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## Financial Statements, 2005

Missouri Housing Trust Fund

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**MISSOURI HOUSING**  
**TRUST FUND**  
FINANCIAL STATEMENTS  
JUNE 30, 2005

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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, 2005 and 2004, 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.

As described in Note 1 to the financial statements, the Trust Fund has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended June 30, 2005.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund at June 30, 2005 and 2004, 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 the Governmental Accounting Standards Board. 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 22, 2005

# **MISSOURI HOUSING TRUST FUND**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS For The Years Ended June 30, 2005 And 2004**

Our discussion and analysis of Missouri Housing Trust Fund's financial performance provides an overview of the Trust Fund's financial activities for the fiscal years ended June 30, 2005 and 2004. 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 (the 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 & Analysis and the financial statements, including notes to the financial statements. The Trust Fund maintains its financial records on the accrual basis of accounting.

### **2005 Financial Highlights**

- Total assets of \$6.0 million were comparable at June 30, 2005, and June 30, 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.

### **2004 Financial Highlights**

- Total assets of \$6.0 million were comparable at June 30, 2004, and June 30, 2003.
- Net assets increased 10.5% as of June 30, 2004.
- Recording fee revenue increased 13.9% to \$6 million in fiscal year 2004.
- Grants totaled \$5.4 million in 2004, a decrease of 3.7% from 2003.

# 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, 2005, June 30, 2004, and June 30, 2003.

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

	June 30,			\$ Change	
	2005	2004	2003	2005 vs 2004	2004 vs 2003
Current Assets					
Investments	\$ 5,666	\$ 4,824	\$ 5,584	\$ 842	\$ (760)
Other	55	872	92	(817)	780
Total Current Assets	5,721	5,696	5,676	25	20
Noncurrent Assets	328	352	376	(24)	(24)
Total Assets	\$ 6,049	\$ 6,048	\$ 6,052	\$ 1	\$ (4)
Liabilities	\$ 60	\$ —	\$ 578	\$ 60	\$ (578)
Restricted Net Assets	\$ 5,989	\$ 6,048	\$ 5,474	\$ (59)	\$ 574

### 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, 2005, the Trust Fund had \$5.7 million in investments as compared to \$4.8 million at June 30, 2004 and \$5.6 million at June 30, 2003.

### Net Assets

The Trust Fund's net assets are restricted to use as authorized by section 215.035, 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 2005, 2004, and 2003.

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

	2005	2004	2003	\$ Change	
				2005 vs 2004	2004 vs 2003
Revenues					
Recording fees	\$ 6,000	\$ 5,988	\$ 5,259	\$ 12	\$ 729
Interest income	125	85	261	40	(176)
Total Revenues	6,125	6,073	5,520	52	553
Expenses					
Grants	6,064	5,379	5,585	685	(206)
Administrative expenses	120	120	105	—	15
Total Expenses	6,184	5,499	5,690	685	(191)
Change in Net Assets	\$ (59)	\$ 574	\$ (170)	\$ (633)	\$ 744

During fiscal year 2005, there was an increase of 0.2% in recording fee revenue as compared to 2004. There was an increase of 13.9% in recording fee revenue in 2004 as compared to 2003. The timing of grant awards and disbursements resulted in an increase in grants during fiscal year 2005 and a decrease in grants during fiscal year 2004.

### 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 show the Trust Fund's accountability for its resources. If you have questions about this report or need additional financial information, contact Marilyn V. Lappin, Deputy Director/Chief Financial Officer, Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri 64111 or visit our website at [www.mhdc.com](http://www.mhdc.com).

# MISSOURI HOUSING TRUST FUND

## BALANCE SHEET

(In Thousands)

	June 30,	
	2005	2004
<b>Assets</b>		
<b>Current Assets</b>		
U.S. government and agency securities	\$ 5,666	\$ 4,824
Mortgage loans	24	24
Accrued interest receivable	31	45
Accounts receivable	—	803
<b>Total Current Assets</b>	<b>5,721</b>	<b>5,696</b>
<b>Noncurrent Assets</b>		
Mortgage loans	328	352
<b>Total Assets</b>	<b>\$ 6,049</b>	<b>\$ 6,048</b>

## Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable	\$ 60	\$ —
<b>Net Assets</b>		
Restricted	5,989	6,048
<b>Total Liabilities And Net Assets</b>	<b>\$ 6,049</b>	<b>\$ 6,048</b>



# MISSOURI HOUSING TRUST FUND

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

	For The Years Ended June 30,	
	2005	2004
<b>Operating Revenues</b>		
Recording fees	\$ 6,000	\$ 5,988
Interest income	125	85
<b>Total Operating Revenues</b>	<b>6,125</b>	<b>6,073</b>
<b>Operating Expenses</b>		
Trust Fund grants	6,064	5,379
Administrative expenses	120	120
<b>Total Operating Expenses</b>	<b>6,184</b>	<b>5,499</b>
<b>Change In Net Assets</b>	<b>(59)</b>	<b>574</b>
<b>Net Assets - Beginning Of Year</b>	<b>6,048</b>	<b>5,474</b>
<b>Net Assets - End Of Year</b>	<b>\$ 5,989</b>	<b>\$ 6,048</b>

# MISSOURI HOUSING TRUST FUND

## STATEMENT OF CASH FLOWS (In Thousands)

	For The Years Ended June 30,	
	2005	2004
<b>Cash Flows From Operating Activities</b>		
Interest income on mortgage loans	\$ 4	\$ 4
Principal repayments on mortgage loans	24	24
Recording fee revenue	6,000	5,988
Operating expenses	(5,321)	(6,880)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>707</b>	<b>(864)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	6,829	6,001
Purchase of investments	(7,671)	(5,415)
Income received on investments	135	278
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(707)</b>	<b>864</b>
<b>Net Change In Cash And Cash Equivalents</b>	—	—
<b>Cash And Cash Equivalents - Beginning Of Year</b>	—	—
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Reconciliation Of Net Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>		
Net income (loss)	\$ (59)	\$ 574
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Income - mortgage investments	(4)	(4)
Income - investments	(121)	(254)
Repayment of principal on mortgage loans	24	24
Interest received on mortgage investments	4	4
Change in fair value of investments	—	173
Change in assets and liabilities:		
(Increase) decrease in accounts receivable - other	803	(803)
Increase (decrease) in accounts payable	60	(578)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 707</b>	<b>\$ (864)</b>

# MISSOURI HOUSING TRUST FUND

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2005 And 2004

### 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, 2005, all of the Trust Fund's investments were in compliance with the state statute.

### Investment Types And Maturities

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

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
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, 2005.

	S&P	Moody's	Fair Value
U.S. Agency Bonds	AAA	Aaa	\$5,666

## **MISSOURI HOUSING TRUST FUND**

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### 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, 2005:

<u>Issuer</u>	<u>Percent Of Total Investments</u>
Federal Home Loan Bank	74%
Federal Home Loan Mortgage Corporation	17%
Federal National Mortgage Association	9%

#### **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, 2005, the Trust Fund has outstanding program commitments of approximately \$4,900,000. These commitments represent Trust Fund grants that were approved prior to June 30, 2005 for which disbursement will be made in the subsequent fiscal year.