
MISSOURI HOUSING
TRUST FUND
FINANCIAL STATEMENTS
JUNE 30, 2006



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION

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Independent Auditors' Report

The Commissioners
Missouri Housing Trust Fund

We have audited the accompanying balance sheet of the Missouri Housing Trust Fund as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Missouri Housing Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Missouri Housing Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

RubinBrown LLP

St. Louis, Missouri
August 21, 2006

MISSOURI HOUSING TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Years Ended June 30, 2006 And 2005

Our discussion and analysis of Missouri Housing Trust Fund's (the Trust Fund) financial performance provides an overview of the Trust Fund's financial activities for the fiscal years ended June 30, 2006 and 2005. Please read it in conjunction with the Trust Fund's financial statements and accompanying notes.

Introduction - Missouri Housing Trust Fund

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

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.

2006 Financial Highlights

- Total assets were \$5.3 million at June 30, 2006, a decrease of 12.0% from 2005.
- Net assets decreased 11.1% as of June 30, 2006.
- Recording fee revenue decreased 16.9% to \$5.0 million in fiscal year 2006.
- Grants totaled \$5.8 million in 2006, a decrease of 4.2% from 2005.

2005 Financial Highlights

- Total assets of \$6.0 million were comparable at June 30, 2005 and 2004.
- Net assets decreased 1% as of June 30, 2005.
- Recording fee revenue increased 0.2% to \$6 million in fiscal year 2005.
- Grants totaled \$6.1 million in 2005, an increase of 12.7% from 2004.

MISSOURI HOUSING TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Financial Position

The following table summarizes the Trust Fund's assets, liabilities and net assets as of June 30, 2006, June 30, 2005 and June 30, 2004.

Condensed Financial Information Assets, Liabilities and Net Assets (in thousands)

	June 30,			\$ Change	
	2006	2005	2004	2006 vs 2005	2005 vs 2004
Current Assets					
Investments	\$ 3,967	\$ 5,666	\$ 4,824	\$ (1,699)	\$ 842
Other	1,054	55	872	999	(817)
Total Current Assets	5,021	5,721	5,696	(700)	25
Noncurrent Assets	304	328	352	(24)	(24)
Total Assets	\$ 5,325	\$ 6,049	\$ 6,048	\$ (724)	\$ 1
Liabilities	\$ —	\$ 60	\$ —	\$ (60)	\$ 60
Restricted Net Assets	\$ 5,325	\$ 5,989	\$ 6,048	\$ (664)	\$ (59)

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, 2006, the Trust Fund had \$4.0 million in investments compared to \$5.7 million at June 30, 2005, and \$4.8 million at June 30, 2004.

Net Assets

The Trust Fund's net assets are restricted to use as authorized by section 215.034, 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 assets for fiscal 2006, 2005 and 2004.

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

	2006	2005	2004	\$ Change	
				2006 vs 2005	2005 vs 2004
Revenues					
Recording fees	\$ 4,984	\$ 6,000	\$ 5,988	\$ (1,016)	\$ 12
Interest income	260	125	85	135	40
Total Revenues	5,244	6,125	6,073	(881)	52
Expenses					
Grants	5,808	6,064	5,379	(256)	685
Administrative expenses	100	120	120	(20)	—
Total Expenses	5,908	6,184	5,499	(276)	685
Change in Net Assets	\$ (664)	\$ (59)	\$ 574	\$ (605)	\$ (633)

During fiscal year 2006, there was a decrease of 16.9% in recording fee revenue as compared to 2005. For fiscal year 2005, there was an increase of 0.2% in recording fee revenue when compared to 2004. The amounts and timing of grant awards and disbursements resulted in a decrease in grants during fiscal year 2006 and an increase in grants during fiscal year 2005.

Contacting Trust Fund's Financial Management

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

MISSOURI HOUSING TRUST FUND

BALANCE SHEET (In Thousands)

	June 30,	
	2006	2005
Assets		
Current Assets		
U.S. government and agency securities	\$ 3,967	\$ 5,666
Mortgage loans	24	24
Accrued interest receivable	31	31
Accounts receivable	999	—
Total Current Assets	5,021	5,721
Noncurrent Assets		
Mortgage loans	304	328
Total Assets	\$ 5,325	\$ 6,049

Liabilities And Net Assets

Liabilities		
Accounts payable	\$ —	\$ 60
Net Assets		
Restricted	5,325	5,989
Total Liabilities And Net Assets	\$ 5,325	\$ 6,049

MISSOURI HOUSING TRUST FUND

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

	For The Years Ended June 30,	
	2006	2005
Operating Revenues		
Recording fees	\$ 4,984	\$ 6,000
Interest income	260	125
Total Operating Revenues	5,244	6,125
Operating Expenses		
Trust Fund grants	5,808	6,064
Administrative expenses	100	120
Total Operating Expenses	5,908	6,184
Change In Net Assets	(664)	(59)
Net Assets - Beginning Of Year	5,989	6,048
Net Assets - End Of Year	\$ 5,325	\$ 5,989

MISSOURI HOUSING TRUST FUND

STATEMENT OF CASH FLOWS

(In Thousands)

	For The Years Ended June 30,	
	2006	2005
Cash Flows From Operating Activities		
Interest income on mortgage loans	\$ 3	\$ 4
Principal repayments on mortgage loans	24	24
Recording fee revenue	4,984	6,000
Payments for grants and other items	(5,968)	(5,321)
Net Cash Provided By (Used In) Operating Activities	(957)	707
Cash Flows From Investing Activities		
Proceeds from sale of investments	6,921	6,829
Purchase of investments	(6,153)	(7,671)
Income received on investments	189	135
Net Cash Provided By (Used In) Investing Activities	957	(707)
Net Change In Cash	—	—
Cash - Beginning Of Year	—	—
Cash - End Of Year	\$ —	\$ —
Reconciliation Of Net Loss To Net Cash Provided By (Used In) Operating Activities:		
Change in net assets	\$ (664)	\$ (59)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Income - mortgage investments	(3)	(4)
Income - investments	(189)	(121)
Repayment of principal on mortgage loans	24	24
Interest received on mortgage investments	3	4
Change in fair value of investments	(68)	—
Change in assets and liabilities:		
(Increase) decrease in accounts receivable - other	(999)	803
Increase (decrease) in accounts payable	(60)	60
Net Cash Provided By (Used In) Operating Activities	\$ (1,956)	\$ 707

MISSOURI HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 And 2005

1. Summary Of Significant Accounting Policies

The Missouri Housing Trust Fund (the Trust Fund) is authorized by section 215.034, RSMo to financially assist, by loans or grants, the development of housing stock and to provide housing assistance to persons and families with incomes at or below specified levels.

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. Pursuant to the requirements of the Governmental Accounting Standards Board, the Trust Fund's financial activities are included in the financial statements of the Missouri Housing Development Commission (the Commission).

The Trust Fund's financial statements have been prepared on the basis of the Governmental Proprietary Fund concept as set forth in Statement 1 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.

The Trust Fund has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 as prescribed by GASB Statement No. 20.

During 2005, the Trust Fund adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3* (GASB 40). The adoption of GASB 40 modifies certain financial statement disclosure requirements. The new standard enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB 3 and addressing other common risks, including concentrations of credit risk, interest rate risk and foreign currency risk. The implementation of GASB 40 had no effect on financial statement amounts.

MISSOURI HOUSING TRUST FUND

Notes To Financial Statements (Continued)

2. Investments

Investments include U.S. government and agency securities and are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date.

Investment Policy

The Missouri Housing Development Commission (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, 2006, all of the Trust Fund's investments were in compliance with the state statute.

Investment Types And Maturities

As of June 30, 2006 and 2005, the Trust Fund had the following investments and maturities (amounts are in thousands):

<u>Year</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 Year</u>
2006	U.S. Agencies	\$ 3,967	\$ 3,967
2005	U.S. Agencies	\$ 5,666	\$ 5,666

Credit Risk

The following table (in thousands of dollars) provides information on the credit ratings associated with the Trust Fund's investments in debt securities at June 30, 2006 and 2005:

<u>Year</u>	<u>Investment Type</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fair Value</u>
2006	U.S. Agencies	AAA	Aaa	\$ 3,967
2005	U.S. Agencies	AAA	Aaa	\$ 5,666

MISSOURI HOUSING TRUST FUND

Notes To Financial Statements (Continued)

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 investments at June 30, 2006:

Issuer	Percent Of Total Investments	
	2006	2005
Federal Home Loan Bank	75%	74%
Federal Home Loan Mortgage Corporation	25%	17%
Federal National Mortgage Association	—	9%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 investment 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 State Recorder's Office 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, 2006, the Trust Fund has outstanding program commitments of approximately \$5,065,000. These commitments represent Trust Fund grants that were approved prior to June 30, 2006 for which disbursement will be made in the subsequent fiscal year.