
MISSOURI HOUSING TRUST FUND
*INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015*



Strength, Dignity, Quality of Life

MISSOURI HOUSING
DEVELOPMENT COMMISSION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri Housing Trust Fund 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 Trust Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

September 23, 2016

MISSOURI HOUSING TRUST FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016 and 2015

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

Introduction - Missouri Housing Development Commission

The Missouri Housing Trust Fund was created by the Missouri State Legislature in 1994 to help meet the housing needs of very low income Missourians. The Missouri Housing Development Commission (the Commission) administers the Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of housing facilities and related services for very low income families and individuals.

Overview of the Financial Statements

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

2016 Financial Highlights

- Total assets were \$3.3 million at June 30, 2016, a decrease of 17.4% from 2015. This decrease resulted from a decrease in recording fee revenue and the volume of grants in 2016.
- Net position decreased 19.0% during fiscal year 2016.
- Recording fee revenue was \$3.1 million in fiscal year 2016, a decrease of 4.7% from 2015. This decrease in fee revenue resulted from decreased real estate document filings.
- Grants totaled \$3.8 million in 2016, a decrease of 3.2% from 2015.

2015 Financial Highlights

- Total assets were \$4.0 million at June 30, 2015, a decrease of 16.1% from 2014. This decrease resulted from a decrease in recording fee revenue in 2015.
- Net position decreased 15.7% during fiscal year 2015.
- Recording fee revenue was \$3.2 million in fiscal year 2015, a decrease of 15.6% from 2014. This decrease in fee revenue resulted from decreased real estate document filings.
- Grants totaled \$3.9 million in 2015, an increase of 9.3% from 2014.

MISSOURI HOUSING TRUST FUND

Management's Discussion and Analysis (*Continued*)

Financial Position

The following table summarizes the Trust Fund's assets, liabilities and net position as of June 30, 2016, June 30, 2015, and June 30, 2014.

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

	June 30,			\$ Change	
	2016	2015	2014	2016 vs 2015	2015 vs 2014
Current Assets					
Investments	\$ 2,693	\$ 3,313	\$ 4,353	\$ (620)	\$ (1,040)
Other	576	644	365	(68)	279
Total assets	3,269	3,957	4,718	(688)	(761)
Current Liabilities	145	99	144	46	(45)
Restricted Net Position	<u>\$ 3,124</u>	<u>\$ 3,858</u>	<u>\$ 4,574</u>	<u>\$ (734)</u>	<u>\$ (716)</u>

Investments

Investments consist of U.S. government and agency fixed rate securities. The Trust Fund's investment policy emphasizes preservation of principal. At June 30, 2016, the Trust Fund had \$2.7 million in investments compared to \$3.3 million at June 30, 2015, and \$4.4 million at June 30, 2014.

Net Position

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

MISSOURI HOUSING TRUST FUND

Management's Discussion and Analysis (*Continued*)

Operating Activities

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

	Condensed Financial Information			Revenues, Expenses and Changes in Net Position (In Thousands)	
	2016	June 30, 2015	2014	\$ Change	
				2016 vs 2015	2015 vs 2014
Revenues					
Recording fees	\$ 3,056	\$ 3,207	\$ 3,800	\$ (151)	\$ (593)
Interest income	21	14	11	7	3
Total revenues	3,077	3,221	3,811	(144)	(590)
Expenses					
Grants	3,750	3,873	3,545	(123)	328
Administrative expenses	61	64	76	(3)	(12)
Total expenses	3,811	3,937	3,621	(126)	316
Change in Net Position	<u>\$ (734)</u>	<u>\$ (716)</u>	<u>\$ 190</u>	<u>\$ (18)</u>	<u>\$ (906)</u>

For fiscal year 2016, recording fee revenue decreased 4.7% from 2015. During fiscal year 2015, recording revenue decreased 15.6% from 2014. These fees are generated by a \$3 recording fee collected by the Missouri county recorders for each real estate related document filing.

Contacting the Trust Fund's Financial Management

This financial report is designed to provide stakeholders in the Trust Fund with a general overview of the Trust Fund's finances and to demonstrate accountability of resources. 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 TRUST FUND

STATEMENT OF NET POSITION (In Thousands)

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 570	\$ 637
Investments	2,693	3,313
Accrued interest receivable	6	7
	<hr/>	<hr/>
Total Assets	3,269	3,957
	<hr/>	<hr/>
Liabilities		
Current Liabilities		
Accounts payable	145	99
	<hr/>	<hr/>
Total Liabilities	145	99
	<hr/>	<hr/>
Net Position		
Restricted	3,124	3,858
	<hr/>	<hr/>
Total Net Position	\$ 3,124	\$ 3,858
	<hr/> <hr/>	<hr/> <hr/>

MISSOURI HOUSING TRUST FUND

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

	For the Years Ended June 30,	
	2016	2015
Operating Revenues		
Recording fees	\$ 3,056	\$ 3,207
Interest income	21	14
Total operating revenues	3,077	3,221
Operating Expenses		
Grants	3,750	3,873
Administrative expenses	61	64
Total operating expenses	3,811	3,937
Change in Net Position	(734)	(716)
Net Position - Beginning of Year	3,858	4,574
Net Position - End of Year	\$ 3,124	\$ 3,858

MISSOURI HOUSING TRUST FUND

STATEMENT OF CASH FLOWS (In Thousands)

	For the Years Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Recording fee revenue	\$ 3,056	\$ 3,207
Payments for grants and other items	(3,765)	(3,982)
Net cash used in operating activities	(709)	(775)
Cash Flows From Investing Activities		
Proceeds from sale of investments	3,600	5,052
Purchase of investments	(2,997)	(4,032)
Income received on investments	39	30
Net cash provided by investing activities	642	1,050
Increase (Decrease) in Cash	(67)	275
Cash - Beginning of Year	637	362
Cash - End of Year	\$ 570	\$ 637
Reconciliation of Change in Net Position to Net Cash Used in Operating Activities		
Change in net position	\$ (734)	\$ (716)
Adjustments to reconcile change in net position to net cash used in operating activities		
Income - investments	(38)	(34)
Change in fair value of investments	17	20
Change in assets and liabilities		
Increase (decrease) in accounts payable	46	(45)
Net cash used in operating activities	\$ (709)	\$ (775)

MISSOURI HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. **Nature of Operations and Summary of Significant Accounting Policies**

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

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

Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less.

MISSOURI HOUSING TRUST FUND

Notes to Financial Statements (*Continued*)

Classification of Revenues

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

Net Position

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

2. Investments

Investments may include Federal Home Loan Bank (FHLB) term deposits and bank certificates of deposit reported at cost and U.S. government and agency securities reported at fair value.

Investment Policy

The Commission administers the Trust Fund in accordance with Chapter 215 of the Missouri State Statutes. Section 215.034 RSMo directs the State Treasurer to allocate all moneys in the Missouri Housing Trust Fund to the Commission for disbursement and investment as directed by the Statute. Chapter 215 permits the Commission to invest any funds not required for immediate disbursement in obligations of the state of Missouri or of the United States government or any instrumentality thereof, or bank certificates of deposit. At June 30, 2016 and 2015, all of the Trust Fund's investments were in compliance with the state statute.

Investment Types and Maturities

The Commission categorizes the Trust Fund's fair value measurements 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 TRUST FUND

Notes to Financial Statements *(Continued)*

The Trust Fund's recurring fair value measurements as of June 30, 2016 consist of U.S. government agency securities of \$2,693,000, all of which mature in less than one year, valued using a multi-dimensional relational pricing model (Level 2 inputs). At June 30, 2015, the Trust Fund's investments included \$3,313,000 U.S. Treasury and government agency securities reported at fair value, all of which had maturities of less than one year.

Credit Risk

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

Concentration of Credit Risk

State statute places no limit on the amount the Trust Fund may invest in any one permitted issuer. The following table lists investments in issuers that represent 5% or more of total U.S. government and agency investments at June 30, 2016 and 2015:

Issuer	Percent of Total Investments	
	2016	2015
Federal Home Loan Bank	89%	9%
Federal Farm Credit Bank	11%	38%
U.S. Treasury	-	29%
Federal National Mortgage Association	-	17%
Federal Home Loan Mortgage Corp	-	7%

MISSOURI HOUSING TRUST FUND

Notes to Financial Statements (*Continued*)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of the Trust Fund's deposits of \$570,000 is provided by the Federal Deposit Insurance Corporation, and by eligible securities pledged by the financial institution. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with its policy, the Trust Fund addresses custodial credit risk by pre-qualifying institutions with which the Trust Fund places investments, diversifying its investments portfolio and maintaining a standard of quality for its investments.

3. Revenue from the State of Missouri

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

4. Administrative Expenses

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

5. Commitments

At June 30, 2016 and 2015, the Trust Fund has outstanding program commitments of approximately \$1,707,000 and \$1,715,000, respectively. These commitments represent Trust Fund grants that were approved prior to year end for which disbursements will be made in subsequent fiscal years.