLB term deposits reported at cost and \$800,000 U.S. Treasury debt securities recorded at fair value, all of which had maturities of less than one year.

Credit Risk

The Trust Fund's investments in U.S. government securities are rated in the highest rating category by Moody's Investor Services (Aaa) and AA+ by Standard & Poor's.

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 and agency investments at June 30, 2014 and 2013:

Issuer	Percent of Total Investments	
	2014	2013
Federal Home Loan Bank	48%	74%
Federal Home Loan Mortgage Corp	13%	—
Fedreal Farm Credit Bank	9%	—
U.S. Treasury	30%	26%

MISSOURI HOUSING TRUST FUND

Notes to Financial Statements (*Continued*)

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 deposits of \$362,000, and its investment in nonnegotiable certificates of deposits of \$1,000,000, is provided by the Federal Deposit Insurance Corporation, and by eligible securities pledged by the financial institution. 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. Treasury and government agency debt securities are carried at fair value. At June 30, 2014, securities approximating \$3,353,000 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.

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.

4. Administrative Expenses

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

5. Commitments

At June 30, 2014 and 2013, the Trust Fund has outstanding program commitments of approximately \$3,854,000 and \$3,764,000, 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.