
MISSOURI HOUSING
DEVELOPMENT COMMISSION
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION

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RubinBrown LLP
Certified Public Accountants
& Business Consultants

10975 Grandview Drive
Suite 600
Overland Park, KS 66210

T 913.491.4144
F 913.491.6821

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

The Commissioners
Missouri Housing Development Commission
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri Housing Development Commission, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Missouri Housing Development Commission'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 Missouri Housing Development Commission as of June 30, 2016 and 2015, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Commission's proportionate share of the net pension liability and schedule of Commission's contributions on pages 4 through 14 and 56 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 required supplementary information 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Missouri Housing Development Commission's financial statements. The accompanying supplementary information which includes the combining statement of net position; combining statement of net position multifamily bond-financed programs; combining statement of net position single family bond-financed programs; combining statement of revenues, expenses and changes in net position; combining statement of revenues, expenses and changes in net position multifamily bond-financed programs; and combining statement of revenues, expenses and changes in net position single family bond-financed programs, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

September 23, 2016

MISSOURI HOUSING DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For The Years Ended June 30, 2016 and 2015

Management's discussion and analysis provides an overview of the financial activities of the Missouri Housing Development Commission (Commission) and its financial performance for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction - Missouri Housing Development Commission

The Missouri Housing Development Commission was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri (State). 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 the 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 position is 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. The Commission also administers federal assistance programs, including the HOME Investment Partnerships Program and contracts for the Project Based Section 8 program, which provide rental subsidies.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis; the basic financial statements, including notes to the financial statements; and required and other supplementary information. The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. 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.

2016 Financial Highlights

- Total assets were \$1.9 billion, an increase of 6.5% from June 30, 2015. The growth in assets primarily reflects an increase in single family mortgage investments for which new production exceeded loan paydowns and prepayments.
- Fiscal year 2016 mortgage investment purchases and originations totaled \$259.1 million as compared to \$162.1 million in fiscal year 2015. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled \$140.7 million in fiscal year 2016 as compared to \$141.8 million in fiscal year 2015.
- Single family and multifamily housing bonds issued totaled \$219.1 million in fiscal year 2016 and totaled \$162.7 million in fiscal year 2015.
- Total revenues were \$228.6 million in fiscal year 2016, an increase of 5.2% from fiscal year 2015. Excluding the net change in fair value of investments, total revenues were \$224.8 million in fiscal year 2016, representing an increase of 3.3%. Revenues from federal programs were \$158.4 million in fiscal year 2016 as compared to \$151.9 million in fiscal year 2015.
- Net operating income, excluding the net change in fair value of investments, was \$27.6 million in fiscal year 2016 as compared to \$20.3 million in fiscal year 2015. Excluding federal programs and the net change in fair value of investments, net operating income was \$17.0 million in fiscal year 2016 as compared to \$15.2 million in fiscal year 2015.
- Net position increased \$31.4 million (4.3%) as of June 30, 2016. Excluding the change in fair value of investments, net position increased \$27.1 million (4.01%) as of June 30, 2016.

2015 Financial Highlights

- Total assets were \$1.8 billion, a decrease of less than 1% from June 30, 2014.
- Fiscal year 2015 mortgage investment purchases and originations totaled \$162.1 million as compared to \$170.5 million in fiscal year 2014. Proceeds from the sale of mortgage assets and principal repayments on mortgage assets totaled \$141.8 million in fiscal year 2015 as compared to \$336.1 million in fiscal year 2014.
- Single family and multifamily housing bonds issued totaled \$162.7 million in fiscal year 2015 and totaled \$88.3 million in fiscal year 2014.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (*Continued*)

- Total revenues were \$217.2 million in fiscal year 2015, a decrease of 6.0% from fiscal year 2014. Excluding the net change in fair value of investments, total revenues were \$217.7 million in fiscal year 2015, representing a decrease of 4.0%. Revenues from federal programs were \$151.9 million in fiscal year 2015 as compared to \$152.4 million in fiscal year 2014.
- Net operating income, excluding the net change in fair value of investments, was \$20.3 million in fiscal year 2015 as compared to \$28.0 million in fiscal year 2014. Excluding federal programs and the net change in fair value of investments, net operating income was \$15.2 million in fiscal year 2015 as compared to \$20.3 million in fiscal year 2014.
- Net position increased \$19.9 million (2.8%) as of June 30, 2015. Excluding the change in fair value of investments, net position increased \$15.2 million (2.3%) as of June 30, 2015.

The Commission has maintained a general obligation issuer credit rating from Standard and Poor's Ratings Services of AA+ with a stable outlook. This rating was affirmed April 19, 2016.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (Continued)

Financial Position

The following table summarizes the Commission's current, restricted and noncurrent assets, deferred outflows of resources, liabilities and deferred inflows of resources. The table also displays restricted and unrestricted net position as of June 30, 2016, 2015 and 2014.

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

	June 30,			\$ change	
	2016	2015	2014	2016 - 2015	2015 - 2014
Assets					
Current assets	\$ 52,798	\$ 30,004	\$ 26,334	\$ 22,794	\$ 3,670
Restricted investments	182,375	175,040	176,667	7,335	(1,627)
Restricted mortgage investments	1,256,333	1,172,492	1,185,901	83,841	(13,409)
Other restricted assets	100,915	116,209	143,180	(15,294)	(26,971)
Capital assets	1,063	674	704	389	(30)
Other	275,077	260,377	225,948	14,700	34,429
Total Assets	\$ 1,868,561	\$ 1,754,796	\$ 1,758,734	\$ 113,765	\$ (3,938)
Deferred Outflows of Resources	\$ 1,808	\$ 1,032	\$ 1,159	\$ 776	\$ (127)
Liabilities					
Current liabilities	\$ 46,784	\$ 22,858	\$ 2,192	\$ 23,926	\$ 20,666
Current liabilities - payable from restricted assets	148,480	139,574	141,328	8,906	(1,754)
Long-term bonds and notes payable	892,759	843,691	896,449	49,068	(52,758)
Other	18,288	15,820	8,569	2,468	7,251
Total Liabilities	\$ 1,106,311	\$ 1,021,943	\$ 1,048,538	\$ 84,368	\$ (26,595)
Deferred Inflows of Resources	\$ 2,480	\$ 3,713	\$ 1,061	\$ (1,233)	\$ 2,652
Net Position					
Net investment in capital assets	\$ 1,063	\$ 674	\$ 704	\$ 389	\$ (30)
Restricted	502,043	484,761	476,637	17,282	8,124
Unrestricted	258,472	244,737	232,953	13,735	11,784
Total Net Position	\$ 761,578	\$ 730,172	\$ 710,294	\$ 31,406	\$ 19,878

The Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a result of the implementation, net position as of June 30, 2014 was restated, reflecting a net reduction of \$8,568,000 consisting of the beginning of period net pension liability of \$9,561,000 and deferred pension expense of \$993,000.

Investments

Investments consist of certificates of deposit, 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, 2016, the Commission had \$365.3 million in investments as compared to \$368.5 million at June 30, 2015 and \$364.4 million at June 30, 2014.

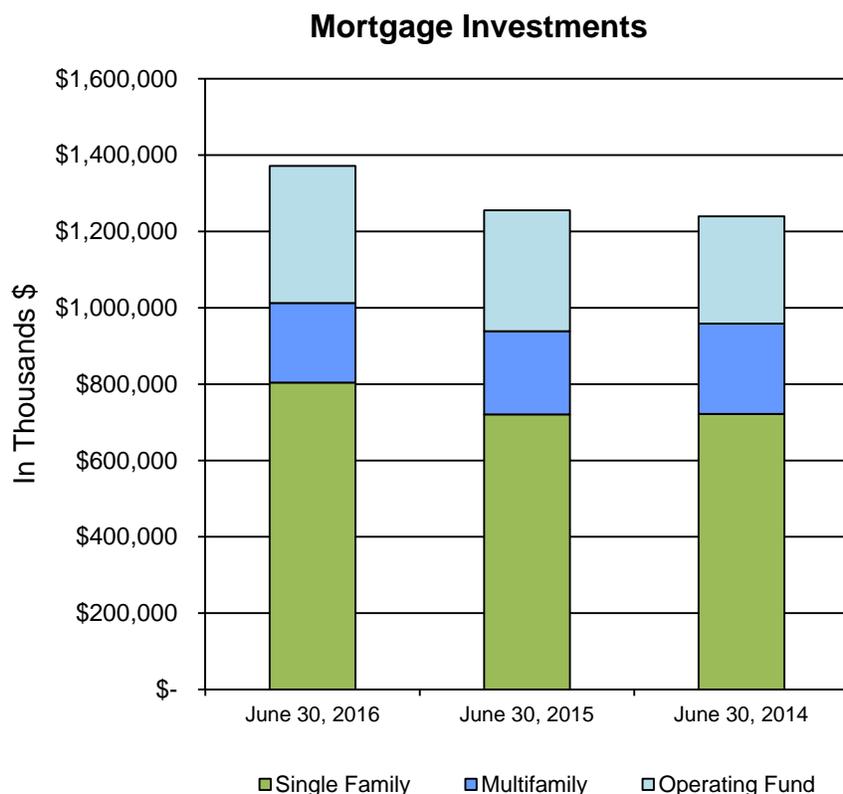
Mortgage Investments

The Commission's mortgage investments increased 9.3% and 1.3% during fiscal years 2016 and 2015, respectively. Mortgage investments comprise 73.4% of the Commission's total assets at June 30, 2016, as compared to 71.6% at June 30, 2015 and 70.5% at June 30, 2014. Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage-backed securities (MBS) comprise 61.6% of the Commission's mortgage investments at June 30, 2016, compared to 59.1% at June 30, 2015 and 58.2% at June 30, 2014. In fiscal year 2016 new loans totaled \$259.1 million, with prepayment activity and change in fair value resulting in a net increase of \$116.3 million in the mortgage investment portfolio as reported. In fiscal year 2015 new loans totaled \$162.1 million, with prepayment activity and change in fair value resulting in a net increase of \$15.9 million in the mortgage investment portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and Freddie Mac MBS and a significant portion of its bond-financed multifamily loan portfolio backed by Federal Housing Administration (FHA) insurance, including Risk-Share loans. The Commission's loan loss reserve is 3.1% of total mortgage investments at June 30, 2016 (3.4% at June 30, 2015, and 3.5% at June 30, 2014), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (Continued)

The mix of mortgage investments among operating fund loans, multifamily bond-financed programs and single family bond-financed programs at June 30, 2016, 2015 and 2014 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 position) and Federal Home Loan Bank (FHLB) advances totaling \$143.4 million at June 30, 2016, as compared to \$111.5 million at June 30, 2015 and \$83.1 million at June 30, 2014. The operating fund loans also include loans financed by the federal HOME Investment Partnerships Program totaling \$190.9 million, net, at June 30, 2016, as compared to \$179.8 million at June 30, 2015 and \$171.9 million at June 30, 2014. In addition, the operating fund loans at June 30, 2016 include \$25.2 million in loans financed by the federal Tax Credit Assistance Program (TCAP), as compared to \$25.6 million at June 30, 2015 and \$25.9 million at June 30, 2014. The Commission's multifamily loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in 50% of the insured risk. These loans totaled \$140.4 million at June 30, 2016, \$148.4 million at June 30, 2015 and \$160.4 million at June 30, 2014. The Commission's multifamily loan portfolio also includes conduit loans, which totaled \$72.1 million at June 30, 2016, \$73.4 million at June 30, 2015 and \$74.7 million at June 30, 2014. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (*Continued*)

Debt

At June 30, 2016, the Commission had \$961.1 million in bonds and notes outstanding as compared to \$889.2 million outstanding at June 30, 2015 and \$915.4 million at June 30, 2014. The Commission's single family and multifamily housing bonds are rated AA+ with a stable outlook by Standard and Poor's.

During fiscal year 2016, new debt issued included one series of multifamily housing refunding revenue bonds, which totaled \$13.7 million, and three single family mortgage revenue bond series totaling \$205.4 million, including refunding bonds totaling \$29.4 million. Overall debt increased during fiscal year 2016 as a result of the new debt issuances exceeding principal payments and redemptions. During fiscal year 2015, new debt resulted from issuance of one series of multifamily housing refunding revenue bonds, which totaled \$12.1 million, and three single family mortgage revenue bond series totaling \$150.6 million, including one refunding bond series totaling \$40.6 million. The overall net decrease in debt during fiscal year 2015 resulted from principal payments and redemptions that exceeded the year's issuances. For additional information, see *Note 5, Bonds Payable and Long-Term Liabilities*, in the Notes to Financial Statements.

Net Position

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net position as compared to total assets) was 40.5% at June 30, 2016 as compared to 41.5% at June 30, 2015 and 40.4% at June 30, 2014. Excluding unrealized gains and losses, net position was \$703.1 million at June 30, 2016, \$676.0 million at June 30, 2015 and \$660.8 million at June 30, 2014, representing growth of 4.0% in fiscal year 2016, 2.3% in fiscal year 2015 and 2.9% in fiscal year 2014. A significant portion of the Commission's net position is restricted by bond indentures, grant agreements and other legal requirements. In addition, the Commission has designated certain unrestricted net position for its affordable housing programs. The amounts designated were \$182.9 million at June 30, 2016, \$161.0 million at June 30, 2015, and \$155.4 million at June 30, 2014. Net position provides liquidity and capital adequacy to support the Commission's general obligations and commitments, such as the Commission's general obligation bonds and participation in the U.S. Department of Housing and Urban Development (HUD) Risk-Share Program, that are secured by the Commission's full faith and credit.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (Continued)

Operating Activities

The following table summarizes the Commission's revenues, expenses and changes in net position for fiscal years 2016, 2015 and 2014.

	2016	2015	2014	\$ change	
				2016 - 2015	2015 - 2014
Operating Revenues					
Interest and investment income	\$ 56,296	\$ 51,420	\$ 61,754	\$ 4,876	\$ (10,334)
Grants and federal assistance	158,366	151,932	152,439	6,434	(507)
Other	13,959	13,887	16,799	72	(2,912)
Total Operating Revenues	228,621	217,239	230,992	11,382	(13,753)
Operating Expenses					
Interest expense	27,813	29,085	35,607	(1,272)	(6,522)
Compensation and administrative expenses	13,318	12,969	12,506	349	463
Grants and federal assistance	147,794	146,817	144,721	977	2,096
Other	8,290	8,490	5,808	(200)	2,682
Total Operating Expenses	197,215	197,361	198,642	(146)	(1,281)
Change in Net Position	\$ 31,406	\$ 19,878	\$ 32,350	\$ 11,528	\$ (12,472)

While the Commission continues to exhibit healthy financial activity, the economy and market conditions, in particular sustained low interest rates, have affected financial results. During fiscal year 2016, overall revenues increased due, primarily, to an increase in fair value adjustments and an increase in federal assistance revenue. During fiscal year 2015, overall revenues decreased due, primarily, to a decrease in fair value adjustments and a decrease in interest and investment income due to a decrease in mortgage investment earnings as a result of a lower average level of mortgage investments held throughout the year. Excluding the effects of fair value reporting, the change in net position was an increase of \$27.1 million in fiscal year 2016, \$15.2 million in fiscal year 2015 and \$18.9 million in fiscal year 2014, 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 3.9% and 1.6%, respectively, for fiscal year 2016. This compares to 2.3% and 0.9%, respectively, for fiscal year 2015 and 2.9% and 1.1%, respectively, for fiscal year 2014.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Management's Discussion and Analysis (*Continued*)

Revenues

Interest and investment income totaled \$56.3 million in fiscal year 2016 as compared to \$51.4 million in fiscal year 2015 (an increase of 9.5% in fiscal year 2016) and \$61.8 million in fiscal year 2014 (a decrease of 16.7% in fiscal year 2015). This income includes a fair value increase of \$3.9 million in fiscal year 2016, a fair value decrease of \$411,000 in fiscal year 2015 and a fair value increase of \$4.4 million in fiscal year 2014. Changes in the fair value of the Commission's portfolio of mortgage-backed securities and other investments result from fluctuations in interest rates and other market factors. Without the fair value adjustments, interest and investment income increased 1.2% in fiscal year 2016, after having decreased 9.7% in fiscal year 2015 reflecting the decrease in the Commission's mortgage investment interest earnings that declined due to a decrease in the average level of mortgage investments held throughout the 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 HUD (including Section 8 Contract Administration and the HOME Investment Partnerships Program) and other federal programs. These revenues totaled \$158.4 million in fiscal year 2016 as compared to \$151.9 million in fiscal year 2015 and \$152.4 million in fiscal year 2014 while expenses incurred were \$147.8 million in fiscal year 2016, \$146.8 million in fiscal year 2015 and \$144.7 million in fiscal year 2014. The fiscal year 2016 increase was primarily due to an increase in the HOME Investment Partnerships Program and an increase in Section 8 Contract Administration funding. The fiscal year 2015 change is primarily due to a decrease in the HOME Investment Partnerships Program and an increase in Section 8 Contract Administration funding. HOME Investment Partnerships Program funding has varied reflecting timing of awards and disbursements in addition to a change in federal allocation for this program and totaled \$12.6 million in fiscal year 2016 as compared to \$9.8 million in fiscal year 2015 and \$14.5 million in fiscal year 2014. The Section 8 Contract Administration revenues totaled \$143.1 million, \$139.6 million and \$134.8 million in fiscal years 2016, 2015 and 2014, respectively. 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 position and other resources to finance affordable multifamily and owner-occupied housing for Missourians as well as provide housing assistance to very low-income Missourians.

Expenses

Interest costs were \$27.8 million for fiscal year 2016 as compared to \$29.1 million for fiscal year 2015 (a decrease of 4.4% in fiscal year 2016) and \$35.6 million for fiscal year 2014 (a decrease of 18.3% in fiscal year 2015). The fiscal year 2016 decrease is due to lower costs of borrowing as a result of bond refundings and lower interest rates on new issues reflecting market conditions. The fiscal year 2015 decrease is 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 lower interest rates achieved with refunding 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 \$13.3 million in fiscal year 2016 as compared to \$13.0 million in fiscal year 2015 and \$12.5 million in fiscal year 2014. Excluding the net change in the fair value of investments, these costs represented 5.93% of revenues in fiscal year 2016 as compared to 5.96% of revenues in fiscal year 2015 and 5.52% of revenues in fiscal year 2014.

Economic and Other Factors

The Commission's programs and activities are subject to economic and other factors that may affect the Commission's financial position and operations. In the coming year, changes in interest rates can be expected to impact investment earnings and may result in large fluctuations in the fair value of investments and mortgage-backed securities.

With respect to financing its single family programs, the Commission expects to continue to finance its first-time homebuyer mortgage program primarily with tax-exempt bond issues. In addition, the Commission anticipates selling mortgage-backed securities via the To-Be-Announced (TBA) market to provide mortgage financing for homebuyers, including non-first time homebuyers.

The Commission administers the Project-Based Section 8 program in the State through a contract with HUD, which results in over \$143.0 million in housing assistance payment revenue and expense activity annually. The current contract terminates December 31, 2017. HUD is expected to competitively bid this program administration at a future time and the Commission plans to submit a proposal.

Contacting the Commission'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. Questions about this report or inquiries for additional financial information may be directed to the Director of Finance at the Missouri Housing Development Commission, 920 Main Street, Suite 1400, Kansas City, Missouri, 64105 or visit the Commission's website at www.mhdc.com.

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION (In Thousands)

Assets	June 30,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 24,553	\$ 10,360
Investments	8,018	9,483
Mortgage investments	15,658	6,837
Accrued interest receivable	2,233	2,485
Accounts receivable - other	2,256	763
Prepaid expenses	80	76
Total Current Assets	52,798	30,004
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	96,890	112,295
Investments	182,375	175,040
Mortgage investments	1,256,333	1,172,492
Accrued interest receivable	4,006	3,864
Accounts receivable - other	19	50
Total restricted assets	1,539,623	1,463,741
Investments	174,945	183,981
Mortgage investments, net of current portion and allowances for loan losses of \$42,598 and \$42,965	99,922	76,330
Accounts receivable - other	210	66
Capital assets, less accumulated depreciation of \$3,264 and \$4,156	1,063	674
Total Noncurrent Assets	1,815,763	1,724,792
Total Assets	1,868,561	1,754,796
Deferred Outflows of Resources		
Refunding of debt	9	10
Pension	1,799	1,022
Total Deferred Outflows of Resources	1,808	1,032

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION (Continued) (In Thousands)

	June 30,	
	2016	2015
Liabilities		
Current Liabilities		
Bonds and notes payable	\$ 38,496	\$ 19,729
Accrued interest payable	137	134
Accounts payable	6,851	1,709
Unearned revenue	1,300	1,286
Total Current Liabilities	46,784	22,858
Current Liabilities - Payable from Restricted Assets		
Bonds and notes payable	29,821	25,731
Accrued interest payable	6,245	6,795
Escrow deposits	111,844	106,489
Rent subsidies and other payables	325	324
Accounts payable	245	235
Total Current Liabilities - Payable from Restricted Assets	148,480	139,574
Noncurrent Liabilities		
Bonds and notes payable	5,895	5,895
Pension	9,714	7,178
Unearned revenue	8,574	8,642
Payable from restricted assets		
Bonds and notes payable	886,864	837,796
Total Noncurrent Liabilities	911,047	859,511
Total Liabilities	1,106,311	1,021,943
Deferred Inflows of Resources		
Refunding of debt	2,245	1,620
Pension	235	2,093
Total Deferred Inflows of Resources	2,480	3,713
Net Position		
Net investment in capital assets	1,063	674
Restricted	502,043	484,761
Unrestricted, including designated balances	258,472	244,737
Total Net Position	\$ 761,578	\$ 730,172

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (In Thousands)

	For the Years Ended June 30,	
	2016	2015
Operating Revenues		
Interest and investment income		
Income - mortgage investments	\$ 45,597	\$ 45,795
Income - investments	6,846	6,036
Net increase (decrease) in fair value of investments	3,853	(411)
Total interest and investment income	56,296	51,420
Administration fees	5,872	5,633
Other income	8,087	8,254
Federal program income	158,366	151,932
Total Operating Revenues	228,621	217,239
Operating Expenses		
Interest expense on bonds	27,813	29,085
Bond debt expense	2,628	2,170
Compensation	9,083	8,395
General and administrative expenses	4,235	4,574
Rent and other subsidy payments	1,912	2,447
Missouri Housing Trust Fund grants	3,750	3,873
Federal program expenses	147,794	146,817
Total Operating Expenses	197,215	197,361
Change in Net Position	31,406	19,878
Net Position - Beginning of Year, as Restated	730,172	710,294
Net Position - End of Year	\$ 761,578	\$ 730,172

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS (In Thousands)

	For the Years Ended June 30,	
	2016	2015
Cash Flows from Operating Activities		
Interest received on mortgage investments	\$ 45,430	\$ 45,658
Fees, charges and other	10,647	11,759
Principal repayments on mortgage loans	140,736	141,772
Disbursements of mortgage loans	(259,132)	(162,062)
Federal revenue	158,366	151,932
Federal expenses	(147,794)	(146,817)
Collection of compliance and origination fees	1,652	1,873
Cash payments for compensation, administrative and other costs	(7,982)	(12,877)
Other operating payments	(8,289)	(8,740)
Net Cash Provided by (Used in) Operating Activities	(66,366)	22,498
Cash Flows from Noncapital Financing Activities		
Retirement of principal on bonds and notes	(361,618)	(322,691)
Proceeds from issuance of bonds and notes	436,337	299,750
Interest paid on bonds and notes	(30,528)	(33,628)
Change in escrow deposits	5,355	3,964
Net Cash Provided by (Used in) Noncapital Financing Activities	49,546	(52,605)
Cash Flows Used in Capital and Related Financing Activities		
Payments for capital assets	(676)	(309)
Cash Flows from Investing Activities		
Purchases of investments	(242,345)	(118,242)
Proceeds from maturities and sales of investments	251,506	118,105
Interest received on investments	7,123	6,201
Net Cash Provided by Investing Activities	16,284	6,064
Net Decrease in Cash and Cash Equivalents	(1,212)	(24,352)
Cash and Cash Equivalents - Beginning of Year	122,655	147,007
Cash and Cash Equivalents - End of Year	\$ 121,443	\$ 122,655

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS (Continued) (In Thousands)

	For the Years	
	Ended June 30,	
	2016	2015
Reconciliation of Increase in Net Position to		
Net Cash Provided by (Used in) Operating Activities		
Increase in net position	\$ 31,406	\$ 19,878
Adjustments to reconcile increase in net position to net cash provided by (used in) operating activities		
Depreciation	287	339
Net (increase) decrease in fair value of investments	(3,853)	411
Compliance and origination fee receipts	1,652	1,873
Amortization of unearned revenue	(1,706)	(1,710)
Income - investments	(6,846)	(6,036)
Net change in mortgage loans	(118,396)	(20,290)
Interest expense related to bonds and other debt	27,813	29,085
Change in deferred outflows related to pensions	(777)	(29)
Change in deferred inflows related to pensions	(1,858)	2,093
Change in assets and liabilities		
Increase in accounts receivable	(1,606)	(418)
Increase in accrued mortgage interest receivable	(167)	(137)
Increase in prepaid expenses	(4)	(38)
Increase (decrease) in accounts payable	5,153	(140)
Increase (decrease) in pension liability	2,536	(2,383)
Net Cash Provided by (Used in) Operating Activities	\$ (66,366)	\$ 22,498

MISSOURI HOUSING DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Missouri Housing Development Commission (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, 2016 and 2015, the Commission had \$66,227,000 and \$67,319,000, respectively, of bonds outstanding applicable to conduit 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 (State).

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.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting with revenues recognized when earned and expenses recorded when incurred. All significant interfund transactions are eliminated.

Revenues and expenses 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 interest and 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 consist 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 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, 2016 and 2015, cash equivalents consisted primarily of money market funds and Federal Home Loan Bank (FHLB) daily time accounts.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

Investments

Securities purchased under agreements to resell, U.S. government and agency securities and mortgage-backed securities are reported at fair value. For the year ended June 30, 2016 the net increase in fair value of investments was \$3,853,000 and for the year ended June 30, 2015 the net decrease in fair value of investments was \$411,000.

Mortgage Investments

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program and net position are used to make mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) 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 serviced as mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and Freddie Mac mortgage-backed securities are reported at fair value.

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 and the allowance for loan losses. 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.

Fair Value Reporting

The Commission categorizes its fair value measurements applicable for reporting its investments and mortgage-backed securities within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

Allowance for Loan Losses

The allowance for loan losses is associated with 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.

Original Issue Discounts and 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 seven 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.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans administered by the Missouri State Employees' Retirement System (MOSERS) and additions to and deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation.

Restricted Net Position: This component of net position consists of restrictions placed on net position use through external constraints imposed by grant agreements and contracts, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This component represents net position 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 position has been designated by the Commission to provide for its housing programs. Unrestricted net position provides additional security for the Commission's general obligations and commitments.

Fees, Charges and Expenses

Unearned 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.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

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 deferred inflows or deferred outflows of resources in the financial statements.

New Accounting Standards

For fiscal year ended June 30, 2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a result of the implementation, net position as of July 1, 2014 was restated as follows (in thousands):

Net position, as previously reported	\$ 718,862
Prior period adjustments	
Net pension liability (measurement date of June 30, 2013)	(9,561)
Deferred outflows	
Contributions during the fiscal year ended June 30, 2014	993
Total prior period adjustment	(8,568)
Net position, as restated	\$ 710,294

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

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 \$9,025,000 and \$10,015,000 at June 30, 2016 and 2015, respectively, which are insured by HUD's Federal Housing Administration (FHA) programs or guaranteed by the Veterans Administration (VA). These insured loans include \$6,499,000 and \$6,550,000 at June 30, 2016 and 2015, 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 multifamily 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, rehabilitation or new construction of 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. Separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

Multifamily Bond-Financed Program (2000 Indenture)

The Commission's Multifamily Bond-Financed Program (2000 Indenture) was established to support the financing and refinancing of eligible multifamily projects and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves all pursuant to the Commission's Trust Indenture dated as of June 1, 2000. All loans are insured by HUD, including HUD's Risk-Share Program.

Multifamily Bond-Financed Program (2014 Indenture)

The Commission's Multifamily Bond-Financed Program (2014 Indenture) was established to succeed the program established in 2000 with updated terms and flow of funds to support the financing and refinancing of eligible multifamily projects and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves all pursuant to the Commission's Trust Indenture dated as of April 1, 2014. All loans are insured by HUD, including HUD's Risk-Share Program.

Other Multifamily Bond-Financed Programs (Conduit Debt)

The Commission's Other Multifamily Bond-Financed Programs were established to support the financing and refinancing of eligible multifamily projects pursuant to the Commission's separate multifamily trust indentures, excluding the Commission's Trust Indentures dated as of June 1, 2000 and April 1, 2014. All loans are financed by the borrowers with limited obligation revenue bonds, for which the Commission served as a conduit issuer. The Commission reports the conduit bonds outstanding and the related mortgage loans and mortgage-backed securities.

Homeownership Bond-Financed Program (1995 Indenture)

The Commission's Homeownership Bond-Financed Program was established to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities backed by pools of the mortgage loans pursuant to the Commission's Trust Indenture dated as of June 15, 1995. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or Freddie Mac.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

Special Homeownership Bond-Financed Program (2009 Indenture)

The Commission's Special Homeownership Bond-Financed Program was established under the United States Treasury's Single Family New Issue Bond Program to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities on eligible owner-occupied units pursuant to the Commission's Trust Indenture dated as of December 1, 2009. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or Freddie Mac.

First Place Homeownership Bond-Financed Program (2015 Indenture)

The Commission's First Place Homeownership Bond-Financed Program was established to succeed the Special Homeownership Bond-Financed Program due to specific restrictions imposed under the program established by the Treasury Department to support the financing of loans for low and moderate income homebuyers and includes funds and accounts to allocate the proceeds from the bond sales, receive payments on the related mortgage loans, provide for payment of the debt service requirements on the bonds and retain balances in reserves. The bonds are secured by mortgage-backed securities on eligible owner-occupied units pursuant to the Commission's Trust Indenture dated as of May 1, 2015. The pledged mortgage-backed securities are guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or Freddie Mac.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

3. Cash and Investments

A summary of cash and investments as of June 30, 2016 and 2015 is as follows (in thousands):

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash	\$ 38,752	\$ 38,752	\$ 20,109	\$ 20,109
FHLB daily time accounts	245	245	1,695	1,695
Money market funds	82,446	82,446	100,851	100,851
Total cash and cash equivalents	\$ 121,443	\$ 121,443	\$ 122,655	\$ 122,655
Investments				
U.S. Treasury bonds and notes and agency obligations	\$ 359,703	\$ 364,481	\$ 366,282	\$ 365,824
Guaranteed investment contracts	857	857	2,680	2,680
Total investments	360,560	365,338	368,962	368,504
Total cash and cash equivalents and investments	\$ 482,003	\$ 486,781	\$ 491,617	\$ 491,159

Investment Policy

General

The Commission's formal *Investment Policy and Guidelines* apply 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, 2016, all of the Commission's general investments (non-bond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

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, 2016, 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, 2016 and 2015, the Commission had the following investments and maturities (in thousands):

Investment Type	June 30, 2016				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury securities	\$ 12,823	\$ 4,002	\$ —	\$ —	\$ 8,821
U.S. agency securities	351,658	25,354	164,721	161,583	—
Guaranteed investment contracts	857	—	—	—	857
Total investments	\$ 365,338	\$ 29,356	\$ 164,721	\$ 161,583	\$ 9,678

Investment Type	June 30, 2015				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury securities	\$ 9,545	\$ 1,250	\$ —	\$ 14	\$ 8,281
U.S. agency securities	356,279	21,194	136,742	198,343	—
Guaranteed investment contracts	2,680	—	—	—	2,680
Total investments	\$ 368,504	\$ 22,444	\$ 136,742	\$ 198,357	\$ 10,961

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 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.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

At June 30, 2016, as reported at fair value, the Commission's U.S. agency securities consist of \$135,695,000 Federal Farm Credit Bank (FFCB), \$100,800,000 Federal Home Loan Bank (FHLB), \$72,247,000 Fannie Mae, and \$42,916,000 Freddie Mac debt securities.

The Commission's recurring fair value measurements as of June 30, 2016 include U.S. Treasury and government agency securities of \$364,481,000, valued using a multi-dimensional relational pricing model (Level 2 inputs). At June 30, 2015, the Commission's investments included \$365,824,000 in U.S. Treasury and government agency securities reported at fair value.

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. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if provider credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

Concentration of Credit Risk

The Commission places no limit on the amount it may invest in any one issuer with respect to U.S. Treasury and government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the non-bond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the non-bond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2016:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal Farm Credit Bank (FFCB)	37.1%
Federal Home Loan Bank (FHLB)	27.6%
Federal National Mortgage Association (Fannie Mae)	19.8%
Federal Home Loan Mortgage Corporation (Freddie Mac)	11.8%

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 reported at fair value and at June 30, 2015 included securities approximating \$12,363,000 that were uninsured and unregistered investments for which the securities were held by the Commission's counterparty. At June 30, 2016, securities were not exposed to this custodial risk.

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 \$28,899,000 at June 30, 2016 is provided by the Federal Deposit Insurance Corporation, FHLB letters of credit and by eligible securities pledged by the financial institution. Deposits with the FHLB at June 30, 2016 include \$9,853,000 in a demand deposit account and \$245,000 in a daily time account, which are uninsured and uncollateralized, but are secured by the full faith and credit of the FHLB system with implicit government support.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

4. Mortgage Investments

Mortgage investments reflected in the statement of net position consist of the following as of June 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Total mortgage loan principal outstanding	\$ 569,055	\$ 557,103
Less: Allowance for mortgage loan losses	<u>(42,598)</u>	<u>(42,965)</u>
Mortgage loans, net	<u>526,457</u>	514,138
Total mortgage-backed securities, at cost	791,733	686,875
Unrealized gain on securitized mortgage loans	<u>53,723</u>	<u>54,646</u>
Mortgage-backed securities, at fair value	<u>845,456</u>	741,521
Mortgage investments, net	<u>\$ 1,371,913</u>	<u>\$ 1,255,659</u>

Mortgages include loans financed by the federal HOME Investment Partnerships Program totaling \$212,579,000 and \$201,652,000 as of June 30, 2016 and 2015, respectively. A portion of these loans totaling \$97,917,000 and \$82,501,000 at June 30, 2016 and 2015, respectively, include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of \$21,715,000 and \$21,877,000 is attributable to this portfolio at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, mortgages also include \$29,122,000 and \$29,798,000, respectively, in loans financed by the federal Tax Credit Assistance Program (TCAP). An estimated allowance for mortgage loan losses of \$3,920,000 and \$4,229,000 is attributable to this portfolio at June 30, 2016 and 2015, respectively.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

The Commission warehouses mortgage-backed securities created by its single family homeownership programs. The warehoused securities have been funded by short-term FHLB advances or net position. U.S. agency securities, which totaled \$52,740,000, and \$54,054,000 at June 30, 2016 and 2015, respectively, are pledged as collateral for the short-term FHLB advances. There were warehoused mortgage-backed securities totaling \$41,437,000 and \$20,474,000 held at June 30, 2016 and 2015, respectively.

The single family bond-financed programs generally require that mortgage loans be made to borrowers whose household income does not exceed the statewide or applicable metropolitan statistical area (MSA) 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. These programs provide funding for mortgage loans that are FHA insured, VA guaranteed, U.S. Department of Agriculture/Rural Development (USDA/RD) guaranteed or Fannie Mae-qualified conventional loans.

The multifamily 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 an agreement with 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 \$140,387,000, representing 57 loans as of June 30, 2016 and \$148,440,000, representing 59 loans as of June 30, 2015.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

Proceeds of multifamily and single family mortgage revenue bonds, as indicated in *Note 5*, as well as resources of the Commission's mortgage-backed security warehousing program were used to purchase GNMA, Fannie Mae and Freddie Mac 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 are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment.

The fair value of the mortgage-backed securities is sensitive to changes in interest rates, which may result in large fluctuations in carrying value and investment earnings as reported. The mortgage-backed securities held at June 30, 2016 have stated interest rates ranging from 2.50% to 8.30%, while the underlying mortgages have stated interest rates ranging from 3.0% to 8.8%.

GNMA, Fannie Mae and Freddie Mac certificates, which are included in mortgage investment balances, are presented in the statement of net position at fair value. These mortgage-backed securities are guaranteed as to payment of principal and interest by GNMA, Fannie Mae or Freddie Mac. As of June 30, 2016, the par value of securitized mortgage loans consist of 91.1% GNMA, 8.4% Fannie Mae and 0.5% Freddie Mac certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments as of June 30, 2016 and 2015 (in thousands):

	2016		2015	
	Carrying Value	Cost	Carrying Value	Cost
GNMA, Fannie Mae and Freddie Mac mortgage-backed securities	\$ 845,456	\$ 791,733	\$ 741,521	\$ 686,875
Other mortgage loans	569,055	569,055	557,103	557,103
Total mortgage investments	\$ 1,414,511	\$ 1,360,788	\$ 1,298,624	\$ 1,243,978

The Commission's recurring fair value measurements as of June 30, 2016 include the GNMA, Fannie Mae and Freddie Mac certificates totaling \$845,456,000 valued using a matrix pricing technique, which utilizes pricing indices, index spreads and other market reference data (Level 2 inputs).

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

5. Bonds Payable and Long-Term Liabilities

The following tables provide a summary of the changes in long-term liabilities for the years ended June 30, 2016 and 2015 (in thousands):

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amount Due Within One Year
Operating Fund	\$ 25,624	\$ 849,001	\$ (830,234)	\$ 44,391	\$ 38,496
Multifamily Bond-Financed Program (2000 Indenture)	110,345	—	(21,412)	88,933	2,787
Multifamily Bond-Financed Program (2014 Indenture)	35,203	13,654	(1,160)	47,697	1,397
Other Multifamily Bond-Financed Programs (Conduit Debt)	73,439	—	(1,292)	72,147	1,223
Homeownership Bond-Financed Program (1995 Indenture)	146,777	—	(69,208)	77,569	2,157
Special Homeownership Bond-Financed Program (2009 Indenture)	427,753	—	(69,480)	358,273	14,047
First Place Homeownership Bond-Financed Program (2015 Indenture)	60,000	205,405	(9,185)	256,220	7,665
Total bonds and notes payable	879,141	1,068,060	(1,001,971)	945,230	67,772
Unamortized premium and discount, net	10,010	8,630	(2,794)	15,846	545
Total bonds and notes payable, net	889,151	1,076,690	(1,004,765)	961,076	68,317
Unearned revenue	9,928	1,801	(1,855)	9,874	1,300
Total long-term debt and other obligations	\$ 899,079	\$ 1,078,491	\$ (1,006,620)	\$ 970,950	\$ 69,617

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Amount Due Within One Year
Operating Fund	\$ —	\$ 709,802	\$ (684,178)	\$ 25,624	\$ 19,729
Multifamily Bond-Financed Program (2000 Indenture)	155,679	—	(45,334)	110,345	3,212
Multifamily Bond-Financed Program (2014 Indenture)	23,699	12,120	(616)	35,203	946
Other Multifamily Bond-Financed Programs (Conduit Debt)	74,708	—	(1,269)	73,439	1,277
Homeownership Bond-Financed Program (1995 Indenture)	258,668	—	(111,891)	146,777	3,388
Special Homeownership Bond-Financed Program (2009 Indenture)	393,161	90,579	(55,987)	427,753	13,797
First Place Homeownership Bond-Financed Program (2015 Indenture)	—	60,000	—	60,000	1,910
Total bonds and notes payable	905,915	872,501	(899,275)	879,141	44,259
Unamortized premium and discount, net	9,438	4,646	(4,074)	10,010	1,201
Total bonds and notes payable, net	915,353	877,147	(903,349)	889,151	45,460
Unearned revenue	9,765	1,873	(1,710)	9,928	1,286
Total long-term debt and other obligations	\$ 925,118	\$ 879,020	\$ (905,059)	\$ 899,079	\$ 46,746

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

The net proceeds of bond issues are used to provide financing for multifamily 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, 2016 and 2015 follows (in thousands), including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding	
		2016	2015
Multifamily Bond-Financed Program (2000 Indenture)			
2003 Series 8 Stratford Commons (4.80% to 5.20%), due 2020 - 2035	\$ 4,385	\$ 1,790	\$ 1,845
2004 Series 5 FP-San Remo Apts. (5.00% to 5.45%), due 2020 - 2036	3,785	1,925	1,955
2005 Series 3 Olde Oak Tree & Landmark Towers - Redeemed August 2015	6,520	—	5,085
2005 Series 4 Park Place Apts. - Redeemed August 2015	10,330	—	8,650
2005 Series 5 Hawkins Village Apts. - Redeemed February 2016	5,335	—	4,685
2005 Series 6 Ivanhoe Gardens Apts. (4.375% to 4.875%), due 2016 - 2036	4,240	2,155	2,215
2006 Series 1 Meadow Ridge Townhouses (4.375% to 5.00%), due 2016 - 2037	6,360	2,175	2,310
2006 Series 3 Eureka & Wendell Apts. (4.40% to 5.00%), due 2016 - 2047	3,165	2,880	2,920
2006 Series 4 Justin Place Apts. (4.60% to 5.00%), due 2016 - 2042	5,640	1,995	2,035
2006 Series 5 Metropolitan Village Apts. (4.60% to 5.00%), due 2016 - 2038	5,960	5,075	5,205
2007 Series 1 Linden Campus Apts. (4.30% to 4.70%), due 2016 - 2048	3,980	1,830	1,855
2009 Series 1 Courthouse Apts. (4.00% to 5.25%), due 2019 - 2042	18,940	5,405	5,510
2010 Series 1 Basie Court Apts. (2.15% to 4.50%), due 2016 - 2042	4,967	1,375	1,407
2010 Series 2 Samantha Heights Apts. (2.50% to 4.75%), due 2016 - 2042	8,610	5,860	5,990
2010 Series 3 Wesley Senior Towers Apts. (2.55% to 5.125%), due 2016 - 2042	5,395	2,695	2,755
2010 Series 4 Lucas Heights Apts. (2.85% to 5.40%), due 2016 - 2042	8,175	3,365	3,425
2010 Series 5 Grandview Estates (2.85% to 5.25%), due 2016 - 2042	3,531	958	978
2012 Series 1 Refunding Bonds (1.20% to 4.25%), due 2016-2038	42,740	23,050	24,355
2013 Series 1 Friendship Village (1.00% to 3.75%), due 2016 - 2045	6,555	3,200	3,270
2013 Series 2 Refunding Bonds (1.07% to 4.65%), due 2016-2040	15,560	14,240	14,770
2013 Series 3 Shepard Apts. (1.25% to 5.00%), due 2016-2045	12,030	7,195	7,330
2013 Series 4 House Springs Apts. (1.00% to 5.00%) due 2016-2045	2,555	1,765	1,795
	188,758	88,933	110,345
Less: Unamortized debt discount	—	(67)	(72)
Add: Unamortized debt premium	—	414	439
	188,758	89,280	110,712
Multifamily Bond - Financed Program (2014 Indenture)			
2014 Series 1 Refunding Bonds (4.20%), due 2040	\$ 23,742	\$ 22,515	\$ 23,124
2015 Series 1 Refunding Bonds (3.75%), due 2042	12,120	11,816	12,079
2015 Series 2 Refunding Bonds (3.875%), due 2036	13,654	13,366	—
	49,516	47,697	35,203

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

	Original Amount Authorized	Outstanding	
		2016	2015
Other Multifamily Bond - Financed Programs (Conduit Debt)			
Series 1999 O'Fallon Place Apts. (5.20% to 5.25%), due 2020 - 2032*	\$ 6,710	\$ 4,730	\$ 4,900
Series 1999 East Hills Village Apts. (7.30%), due 2030	2,750	2,085	2,160
Series 2004 Bridgeport Apts. (6.60%), due 2041	6,580	5,946	6,033
2005 Series I-A Lakewood Apts. (5.25%), due 2035*	2,750	1,190	1,220
2005 Series II Chapel Ridge of St. Joseph (6.30%), due 2047	7,150	6,331	6,373
2005 Series III Chapel Ridge of Union (6.40%), due 2047	6,375	5,824	5,862
2005 Series IV Chapel Ridge of Blue Springs (6.40%), due 2047	9,800	9,004	9,063
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048	15,046	3,670	3,805
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048	8,721	1,836	1,926
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048	5,329	888	931
2006 Series V Lost Tree South Apts. (6.244%), due 2026	4,400	2,702	2,768
2006 Series VII Cedar Tree Apts. (5.73%), due 2026	2,500	1,627	1,652
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026	3,200	2,485	2,522
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026	1,800	1,211	1,230
2006 Series X Center Apts. (5.73%), due 2026	1,900	1,126	1,143
2007 Series I Park Ridge Apts. (5.665%), due 2039	12,000	9,030	9,182
2007 Series II Mexico I Apts. (5.88%), due 2026	1,100	603	616
2007 Series III Princeton Manor Apts. (variable rate), due 2027	2,152	1,484	1,501
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027	970	731	740
2007 Series V Westside Apts. (variable rate), due 2027	2,400	812	827
2007 Series VI Longfellow Apts. (variable rate), due 2040	6,400	2,470	2,515
2011 Series I Brookstone Village (6.00%), due 2021	6,800	6,362	6,470
	<u>116,833</u>	<u>72,147</u>	<u>73,439</u>
Total Multifamily Bond - Financed Programs	<u>355,107</u>	<u>209,124</u>	<u>219,354</u>
Homeownership Bond - Financed Program (1995 Indenture)			
2006 Series A - Redeemed September 2015*	\$ 50,000	\$ —	\$ 6,120
2006 Series B - Redeemed September 2015*	100,000	—	12,725
2006 Series C - Redeemed September 2015*	60,000	—	7,695
2006 Series D - Redeemed April 2016*	70,000	—	6,925
2006 Series E - Redeemed April 2016*	40,000	—	5,570
2007 Series A (4.625% to 6.00%), due 2016 - 2038*	50,000	5,325	7,305
2007 Series B (5.05% to 5.78%), due 2038*	35,000	4,875	6,000
2007 Series C (4.70% to 5.60%), due 2016 - 2038*	100,000	11,020	15,555
2007 Series D (4.70% to 5.95%), due 2016 - 2038*	50,000	5,290	6,815
2007 Series E (5.00% to 5.60%), due 2016 - 2038*	66,000	6,025	8,605
2008 Series A (4.00% to 5.70%), due 2016 - 2039*	50,000	5,780	8,255
2008 Series B (4.70% to 5.75%), due 2016 - 2034*	65,000	3,760	6,705
2008 Series C-1 (5.615%), due 2039*, **	8,000	704	1,237
2008 Series C-2 (4.48%), due 2039*, **	12,000	1,410	1,701
2008 Series C-3 (5.24%), due 2039*, **	10,000	1,297	1,883
2008 Series C-4 (5.06%), due 2039*, **	10,000	2,122	2,800
2009 Series A (3.55% to 5.35%), due 2016 - 2039*	30,000	5,150	7,535
2009 Series B-1 (4.63%), due 2040*, **	10,000	1,728	2,181
2009 Series B-2 (4.64%), due 2040*, **	5,000	1,263	1,815
2009 Series C (3.25% to 5.00%), due 2016 - 2036*	40,000	8,310	12,145
2009 Series D (2.75% to 4.80%), due 2016 - 2040*	45,000	13,510	17,205
	<u>906,000</u>	<u>77,569</u>	<u>146,777</u>
Less: Unamortized debt discount	—	(6)	(13)
Add: Unamortized debt premium	—	1,073	2,570
	<u>906,000</u>	<u>78,636</u>	<u>149,334</u>

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

	Original Amount Authorized	Outstanding	
		2016	2015
Special Homeownership Bond - Financed Program (2009 Indenture)			
2009 Series E-1 (3.00% to 5.00%), due 2016 - 2027*	\$ 100,000	\$ 9,350	\$ 14,610
2009 Series E-2 (2.25% to 4.50%), due 2016 - 2027*	100,000	12,465	18,150
2009 Series E-3 (2.60% to 4.625%), due 2016 - 2028*	100,000	16,945	22,100
2009 Series E-4 (2.00% to 4.25%), due 2016 - 2030*	100,000	65,490	76,240
2009 Series E-5 (2.53%) due 2041*	30,000	24,020	26,295
2013 Series A (2.65%) due 2040*	45,220	24,995	31,710
2013 Series B (2.65%) due 2041*	54,010	33,950	41,105
2013 Series D (2.55%) due 2034*	44,924	22,948	27,505
2013 Series C (2.65%) due 2040*	47,840	29,855	36,800
2014 Series A (.55% to 4.00%), due 2016 - 2041*	50,000	43,470	48,460
2014 Series B (.40% to 4.00%), due 2016 - 2040*	50,000	45,555	48,450
2014 Series C (2.97%), due 2036*	40,579	29,230	36,328
	<u>762,573</u>	<u>358,273</u>	<u>427,753</u>
Add: Unamortized debt premium	—	4,321	5,139
	<u>762,573</u>	<u>362,594</u>	<u>432,892</u>
First Place Homeownership Bond - Financed Program (2015 Indenture)			
2015 Series A (.45% to 3.75%), due 2016 - 2038*	\$ 60,000	\$ 56,460	\$ 60,000
2015 Series B-1 (.70% to 4.00%), due 2016 - 2045*	23,090	20,970	—
2015 Series B-2 (1.75% to 4.00%), due 2020 - 2045*	50,000	47,010	—
2015 Series C (.50% to 4.00%), due 2016 - 2036*	56,000	55,465	—
2016 Series A-1 (.60% to 1.25%), due 2016 - 2019*	6,315	6,315	—
2016 Series A-2 (1.05% to 4.00%), due 2019 - 2040*	70,000	70,000	—
	<u>265,405</u>	<u>256,220</u>	<u>60,000</u>
Add: Unamortized debt premium	—	10,111	1,947
	<u>265,405</u>	<u>266,331</u>	<u>61,947</u>
Total Single Family Bond - Financed Programs	<u>1,933,978</u>	<u>707,561</u>	<u>644,173</u>
Total bonds payable, net	<u>\$ 2,289,085</u>	<u>\$ 916,685</u>	<u>\$ 863,527</u>

The proceeds of bond issues denoted by “*” are used to purchase GNMA, Fannie Mae and Freddie Mac mortgage-backed securities, which are backed by mortgage loans originated through the Commission’s loan programs.

The bond issues denoted by “**” are general obligation bonds. All other bond issues are revenue bonds and conduit debt.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

The proceeds of the Conduit Debt bond issues 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.

During the fiscal years ended June 30, 2016 and 2015, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of \$1,403,000 and \$1,641,000 for the years ended June 30, 2016 and 2015, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of bond premiums, net of immediate recognition of bond discounts, that would have been amortized over the life of the applicable bond issue if not retired and net of call premiums as required by the applicable bond indentures.

Bond Refundings

Refundings Completed During Fiscal Year 2016:

The Commission issued Single Family Mortgage Revenue Bonds 2015 Series B-1 in the aggregate amount of \$23,090,000. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds 2006 Series A, B, and C. The refunding resulted in a difference between the reacquisition price and the net carrying amount of approximately \$661,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being recognized in operations through the year 2037 using the bonds outstanding method. The Commission completed the advance refunding to decrease its total debt service payments over the next 17 years by approximately \$1,957,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,591,000.

The Commission issued Single Family Mortgage Revenue Bonds 2016 Series A-1 in the aggregate amount of \$6,315,000. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds 2006 Series D and E. The refunding resulted in a difference between the reacquisition price and the net carrying amount of approximately \$97,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being recognized in operations through the year 2019 using the bonds outstanding method. The Commission completed the advance refunding to decrease its total debt service payments over the next 19 years by approximately \$1,958,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,558,000.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

The Commission issued Taxable Multifamily Housing Refunding Revenue Bonds 2015 Series 2 in the aggregate amount of \$13,654,000. The proceeds of the refunding bonds were used to refund the outstanding Multifamily Housing Revenue Bonds 2005 Series 3 and 4. The refunding resulted in no difference between the reacquisition price and the net carrying amount of refunded debt. The Commission completed the advance refunding to decrease its total debt service payments over the next 21 years by approximately \$1,365,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$860,000.

Refundings Completed During Fiscal Year 2015:

The Commission issued Taxable Single Family Mortgage Revenue Refunding Bonds 2014 Series C in the aggregate amount of \$40,579,000. The proceeds of the refunding bonds were used to refund the outstanding Single Family Mortgage Revenue Bonds 2005 Series A, B, C and D. The refunding resulted in a difference between the reacquisition price and the net carrying amount of approximately \$627,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, is being recognized in operations through the year 2036 using the bonds outstanding method. The Commission completed the advance refunding to decrease its total debt service payments over the next 21 years by approximately \$5,070,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3,527,000.

The Commission issued Taxable Multifamily Housing Refunding Revenue Bonds 2015 Series 1 in the aggregate amount of \$12,120,000. The proceeds of the refunding bonds were used to refund the outstanding Multifamily Housing Revenue Bonds 2004 Series 6 and 2005 Series 1 and 2. The refunding resulted in no difference between the reacquisition price and the net carrying amount of refunded debt. The Commission completed the advance refunding to decrease its total debt service payments over the next 27 years by approximately \$2,035,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,337,000.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

Bond Maturities

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
2017	\$ 29,276	\$ 28,726	\$ 58,002
2018	26,051	28,080	54,131
2019	26,797	27,482	54,279
2020	27,735	26,806	54,541
2021	34,440	26,055	60,495
2022 - 2026	172,468	115,797	288,265
2027 - 2031	200,124	83,991	284,115
2032 - 2036	216,915	46,811	263,726
2037 - 2041	144,128	13,840	157,968
2042 - 2046	21,691	1,762	23,453
2047 - 2049	1,214	22	1,236
	<u>\$ 900,839</u>	<u>\$ 399,372</u>	<u>\$ 1,300,211</u>

In addition to bonds payable, the Commission utilizes short-term FHLB advances. There were advances totaling \$38,496,000 and \$19,729,000 outstanding at June 30, 2016 and 2015, respectively. The short-term FHLB advances included rollover financings of \$640,352,000 and \$576,583,000 in fiscal years 2016 and 2015, respectively. The principal and interest on the short-term FHLB advances is payable at maturity as follows (in thousands):

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	0.49%	\$ 38,496	\$ 9	\$ 38,505

During the fiscal year ended June 30, 2015, in conjunction with an initial Risk-Share claim, the Commission executed a debenture payable to HUD totaling \$5,895,000, which remained outstanding at June 30, 2016. Interest at 4.875% is payable annually. The principal and any accrued and unpaid interest is payable at the earlier of maturity in 2020, reinstatement of the Risk-Share mortgage insurance, or final claim settlement.

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.

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, the funds 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.

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 deposit in restricted accounts for the various issues within the multifamily and single family mortgage revenue bond programs.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

In addition, cash and investments held associated with federal grant agreements and mortgage loan escrow agreements are restricted. Pursuant to state statute, the Commission has also restricted cash and investments held for the Missouri Housing Trust Fund.

As of June 30, 2016 and 2015, the assets of all accounts satisfied the requirements as established by the trust indentures, applicable agreements and state statute. Such assets are restricted as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Program and Construction Funds - construction escrows and other restricted funds	\$ 66,318	\$ 66,487
Mortgage Escrow Accounts - insurance, taxes, replacement reserves and other mortgage escrows	107,875	102,890
Federal Program Funds	3,045	1,529
Missouri Housing Trust Fund	3,263	3,950
Bond Proceeds Accounts - funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of costs of issuance	20,123	11,410
Revenue and Debt Service Funds - program revenues for debt services payments	41,778	44,958
Debt Service and Other Bond Reserve Accounts - reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	36,863	56,111
	<u>\$ 279,265</u>	<u>\$ 287,335</u>

Restricted Net Position

Pursuant to certain bond resolutions, the Commission has restricted the net position of the multifamily and single family mortgage revenue bond programs to maintain a level of reserves necessary to provide sound fiscal operations. U.S. agency securities are pledged as collateral for short-term FHLB advances. In addition, net position associated with the federal grant agreements of the HOME Investment Partnerships Program and 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.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

Pursuant to state statute, the Commission has restricted the amount of net position representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. 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 position by bond resolution and state statute as of June 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Restricted Net Position		
Restricted by bond resolution	\$ 189,440	\$ 182,598
Restricted by collateral custodial agreement - FHLB	52,740	54,054
Restricted by grant agreement - HOME Investment Partnerships Program	215,647	203,215
Restricted by grant agreement - TCAP	30,520	30,504
Restricted earnings of HUD-purchased Loans	10,572	10,532
Restricted by state statute - Missouri Housing Trust Fund	3,124	3,858
	<hr/>	<hr/>
Total Restricted Net Position	\$ 502,043	\$ 484,761

Commission Designated Net Position

The Commission has designated certain unrestricted net position for its affordable housing programs. The Commission has the discretion to reverse any designated net position and as of June 30, 2016 and 2015, has designated the following amounts (in thousands):

	<u>2016</u>	<u>2015</u>
Designated by Commission for:		
Tenant assistance	\$ 7,635	\$ 4,736
Loans not funded by a bond sale	99,374	82,556
Loan and other commitments not yet disbursed	28,339	26,044
Home Improvement and Multifamily Interest Subsidy Program	5,002	4,900
Single Family Homeownership Program	20,000	20,000
Single Family Cash Assistance Program	21,500	21,500
Emergency Solutions Grant Program	146	275
Rural Initiative Program	900	940
	<hr/>	<hr/>
Total Commission Designated Net Position	\$ 182,896	\$ 160,951

8. Pension Plan

General Information about the Pension Plan

Plan description. Benefit eligible employees of the Commission are provided pensions through Missouri State Employees' Plan (MSEP) - cost-sharing multiple-employer defined benefit pension plans administered by MOSERS. The plans are referred to as MOSERS throughout the Notes. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related Commission employees. MOSERS issues a Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits provided. MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000, and MSEP 2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

Contributions. Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4.0% of their annual pay. The Commission's required contribution rate for the year ended June 30, 2016 and 2015, was 16.97% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$994,000 and \$993,000 for MOSERS plan years ended June 30, 2015 and 2014, respectively.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the Commission reported a liability of \$9,714,000 and \$7,178,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Commission's proportion of the net pension liability was based on the Commission's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2015. At the June 30, 2015 measurement date, the Commission's proportion was 0.3030%, a decrease from its proportion measured using 0.3044% as of the June 30, 2014 measurement date.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2015 that affected the measurement of total pension liability.

For the years ended June 30, 2016 and 2015, the Commission recognized pension expense of \$936,000 and \$675,000, respectively. At June 30, 2016 and 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2016		
Differences between expected and actual experience	\$ 18	\$ 63
Changes of assumptions	—	129
Net difference between projected and actual earnings on pension plan investments	746	—
Changes in proportion and differences between Commission contributions and proportionate share of contributions	—	43
Commission contributions subsequent to the measurement date of June 30, 2015	1,035	—
Total	\$ 1,799	\$ 235

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	2,093
Changes in proportion and differences between Commission contributions and proportionate share of contributions	—	—
Commission contributions subsequent to the measurement date of June 30, 2014	994	—
Total	\$ 1,022	\$ 2,093

\$1,035,000 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Commission's financial statements for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Commission's fiscal year following MOSERS' fiscal year as follows (in thousands):

Plan Year Ending June 30:	Amount
2017	\$ 15
2018	17
2019	15
2020	(576)
Total	\$ (529)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation, which is also the date of measurement for financial reporting purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.5%, approximate
Salary increases or wage inflation	0% for fiscal year 2016 and 3.0% annually, average, including inflation thereafter
Investment rate of return	8.0% per year, compounded annually, net after investment expenses and including inflation

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

Mortality rates were based on the RP-2000 combined healthy mortality table projected to 2016 with Scale AA. The pre-retirement mortality rates used were 100% of the post-retirement mortality rates for males and 80% of the post-retirement mortality for females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The change in assumptions recorded as deferred inflows of resources was related to a change in wage assumptions. For the June 30, 2015 valuation, wage inflation is assumed to be 0% in the first year and 3% thereafter. This is a one-time change based on the pay freeze enacted for fiscal year ending June 30, 2016. Previously, salary increases were assumed to be 3.0% to 5.9% annually on average, including inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.5% to 8%. MOSERS is conducting an experience study and the results of that study are expected to be finalized prior to June 30, 2016 which will be used by the actuarial firm to conduct the valuation report for MOSERS' fiscal year 2016 valuation, which is anticipated to impact the Commission's fiscal year 2018 required contribution rate.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Policy Allocation</u>	<u>Long-term Expected Real Rate of Return *</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Beta Balanced	80.0%	5.7%	4.6%
Illiquids **	<u>20.0%</u>	7.3%	<u>1.5%</u>
	<u>100.0%</u>		<u>6.1%</u>

* Represent best estimates of geometric rates of return for each major asset class included.

** Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

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

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Commission's proportionate share of net pension liability (in thousands)	\$ 13,690	\$ 9,714	\$ 6,375

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

Payables to the Pension Plan

As of June 30, 2016 and 2015, the Commission had payables of \$44,000 and \$42,000, respectively, to MOSERS included as a component of accrued liabilities due to contribution obligations related to compensation incurred prior to the fiscal year end.

9. Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the state of Missouri 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 24 Commission retirees enrolled for health care benefits. The life insurance benefits are administered by MOSERS. The eligible number of retirees for MOSERS for life insurance benefits is 68. 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 2016, the State assessed a charge that ranged from 3.88% to 3.97% of total employee salary to the Commission. 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 years 2016, 2015, and 2014 expenses of approximately \$209,000, \$204,000, and \$195,000 were recognized for postretirement health care benefits, respectively, which represent 100% of the required amount.

10. Commitments, Contingencies and Concentrations

Leases

The Commission rents office space in Kansas City, Missouri, in accordance with a 10-year lease. In addition, the Commission entered into an agreement effective July 1, 2016 to lease office space in St. Louis, Missouri in accordance with an 11-year lease. These leases are accounted for as operating leases.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements *(Continued)*

Lease expenditures for the years ended June 30, 2016 and 2015 were \$791,000 and \$835,000, respectively. Future minimum lease payments for these leases are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2017	\$ 595
2018	567
2019	567
2020	567
2021	567
2022-2027	2,651
	<u>\$ 5,514</u>

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, 2016.

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. This contract, which terminates December 31, 2017, resulted in \$143,117,000 and \$139,608,000 in housing assistance payment revenue and expense activity for the fiscal years ended June 30, 2016 and 2015, respectively. HUD may extend the current contract and is expected to competitively bid this program administration at a future time for which the Commission plans to submit a proposal.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

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. In addition, the Commission carries commercial insurance for workers' compensation. The Commission retains risk of loss; however, there have been no settlements which exceeded insurance coverage in the last three years.

The Commission has committed to mortgage loans funded by the operating fund net position of \$53,669,000 that have not been disbursed as of June 30, 2016.

11. Subsequent Events

In March 2016 the Commission authorized Single Family Mortgage Revenue Bonds 2016 Series B to provide funding for the Commission's First Place Homeownership Program. In accordance with this authorization, bonds totaling \$70,000,000 were sold and delivered in July 2016.

12. Future Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require governments providing defined benefit plans for other postemployment benefits (OPEB) to recognize their long-term obligation for 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, 2018. The Commission has not yet determined the effect that the adoption of this Statement will have on its financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

Notes to the Financial Statements (*Continued*)

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this statement will be effective for the Commission's fiscal year ending June 30, 2017. The Commission has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Required Supplementary Information

MISSOURI HOUSING DEVELOPMENT COMMISSION

SCHEDULES OF SELECTED PENSION INFORMATION MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM (In Thousands)

Schedule of Commission's Proportionate Share of the Net Pension Liability

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Commission's proportion of the net pension liability or asset	0.3044%	0.3030%
Commission's proportionate share of the net pension liability	\$ 7,178	\$ 9,714
Commission's covered-employee payroll	\$ 5,481	\$ 5,856
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.96%	165.88%
Plan fiduciary net position as a percentage of the total pension liability	79.49%	72.62%

Schedule of Commission's Contributions

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Required contribution	\$ 993	\$ 994
Contributions in relation to the required contribution	\$ 993	\$ 994
Contribution deficiency	—	—
Commission's covered-employee payroll	\$ 5,481	\$ 5,856
Contributions as a percentage of covered-employee payroll	18.13%	16.97%

Notes:

Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Information provided is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

Changes of Benefit Terms or Assumptions

There were no changes to benefit terms in the plan for the year ended June 30, 2015.

There were no changes to assumptions in valuation reports for the year ended June 30, 2015, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016, only.

Supplementary Information

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION

June 30, 2016
(In Thousands)

	Operating	Bond-Financed Programs		Total
		Multifamily	Single Family	
Assets				
Current Assets				
Cash and cash equivalents	\$ 24,553	\$ —	\$ —	\$ 24,553
Investments	8,018	—	—	8,018
Mortgage investments	15,658	—	—	15,658
Accrued interest receivable	2,233	—	—	2,233
Accounts receivable - other	2,256	—	—	2,256
Prepaid expenses	80	—	—	80
Total Current Assets	52,798	—	—	52,798
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	13,225	12,721	70,944	96,890
Investments	167,276	8,475	6,624	182,375
Mortgage investments	243,904	208,528	803,901	1,256,333
Accrued interest receivable	518	719	2,769	4,006
Accounts receivable - other	19	—	—	19
Total restricted assets	424,942	230,443	884,238	1,539,623
Investments	174,945	—	—	174,945
Mortgage investments, net of current portion and allowances for loan losses of \$42,598	99,922	—	—	99,922
Accounts receivable - other	210	—	—	210
Capital assets, less accumulated depreciation of \$3,264	1,063	—	—	1,063
Total Noncurrent Assets	701,082	230,443	884,238	1,815,763
Total Assets	753,880	230,443	884,238	1,868,561
Deferred Outflows of Resources				
Refunding of debt	—	9	—	9
Pension	1,799	—	—	1,799
Total Deferred Outflows of Resources	1,799	9	—	1,808

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION

June 30, 2016
(In Thousands)

Liabilities	Bond-Financed Programs			Total
	Operating	Multifamily	Single Family	
Current Liabilities				
Bonds and notes payable	\$ 38,496	\$ —	\$ —	\$ 38,496
Accrued interest payable	137	—	—	137
Accounts payable	6,851	—	—	6,851
Unearned revenue	1,300	—	—	1,300
Total Current Liabilities	46,784	—	—	46,784
Current Liabilities - Payable from Restricted Assets				
Bonds and notes payable	—	5,401	24,420	29,821
Accrued interest payable	—	2,015	4,230	6,245
Escrow deposits	111,844	—	—	111,844
Rent subsidies and other payables	325	—	—	325
Accounts payable	170	—	75	245
Total Current Liabilities - Payable from Restricted Assets	112,339	7,416	28,725	148,480
Noncurrent Liabilities				
Bonds and notes payable	5,895	—	—	5,895
Pension	9,714	—	—	9,714
Unearned revenue	8,574	—	—	8,574
Payable from restricted assets				
Bonds and notes payable	—	203,723	683,141	886,864
Total Noncurrent Liabilities	24,183	203,723	683,141	911,047
Total Liabilities	183,306	211,139	711,866	1,106,311
Deferred Inflows of Resources				
Refunding of debt	—	—	2,245	2,245
Pension	235	—	—	235
Total Deferred Inflows of Resources	235	—	2,245	2,480
Net Position				
Net investment in capital assets	1,063	—	—	1,063
Restricted	312,603	19,313	170,127	502,043
Unrestricted, including designated balances	258,472	—	—	258,472
Total Net Position	\$ 572,138	\$ 19,313	\$ 170,127	\$ 761,578

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION MULTIFAMILY BOND - FINANCED PROGRAMS

June 30, 2016
(In Thousands)

	Multifamily (2000 Indenture)	Multifamily (2014 Indenture)	Other Multifamily (Conduit Debt)	Total
Assets				
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	\$ 9,118	\$ 3,603	\$ —	\$ 12,721
Investments	5,741	2,734	—	8,475
Mortgage investments	88,788	47,593	72,147	208,528
Accrued interest receivable	472	247	—	719
Total Noncurrent Assets	104,119	54,177	72,147	230,443
Total Assets	104,119	54,177	72,147	230,443
Deferred Outflows of Resources				
Refunding of debt	—	9	—	9
Total Deferred Outflows of Resources	—	9	—	9
Liabilities				
Current Liabilities - Payable from Restricted Assets				
Bonds and notes payable	2,781	1,397	1,223	5,401
Accrued interest payable	1,856	159	—	2,015
Total Current Liabilities - Payable from Restricted Assets	4,637	1,556	1,223	7,416
Noncurrent Liabilities				
Bonds and notes payable	86,499	46,300	70,924	203,723
Total Noncurrent Liabilities	86,499	46,300	70,924	203,723
Total Liabilities	91,136	47,856	72,147	211,139
Net Position				
Restricted	12,983	6,330	—	19,313
Total Net Position	\$ 12,983	\$ 6,330	\$ —	\$ 19,313

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION SINGLE FAMILY BOND - FINANCED PROGRAMS

June 30, 2016
(In Thousands)

	Homeownership (1995 Indenture)	Special Homeownership (2009 Indenture)	First Place Homeownership (2015 Indenture)	Total
Assets				
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	\$ 28,782	\$ 11,704	\$ 30,458	\$ 70,944
Investments	6,624	—	—	6,624
Mortgage investments	108,813	399,654	295,434	803,901
Accrued interest receivable	494	1,291	984	2,769
Total Noncurrent Assets	144,713	412,649	326,876	884,238
Total Assets	144,713	412,649	326,876	884,238
Liabilities				
Current Liabilities - Payable from Restricted Assets				
Bonds and notes payable	2,175	14,216	8,029	24,420
Accrued interest payable	1,213	1,494	1,523	4,230
Accounts payable	75	—	—	75
Total Current Liabilities - Payable from Restricted Assets	3,463	15,710	9,552	28,725
Noncurrent Liabilities				
Payable from restricted assets				
Bonds and notes payable	76,461	348,378	258,302	683,141
Total Noncurrent Liabilities	76,461	348,378	258,302	683,141
Total Liabilities	79,924	364,088	267,854	711,866
Deferred Inflows of Resources				
Refunding of debt	—	1,539	706	2,245
Total Deferred Inflows of Resources	—	1,539	706	2,245
Net Position				
Restricted	64,789	47,022	58,316	170,127
Total Net Position	\$ 64,789	\$ 47,022	\$ 58,316	\$ 170,127

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2016
(In Thousands)

	Bond-Financed Programs			Total
	Operating	Multifamily	Single Family	
Operating Revenues				
Interest and investment income				
Income - mortgage investments	\$ 6,681	\$ 7,549	\$ 31,367	\$ 45,597
Income - investments	6,379	292	175	6,846
Net increase (decrease) in fair value of investments	5,317	828	(2,292)	3,853
Total interest and investment income	18,377	8,669	29,250	56,296
Administration fees	5,872	—	—	5,872
Other income	6,682	3	1,402	8,087
Federal program income	158,366	—	—	158,366
Total Operating Revenues	189,297	8,672	30,652	228,621
Operating Expenses				
Interest expense on bonds	273	5,727	21,813	27,813
Bond debt expense	69	266	2,293	2,628
Compensation	9,083	—	—	9,083
General and administrative expenses	4,235	—	—	4,235
Rent and other subsidy payments	1,912	—	—	1,912
Missouri Housing Trust Fund grants	3,750	—	—	3,750
Federal program expenses	147,794	—	—	147,794
Total Operating Expenses	167,116	5,993	24,106	197,215
Change in Net Position	22,181	2,679	6,546	31,406
Net Position - Beginning of Year	547,574	17,950	164,648	730,172
Interfund Transfers	2,383	(1,316)	(1,067)	—
Net Position - End of Year	\$ 572,138	\$ 19,313	\$ 170,127	\$ 761,578

MISSOURI HOUSING DEVELOPMENT COMMISSION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION****MULTIFAMILY BOND - FINANCED PROGRAMS****For The Year Ended June 30, 2016****(In Thousands)**

	Multifamily (2000 Indenture)	Multifamily (2014 Indenture)	Other Multifamily (Conduit Debt)	Total
Operating Revenues				
Interest and investment income				
Income - mortgage investments	\$ 4,933	\$ 2,616	\$ —	\$ 7,549
Income - investments	201	91	—	292
Net increase (decrease) in fair value of investments	520	308	—	828
Total interest and investment income	5,654	3,015	—	8,669
Other income	3	—	—	3
Total Operating Revenues	5,657	3,015	—	8,672
Operating Expenses				
Interest expense on bonds	3,840	1,887	—	5,727
Bond debt expense	65	201	—	266
Total Operating Expenses	3,905	2,088	—	5,993
Change in Net Position	1,752	927	—	2,679
Net Position - Beginning of Year	13,737	4,213	—	17,950
Interfund Transfers	(2,506)	1,190	—	(1,316)
Net Position - End of Year	\$ 12,983	\$ 6,330	\$ —	\$ 19,313

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SINGLE FAMILY BOND - FINANCED PROGRAMS

For The Year Ended June 30, 2016

(In Thousands)

	Homeownership (1995 Indenture)	Special Homeownership (2009 Indenture)	First Place Homeownership (2015 Indenture)	Total
Operating Revenues				
Interest and investment income				
Income - mortgage investments	\$ 7,058	\$ 16,753	\$ 7,556	\$ 31,367
Income - investments	171	1	3	175
Net increase (decrease) in fair value of investments	(8,681)	(1,977)	8,366	(2,292)
Total interest and investment income	(1,452)	14,777	15,925	29,250
Other income	510	684	208	1,402
Total Operating Revenues	(942)	15,461	16,133	30,652
Operating Expenses				
Interest expense on bonds	5,201	11,539	5,073	21,813
Bond debt expense	139	48	2,106	2,293
Total Operating Expenses	5,340	11,587	7,179	24,106
Change in Net Position	(6,282)	3,874	8,954	6,546
Net Position - Beginning of Year	103,923	47,856	12,869	164,648
Interfund Transfers	(32,852)	(4,708)	36,493	(1,067)
Net Position - End of Year	\$ 64,789	\$ 47,022	\$ 58,316	\$ 170,127