1-1-2006

Financial Statements, 2005

Missouri Housing Development Commission

RubinBrown

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& Business Consultants

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STATE AUDITOR'S OFFICE
RECEIVED
OCT 04 2005

September 30, 2005

State Auditor Claire McCaskill
State Capitol, Room 224
Jefferson City, Missouri 65101

Dear State Auditor McCaskill:

On behalf of Marilyn Lappin, Deputy Director/Chief Financial Officer, Missouri Housing Development Commission, please find the enclosed copies of the various financial statements for the fiscal year ending June 30, 2005.

We appreciate the opportunity to serve the Missouri Housing Development Commission and look forward to continuing our relationship with your prestigious organization.

Very truly yours,

RubinBrown LLP

Jeffrey B. Winter, CPA
Partner
Direct Dial Number: 314.290.3408
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JBW:cjm

Enclosures

MISSOURI HOUSING DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2005

RubinBrown

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Independent Auditors' Report

The Commissioners
Missouri Housing Development Commission

We have audited the accompanying balance sheet of Missouri Housing Development Commission (a body corporate and politic of the State of Missouri) (the Commission) 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 Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the Commission 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 Commission 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2005 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Commission taken as a whole. The Management's Discussion and Analysis on pages 3 - 10 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 required supplementary information. However, we did not audit the information and express no opinion on it. The accompanying supplementary information, as listed on pages 36 - 38 in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

St. Louis, Missouri
August 22, 2005

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

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction – Missouri Housing Development Commission

The Missouri Housing Development Commission (the Commission) was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri. The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission sells tax-exempt and taxable bonds and notes, 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 assets are also a source of funding for such loans.

The Commission conducts other programs related to its housing finance activities, including administering the federal and state housing tax credits for the State of Missouri. The Commission also administers contracts for the Project Based Section 8 program, which provides rental subsidies from federal funds on a fee basis.

Overview Of The Financial Statements

This annual financial report consists of three parts: Management's Discussion & Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. 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.

2005 Financial Highlights

- Total assets were $1.7 billion and increased 0.2% from June 30, 2004.
- Fiscal year 2005 mortgage investment purchases and originations totaled $301.1 million as compared to $321.2 million in 2004.
- Bonds and notes issued totaled $283.0 million in 2005 and were $314.9 million in 2004. $229.7 million of the bonds issued in 2005 and $247.3 million in 2004 were rated AAA by Standard & Poor's Rating Services.
- Total revenues were $209.4 million in fiscal year 2005, an increase of 10.9% from fiscal year 2004. Excluding the net change in fair value of investments, total revenues were $205.5 million in fiscal year 2005, representing a decrease of 5.4%.
- Net operating income, excluding the net change in fair value of investments, was $9.3 million in fiscal year 2005 as compared to $9.9 million in 2004.

- Net assets increased $13.3 million (4.0%) as of June 30, 2005. Excluding the change in fair value of investments, net assets increased $9.5 million (3.0%) as of June 30, 2005.
- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

2004 Financial Highlights

- Total assets decreased 8.3% from June 30, 2003.
- Fiscal year 2004 mortgage investment purchases and originations totaled $321.2 million as compared to $231.4 million in 2003.
- Bonds and notes issued totaled $314.9 million in 2004 and totaled $238.8 million in 2003. $247.3 million of the bonds issued in 2004 and $208.8 million in 2003 were rated AAA by Standard & Poor's Rating Services.
- Total revenues were $188.8 million in fiscal year 2004, a decrease of 15.5% from fiscal year 2003. Excluding the net change in fair value of investments, total revenues were $217.3 million in fiscal year 2004, representing an increase of 4.4%.
- Net operating income, excluding the net change in fair value of investments, was $9.9 million in fiscal year 2004 as compared to $8.0 million in 2003.
- Net assets decreased $18.6 million (5.3%) as of June 30, 2004. Excluding the change in fair value of investments, net assets increased $9.8 million (3.2%) as of June 30, 2004.
- Standard and Poor's Rating Services upgraded the Commission's Issuer Credit Rating from AA to AA+, with a rating outlook for the intermediate to longer term of stable.

Financial Position

The following table summarizes the Commission's current, restricted, and non-current assets and liabilities and displays restricted and unrestricted 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
Assets					
Current Assets	$ 38,552	$ 29,483	$ 19,923	$ 9,069	$ 9,560
Restricted Investments	353,637	419,150	459,934	(65,513)	(40,784)
Restricted Mortgage Investments	1,084,961	1,035,752	1,168,134	49,209	(132,382)
Other Restricted Assets	80,747	64,574	54,726	16,173	9,848
Capital Assets	928	661	696	267	(35)
Other	120,606	125,859	123,843	(5,253)	2,016
Total Assets	$ 1,679,431	$ 1,675,479	$ 1,827,256	$ 3,952	$ (151,777)
Liabilities					
Current Liabilities	$ 1,988	$ 1,948	$ 1,926	$ 40	$ 22
Current Liabilities – Payable from Restricted Assets	126,206	134,708	142,014	(8,502)	(7,306)
Long-term Bonds Payable	1,190,475	1,192,451	1,319,155	(1,976)	(126,704)
Other	13,630	12,518	11,751	1,112	767
Total Liabilities	$ 1,332,299	$ 1,341,625	$ 1,474,846	$ (9,326)	$ (133,221)
Net Assets					
Invested in Capital Assets	$ 928	$ 661	$ 696	$ 267	$ (35)
Restricted	319,814	311,701	328,832	8,113	(17,131)
Unrestricted	26,390	21,492	22,882	4,898	(1,390)
Total Net Assets	$ 347,132	$ 333,854	$ 352,410	$ 13,278	$ (18,556)

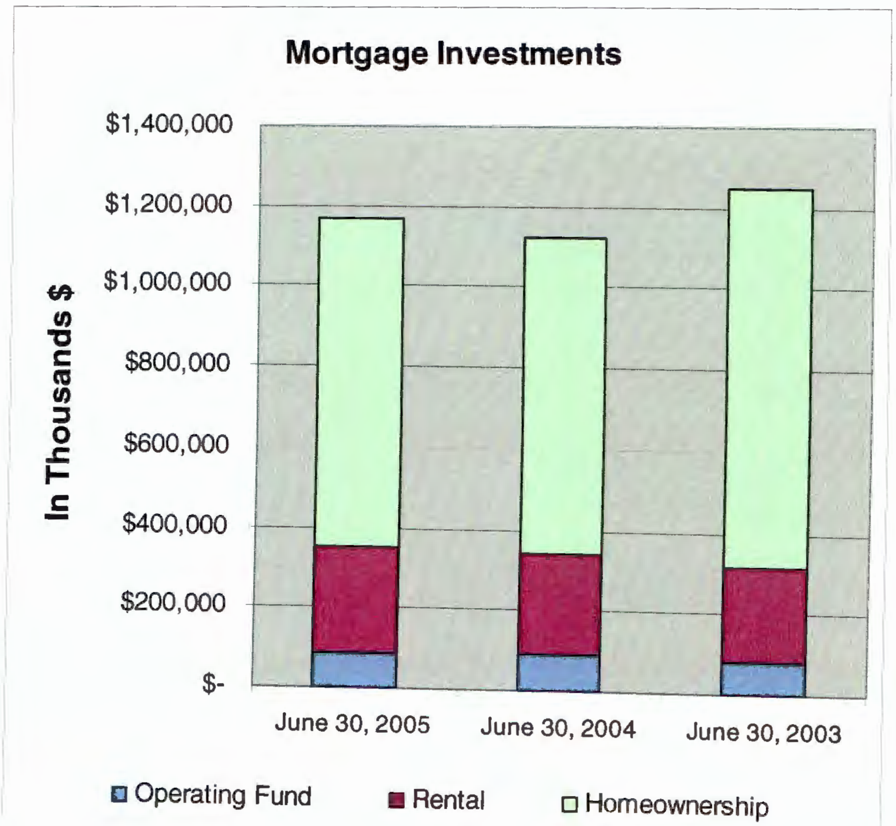
Investments

Investments consist of U.S. government and agency fixed rate securities, guaranteed investment agreement contracts, and overnight repurchase agreements. The Commission's investment policy emphasizes preservation of principal. At June 30, 2005, the Commission had $424.0 million in investments as compared to $479.1 million at June 30, 2004 and $521.7 million at June 30, 2003.

Mortgage Investments

The Commission's mortgage investments increased 3.8% during fiscal year 2005 and declined 9.9% during fiscal year 2004. Mortgage investments comprise 69.4% of the Commission's total assets at June 30, 2005, as compared to 67.1% at June 30, 2004 and 68.3% at June 30, 2003. GNMA and Fannie Mae mortgage-backed securities (MBS) comprise 70.2% of the Commission's mortgage investments at June 30, 2005, compared to 69.7% at June 30, 2004 and 74.2% at June 30, 2003. In fiscal year 2005, new loans totaled $301.1 million, with a significant level of prepayment activity resulting in a net increase of $42.5 million in the mortgage investment portfolio. In fiscal year 2004, new loans totaled $321.2 million, with a significant level of prepayment activity resulting in an overall decline of $124.1 million in the mortgage investment portfolio. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA and Fannie Mae MBS and substantially its entire bond-financed rental loan portfolio backed by FHA insurance. The Commission's loan loss reserve is 1.8% of total loans at June 30, 2005 (1.7% at June 30, 2004 and 1.3% at June 30, 2003), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

The mix of mortgage investments among operating fund loans, rental, and homeownership bond-financed programs at June 30, 2005, 2004, and 2003, is depicted in the following chart.



The Commission's rental loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in fifty percent of the insured risk. These loans totaled $149.0 million at June 30, 2005, $113.8 million at June 30, 2004, and $62.4 million at June 30, 2003.

Debt

At June 30, 2005, the Commission had $1.22 billion in bonds and notes outstanding as compared to $1.24 billion outstanding at June 30, 2004 and $1.38 billion outstanding at June 30, 2003.

During fiscal year 2005, new debt resulted from the issuance of four series of homeownership mortgage revenue bonds, which totaled $229.7 million, and eight rental housing revenue bond series totaling $53.4 million. During fiscal year 2004, new debt resulted from the issuance of four series of single family mortgage revenue bonds, which totaled $247.3 million, and thirteen multifamily housing revenue bonds series totaling $67.7 million. The overall net decrease in debt during the fiscal years 2005 and 2004 was due to bond redemptions that occurred as a result of significant mortgage prepayment activity. For additional information, see Note 6, Bonds and Notes Payable, in the Notes to Financial Statements.

Net Assets

The Commission continues to demonstrate a strong financial position. Net worth ratio (net assets as compared to total assets) was 20.7% at June 30, 2005, as compared to 19.9% at June 30, 2004 and 19.3% at June 30, 2003. Excluding unrealized gains and losses, net assets were $325.2 million at June 30, 2005, $315.7 million at June 30, 2004, and $305.9 million at June 30, 2003, representing growth of 3% in fiscal 2005, growth of 3.2% in fiscal 2004, and growth of 2.5% in fiscal 2003. Most of the Commission's net assets are restricted for bond requirements and Commission resolutions.

Operating Activities

The following table summarizes the Commission's revenues, expenses, and changes in net assets for 2005, 2004 and 2003.

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

				Change ($)	
	2005	2004	2003	2005 vs 2004	2004 vs 2003
Operating Revenues					
Interest and Investment Income	$ 79,716	$ 48,498	$ 108,740	$ 31,218	$ (60,242)
Grants and Federal Assistance	108,832	116,179	94,422	(7,347)	21,757
Other	20,866	24,143	20,200	(3,277)	3,943
Total Operating Revenues	209,414	188,820	223,362	20,594	(34,542)
Operating Expenses					
Interest Expense	59,003	65,373	78,962	(6,370)	(13,589)
Compensation and Administrative Expenses	10,518	9,804	9,742	714	62
Grants and Federal Assistance	108,781	116,052	94,331	(7,271)	21,721
Other	17,834	16,147	17,198	1,687	(1,051)
Total Operating Expenses	196,136	207,376	200,233	(11,240)	7,143
Change In Net Assets	$ 13,278	$ (18,556)	$ 23,129	$ 31,834	$ (41,685)

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. Overall revenues increased in fiscal year 2005 due, primarily, to fair value adjustments. Interest and investment income increased $32.4 million in fiscal year 2005 due to the increase in the fair value of investments. Overall revenues declined in fiscal year 2004 as a result of interest rates, significant mortgage prepayment activity and the corresponding decline in asset base related to redemption of bonds. In addition, interest and investment income decreased $43.6 million in fiscal year 2004 due to the decline in the fair value of investments. Excluding the effects of fair value reporting, the change in net assets was an increase of $9.3 million in fiscal year 2005, $9.9 million in fiscal year 2004, and $8.0 million in fiscal year 2003, demonstrating continued financial strength.

Revenues

Interest and investment income totaled $79.7 million in 2005 as compared to $48.5 million in 2004 (an increase of 64.4% in FY2005) and as compared to $108.7 million in 2003 (a decrease of 55.4% in FY2004). This income includes a fair value increase of $3.9 million in 2005, a fair value decrease of $28.5 million in 2004, and a fair value increase of $15.2 million in 2003. During fiscal year 2005 declining interest rates caused a corresponding increase in the value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income declined 1.5% in fiscal year 2005, reflecting the decline in interest rates and earnings on the Commission's asset base as compared to the prior year. During fiscal year 2004, rising interest rates caused a corresponding decrease in the value of the Commission's portfolio of GNMA securities and other investments. Without the fair value adjustments, interest and investment income declined 17.8% in fiscal year 2004, reflecting the decrease in the Commission's asset base as compared to the prior 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 funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development (including Section 8 Contract Administration and HOME Investment Partnership) and other federal and state programs totaling $108.8 million in fiscal year 2005 as compared to $116.2 million in fiscal year 2004 and $94.4 million in fiscal year 2003. The fiscal year 2005 decrease and fiscal year 2004 increase in Grants & Federal Assistance is largely the result of timing of disbursements for funds awarded from the HOME Investment Partnership program. These programs, along with federal and state tax credit programs, are an integral part of achieving the objectives of the Commission. The Commission continues to take advantage of federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Missourians.

Expenses

Interest costs were $59.0 million for 2005 as compared to $65.4 million for 2004 (a decrease of 9.7% in FY2005) and $79.0 million for 2003 (a decrease of 17.2% in FY2004). These decreases resulted from redemptions of higher rate bonds that have occurred primarily as a result of loan prepayments, lower rates on recent debt issues and the overall decrease in the level of debt outstanding.

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 $10.5 million in 2005 ($9.8 million in 2004 and $9.7 million in 2003). Excluding the net change in the fair value of investments, these costs represented 5.1% of revenues in 2005 as compared to 4.5% in 2004 and 4.7% in 2003.

Contacting MHDC'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 show the Commission'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.

MISSOURI HOUSING DEVELOPMENT COMMISSION

BALANCE SHEET
Page 1 Of 2
(In Thousands)

Assets

	June 30, 2005	2004
Current Assets		
Cash and temporary cash investments	$ 5,629	$ 5,856
Investments	22,640	15,780
Mortgage investments	8,320	6,188
Accrued interest receivable	1,585	1,342
Accounts receivable - other	268	207
Prepaid expenses	110	110
Total Current Assets	38,552	29,483
Noncurrent Assets		
Restricted Assets:		
Cash and temporary cash investments	39,790	25,484
Investments	353,637	419,150
Mortgage investments	1,084,961	1,035,752
Accrued interest receivable	7,410	7,912
Deferred financing charges	33,547	31,178
Total Restricted Assets	1,519,345	1,519,476
Investments	47,711	44,139
Mortgage investments, net of current portion and allowances for loan losses ($20,701 in 2005 and $18,626 in 2004)	72,895	81,720
Capital assets, less accumulated depreciation	928	661
Total Noncurrent Assets	1,640,879	1,645,996
Total Assets	$ 1,679,431	$ 1,675,479

See the accompanying notes to financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

BALANCE SHEET
Page 2 Of 2
(In Thousands)

Liabilities And Net Assets

	June 30, 2005	June 30, 2004
Liabilities		
Current Liabilities		
Bonds and notes payable	$ 525	$ 525
Accounts payable	772	813
Deferred financing and commitment fees	691	610
Total Current Liabilities	1,988	1,948
Current Liabilities - Payable From Restricted Assets		
Bonds and notes payable	33,486	46,258
Accrued interest payable	19,166	19,396
Escrow deposits	69,018	63,615
Rent subsidies and other payables	1,411	1,904
Accounts payable	1,819	2,247
Deferred financing and commitment fees	1,306	1,288
Total Current Liabilities - Payable From Restricted Assets	126,206	134,708
Noncurrent Liabilities		
Bonds and notes payable	1,190,475	1,192,451
Deferred financing and commitment fees	13,630	12,518
Total Noncurrent Liabilities	1,204,105	1,204,969
Total Liabilities	1,332,299	1,341,625
Net Assets		
Invested in capital assets	928	661
Restricted by the Commission, bond resolution and State Statute	319,814	311,701
Unrestricted	26,390	21,492
Total Net Assets	347,132	333,854
Total Liabilities And Net Assets	$ 1,679,431	$ 1,675,479

See the accompanying notes to financial statements.

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

	For The Years Ended June 30, 2005	2004
Operating Revenues		
Interest and investment income:		
Income - mortgage investments	$ 62,547	$ 61,881
Income - investments	13,229	15,079
Net increase (decrease) in fair value of investments	3,940	(28,462)
Total interest and investment income	79,716	48,498
Administration fees	6,596	6,384
Financing fees and other	14,270	17,759
Federal program income	108,832	116,179
Total Operating Revenues	209,414	188,820
Operating Expenses		
Interest expense on bonds	59,003	65,373
Bank miscellaneous bond debt expense	4,303	4,340
Compensation	7,318	6,769
General and administrative expenses	3,200	3,035
Provision for loan and real estate owned losses	2,220	3,000
Rent and other subsidy payments	5,247	3,428
Housing Trust Fund grants	6,064	5,379
Federal program expenses	108,781	116,052
Total Operating Expenses	196,136	207,376
Change In Net Assets	13,278	(18,556)
Net Assets - Beginning Of Year	333,854	352,410
Net Assets - End Of Year	$ 347,132	$ 333,854

See the accompanying notes to financial statements.

MISSOURI HOUSING DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS
(In Thousands)

	For The Years Ended June 30, 2005	2004
Cash Flows From Operating Activities		
Interest income on mortgage loans	$ 62,367	$ 62,641
Fees, charges and other	15,419	18,260
Principal repayments on mortgage loans	258,387	419,823
Federal revenue	114,935	123,313
Federal expenses	(108,781)	(116,052)
Purchases of mortgage loans	(301,067)	(321,220)
Cash payments for compensation and administrative costs	(17,955)	(10,108)
Net Cash Provided By Operating Activities	23,305	176,657
Cash Flows From Noncapital Financing Activities		
Retirement of principal on bonds	(436,066)	(603,476)
Proceeds from issuance of bonds	428,164	474,264
Deferred financing costs paid	(10,943)	(10,856)
Change in escrow deposits	5,403	8,760
Interest paid on bonds	(66,078)	(78,738)
Net Cash Used In Noncapital Financing Activities	(79,520)	(210,046)
Cash Flows Used In Capital And Related Financing Activities		
Payments for capital assets	(483)	(340)
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,033,135	1,255,581
Purchases of investments	(988,272)	(1,216,853)
Interest received on investments	13,668	15,753
Increase (decrease) in securities purchased under agreements to resell	12,246	(1,564)
Net Cash Provided By Investing Activities	70,777	52,917
Increase In Cash And Cash Equivalents	14,079	19,188
Cash And Cash Equivalents - Beginning Of Year	31,340	12,152
Cash And Cash Equivalents - End Of Year	$ 45,419	$ 31,340
Reconciliation Of Change In Net Assets To Net Cash Provided By Operating Activities:		
Change in net assets	$ 13,278	$ (18,556)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	217	153
Net (increase) decrease in fair value of investments	(3,940)	28,462
Income - mortgage investments	(62,547)	(61,881)
Income - investments	(13,229)	(15,079)
Amortization of financing charges, financial fees and debt premium/discount	8,575	13,827
Provision for loan and real estate owned losses, net of charges-off loans	2,074	2,724
Interest expense related to bonds	59,003	65,373
Repayment of principal on mortgage loans receivable	258,387	419,823
Mortgage and construction loans disbursed	(301,067)	(321,220)
Interest received on mortgage investments	62,367	62,641
Change in assets and liabilities:		
Increase in accounts receivable - other	(62)	(206)
Increase (decrease) in rent subsidies and other payables	(493)	750
Decrease in accounts payable	(469)	(861)
Increase in deferred financing and commitment fees	1,211	707
Net Cash Provided By Operating Activities	$ 23,305	$ 176,657

See the accompanying notes to financial statements.

1. Authorizing Legislation

The Missouri Housing Development Commission (the 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, 2005 and 2004, the Commission had $1,600,000 and $1,610,000, respectively, of bonds outstanding applicable to 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.

2. Summary Of Significant Accounting Policies

Reporting Entity

Governmental Accounting Standards establish the criteria used in determining which organizations should be included in the Commission's financial statements. Generally accepted accounting principles require the inclusion of the transactions of government organizations 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.

The Missouri Housing Trust Fund has been designated as a blended component unit of the Commission. The Missouri Housing Trust Fund is authorized by section 215.034, RSMo. Separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), 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.

Measurement Focus And Basis Of Accounting

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's measurement focus is on the flow of economic resources, since income determination and capital maintenance are critical.

Revenues and expenses are typically divided into operating and non-operating 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 investment income from loans and investments, financing fees and other charges related to providing financing for affordable housing through mortgage loans. Operating expenses consist primarily of interest expense on bonds outstanding. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses.

The Commission follows all Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission 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.

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 they are needed.

During 2005, the Commission 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.

Cash And Investment Policies

Chapter 215 of the Missouri statutes provides for the Commission to invest any funds not required for immediate disbursement in obligations of the State of Missouri or the United States government or any instrumentality thereof, the principal and interest of which are guaranteed by the State of Missouri or the United States government or instrumentality thereof; bank certificates of deposit; or such other investments as determined by the Commission. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes.

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools,* securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities 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. For the year ended June 30, 2005, the net increase in fair value of investments was $3,940,000. For the year ended June 30, 2004, the net decrease in fair value of investments was $28,462,000. Without the recognition of this element of investment income, the Commission's change in net assets would have been $9,338,000 in 2005 and $9,906,000 in 2004.

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.

Mortgage Investments

Proceeds from the sale of bonds are used to make or purchase mortgage loans and to purchase Government National Mortgage Association (GNMA) and Fannie Mae mortgage-based securities. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA and FannieMae mortgage-backed securities are reported at fair value.

Allowance For Loan Losses

The allowance for loan losses is for 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 which, 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.

Deferred Financing Charges

Costs of issuance of bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Original Issue Discounts/Premiums

Original issue discounts/premiums on bonds are amortized/accredited using the outstanding bond method, over the life of the bonds to which they relate.

Capital Assets

Equipment consists of leasehold improvements, office furniture and equipment which is 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 nine 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.

In prior years rental properties were acquired and rehabilitated to rent to persons or families with low income. The properties were recorded at appraised value when acquired. By year end 2004, the Commission had disposed of all rental properties.

Net Assets

Net assets are classified as follows:

Invested in Capital Assets: This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted: This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets.

Fees, Charges And Expenses

Financing fees are deferred and recorded as income over the life of the related bond issuance, which approximates the life of the related mortgage loans.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred. 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.

Federal Assistance And Grants

The Commission administers grants and federal assistance programs, representing "pass-through" financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, 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 in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions.*

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 a component of bonds payable in the financial statements.

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.

Accounting Reclassifications

Certain 2004 amounts have been reclassified, where appropriate, to conform with the presentation used in the 2005 financial statements.

3. 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 $2,092,000 and $2,362,000 at June 30, 2005 and 2004, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). 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 rental or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures; and, Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

Rental Bond-Financed Program Fund

The Commission's Rental Bond-Financed Program Fund was established to account for the proceeds from the bond sales, debt service requirements, and the related mortgage loans and mortgage-backed securities on eligible rental developments. All loans, with the exception of $47,445,000 that is being financed with the proceeds from the issuance of the Rental Housing Revenue Bonds payable (JB Hughes, Primm Place, Truman Farm, Brookstone, O'Fallon Place, Mansion II, East Hills Village, Bridgeport and Lakewood), are insured by HUD. These loans, which totaled $43,248,000 and $34,522,000 at June 30, 2005 and 2004, respectively, are financed by the borrowers with limited obligation bonds which are denoted by "**" in Note 5.

Homeownership Bond-Financed Program Fund

The Commission's Homeownership Bond-Financed Program Fund was established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA.

4. Cash And Investments

A summary of cash and investments as of June 30, 2005 and 2004 is as follows *(in thousands)*:

	2005		2004	
	Cost	**Fair Value**	Cost	Fair Value
Cash and temporary investments	**$ 25,828**	**$ 25,828**	$ 4,685	$ 4,685
Money Market fund	**19,591**	**19,591**	26,655	26,655
Securities purchased under agreements to resell	**5,188**	**5,188**	17,434	17,434
U.S. Treasury Bonds and notes and Agency obligations	**193,082**	**193,316**	189,324	187,653
Guaranteed investment contracts	**225,484**	**225,484**	273,982	273,982
	$ 469,173	**$ 469,407**	$ 512,080	$ 510,409

Investment Policy

General

The Commission's Investment Policy and Guidelines are formalized in its Resolution No. 925. This policy applies to its 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. At June 30, 2005, all of the Commission's general investments (nonbond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

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, 2005, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

Investment Types And Maturities

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

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Money Market Accounts	$ 19,591	$ 19,591	$ —	$ —	$ —
Repurchase Agreement	5,188	5,188	—	—	—
U.S. Treasuries	16,039	11,558	—	—	4,481
U.S. Agencies	177,277	44,007	99,278	33,992	—
Guaranteed investment contracts	225,484	3,993	106,193	16,448	98,850
	$ 443,579	$ 84,337	$ 205,471	$ 50,440	$ 103,331

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 demand repurchase agreement is collateralized by obligations of the United States of America or its agencies, and has a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investments agreements for the terms specified in these documents, generally 30 years.

Credit Risk

The following table (in thousands of dollars) provides information on the credit ratings associated with the Commission's investments in debt securities, excluding obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government at June 30, 2005.

	S&P	Moody's	Fair Value
Money Market Accounts	AAAm	Aaa	$ 19,591
U.S. Agency Bonds	AAA	Aaa	177,277
Guaranteed investment contracts	unrated	unrated	225,484
			$ 422,352

The Commission's funds held in guaranteed investment agreements are with Companies with a short-term rating assigned by S&P of at least "A-1+" and a claims-paying ability rating by S&P of at least "AA-" with the exception of one provider for which the guaranteed investment contracts are collateralized.

Concentration Of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. Government Agency Securities. Obligations of the State of Missouri and collateral certificates of deposit are limited to 60% of the non-bond fund portfolio, each; and collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2005:

Issuer	Percent Of Total Investments
AIG Matched Funding Corp. Guaranteed Investment Contracts	9.75%
Bayerische Landesbank Girozentrale Guaranteed Investment Contracts	7.47%
Transamerica Life Insurance and Annuity Company Guaranteed Investment Contracts	20.09%
Federal Home Loan Bank	22.47%
Federal Home Loan Mortgage Corporation	6.96%
Federal National Mortgage Association	6.45%

Custodial Credit Risk

For the following investments, custodial credit risk is the risk that in the event of the failure of the counterparty, 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.

Investment Agreements

For bond issues originating after March 15, 1983, the Commission has authorized and directed the investment of funds with certain financial institutions. The total amount of funds invested in these agreements at June 30, 2005 and 2004 was $225,484,000 and $273,982,000, respectively, with guaranteed fixed rates of return ranging from 1.05% to 8.10%. Pursuant to the investment agreements between the Commission and the banks, investment agreements of $174,091,000 and $209,287,000 were uncollateralized at June 30, 2005 and 2004, respectively. The investment agreements have redemption terms that do not consider market rates, and income is based on contractual interest rates; accordingly, these agreements are reported at cost.

U.S. Government And Agency Securities

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2005 and 2004, securities approximating $188,835,000 and $184,558,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission's name.

5. Mortgage Investments

The Homeownership Loan Program requires that mortgage loans be made to borrowers whose household income does not exceed the State-wide median income, based on family size. Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Homeownership Loan Program provides funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Rental Loan Program provides long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with the U.S. Department of Housing and Urban Development (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 $148,997,000, representing 28 loans, as of June 30, 2005 and $113,816,000, representing 22 loans, as of June 30, 2004.

The proceeds of the 1995 through 2005 Homeownership Loan Program, as well as proceeds of the Rental Housing Revenue Bonds and the Homeownership Mortgage Revenue Bonds as listed below, were used to purchase GNMA and Fannie Mae certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the mortgage loans financed by the Homeownership and Rental Programs are 30 years Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment. The financing rates related to the mortgage-backed securities at June 30, 2005, are as follows:

Issue	Mortgage Rate	Certificate Rate
Rental Housing Revenue Bonds		
June 1, 1989 Series A	6.00%	5.75%
Series 1999	6.375%	5.185%
Series 2002 G	6.90%	6.65%
2005 Series I-A	5.85%	5.60%
Homeownership Mortgage Revenue Bonds		
Series 1986 A	8.90%	8.40%
Issue of November 1, 1986	8.25%	7.75%
1988 Series A	8.70%	8.20%
1988 Series B	8.80%	8.30%
1988 Series C	8.80%	8.30%

Issue	Mortgage Rate	Certificate Rate
Homeownership Loan Program (1995 Indenture)		
1995 Series A	6.90%	6.40%
1995 Series B	6.50%, 7.65%	6.00%, 7.15%
1995 Series C	7.75%	7.25%
1995 Series D	6.55%, 7.45%	6.05%, 6.95%
1996 Series A	7.72%	7.22%
1996 Series B	8.00%	7.50%
1996 Series C	7.87%	7.37%
1996 Series D	6.54%, 7.54%	6.04%, 7.04%
1997 Series A	6.30%, 6.85%, 7.85%	5.80%, 6.35%, 7.35%
1997 Series A-4	6.84%	6.34%
1997 Series B	6.31%, 7.31%	5.81%, 6.81%
1997 Series C	7.35%	6.85%
1998 Series B	6.10%, 7.00%, 7.35%	5.60%, 6.50%, 6.85%
1998 Series D	6.05%, 6.67%, 6.95%, 7.00%	5.55%, 6.17%, 6.45%, 6.50%
1998 Series E	5.90%, 6.67%	5.40%, 6.17%
1999 Series A	6.62%, 5.87%	6.12%, 5.37%
1999 Series B	6.25%, 7.10%	5.75%, 6.60%
1999 Series C	6.77%, 7.62%	6.27%, 7.12%
2000 Series A	7.03%, 7.93%	6.53%, 7.43%
2000 Series B	6.97%, 7.87%	6.47%, 7.37%
2000 Series C	6.60%, 7.50%	6.10%, 7.00%
2001 Series A	6.10%, 6.85%	5.60%, 6.35%
2001 Series B	6.16%, 6.91%	5.66%, 6.41%
2001 Series C	5.50%, 6.40%, 8.25%	5.00%, 5.90%, 7.75%
2002 Series A	6.05%, 6.84%	5.55%, 6.34%
2002 Series B	6.08%, 6.65%, 6.83%	5.58%, 6.15%, 6.33%
2002 Series C	5.20%, 6.10%, 6.79%	4.70%, 5.60%, 6.29%
2003 Series A	5.42%, 6.27%	4.92%, 5.77%
2003 Series B	5.25%, 5.85%, 6.09%, 7.45%	4.75%, 5.35%, 5.59%, 6.95%
2003 Series C	5.99%	5.49%
2003 Series D	5.08%, 6.08%	4.58%, 5.58%
2004 Series A	4.95%, 5.65%, 7.30%	4.45%, 5.15%, 6.80%
2004 Series B	5.90%, 5.95%, 6.60%	5.40%, 5.45%, 6.10%
2004 Series C	5.70%, 5.95%, 6.30%	5.20%, 5.45%, 5.80%
2004 Series D	5.875%	5.375%
2005 Series A	5.40%, 5.90%, 7.99%	4.90%, 5.40%, 7.49%
2005 Series B	5.60%, 6.10%	5.10%, 5.60%

GNMA and Fannie Mae certificates, which are included in mortgage investment balances, are presented in the balance sheet at fair value in accordance with GASB Statement No. 31. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments:

	2005		2004	
	Carrying Value	**Cost**	Carrying Value	Cost
GNMA and Fannie Mae mortgage-backed securities	**$ 818,090**	**$ 796,357**	$ 782,957	$ 763,135
Other mortgage loans	**368,787**	**368,787**	359,329	359,329
	$ 1,186,877	**$ 1,165,144**	$ 1,142,286	$ 1,122,464

During 2005 and 2004, the Commission realized a net gain of $124,000 and a net loss of $131,000, respectively, from the sale of investments. The calculation of realized gains and losses is independent of the calculation of net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in a prior year. The net increase in fair value was $3,940,000 in 2005 and the net decrease in fair value was $28,462,000 in 2004. This amount takes into account all changes in fair value (including purchases and sales) that occurred during each respective year. The unrealized gain on investments held at June 30, 2005 and 2004 was $21,967,000 and $18,151,000, respectively.

6. Bonds And Notes Payable

The net proceeds of bond issues are used to provide financing for rental 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. Those bonds are obligations of the Commission and are not liabilities of the State of Missouri. A summary of bonds payable outstanding at June 30, 2005 and 2004 follows *(in thousands)*:

	Original Amount Authorized	Outstanding June 30, 2005	Outstanding June 30, 2004
Rental Bond - Financed Program			
March 15, 1977 Series (6%), due 2020	$ 30,000	$ **6,210**	$ 6,490
1979 Series A (7%), due 2021	32,400	**1,365**	1,405
1979 Series B (7%), due 2022	43,500	**2,085**	5,520
September 1, 1980 Series (9.625% to 10%), due 2006 - 2023	15,500	**2,165**	2,205
May 15, 1982 Series (9%), redeemed 2005	7,000	**—**	3,105
June 1, 1988 Series (8.1% to 8.5%), due 2008 - 2029	3,905	**1,485**	1,800
June 1, 1989 Series A (7.125% to 7.375%), due 2009 - 2030*	965	**850**	865
September 1, 1989 Series (9.25%), due 2030	1,845	**1,570**	1,590
March 1, 1991 Series (10%), due 2031	1,685	**1,600**	1,610
June 15, 1992 Series (6.3% to 6.6%), due 2005 - 2023	10,240	**1,685**	2,200
November 15, 1992 Series (6.2% to 6.6%), due 2005 - 2024	43,340	**885**	8,805
1995 Series A (5.35% to 6.25%), due 2005 - 2017**	2,825	**2,150**	2,260
November 15, 1996 Series (7.1% to 8.05%), due 2006 - 2038	3,540	**3,310**	3,350
1996 Series A (5.75% to 6.2%), due 2011 -2028**	7,700	**6,135**	6,270
1996 Series A (5.25% to 6.2%), due 2006 - 2028**	8,400	**7,420**	7,560
Series 1998 (4.65% to 5.45%), due 2005 - 2028	9,045	**6,475**	8,125
Series 1999 (4.0% to 5.25%), due 2005 - 2032*,**	6,710	**6,130**	6,220
Series 1999 (6.125% to 6.17%), due 2022 - 2032**	6,730	**6,460**	6,535
Series 1999 (7.3%), due 2030**	2,750	**2,680**	2,710
2000 Series 1 (5.25% to 6.1%), due 2005 - 2031	11,540	**10,425**	10,580
2001 Series I (4.0% to 5.25%), due 2005 - 2027	21,780	**10,830**	11,605
2001 Series II (4.0% to 5.5%), due 2005 - 2023	46,360	**24,180**	34,370
2001 Series III (3.85% to 5.25%), due 2005 - 2021	22,850	**10,140**	15,775
2001 Series 1A (3.6% to 5.375%), due 2005 - 2033	7,300	**5,165**	5,270
2001 Series 2A (5.25% to 5.3%), due 2021 - 2032	3,800	**3,625**	3,685
Series 2002 G (6.2% to 6.3%), due 2019 - 2037*,**	2,550	**2,493**	2,517
Series 2002 H (6.9%), due 2038**	450	**450**	450
2002 Series 1 (5.3% to 5.55%), due 2017 - 2038	12,890	**12,755**	12,890
2002 Series 2 (5.2% to 5.3%), due 2022 - 2034	4,440	**3,710**	3,785
2002 Series 4 (5.15% to 5.2%), due 2022 - 2034	20,505	**14,590**	20,505
2003 Series 1 (5.2% to 5.3%), due 2023 - 2034	5,105	**2,665**	2,705
2003 Series 2 (1.65% to 5.25%), due 2005 - 2035	5,715	**5,640**	5,715
2003 Series 3 (2% to 5.625%), due 2005 - 2040	3,965	**3,965**	3,965
2003 Series 4 (4.6% to 5.45%), due 2013 - 2035	3,925	**2,850**	3,925
2003 Series 5 (1.65% to 5.28%), due 2005 - 2040	5,075	**5,075**	5,075
2003 Series 6 (1.4% to 5%), due 2005 - 2035	5,280	**2,245**	5,280
2003 Series 7 (4.3% to 5.1%), due 2013 - 2035	4,695	**4,695**	4,695
2003 Series 8 (1.65% to 5.2%), due 2005 - 2035	4,385	**2,285**	4,385
2003 Series 9 (4.35% to 5.1%), due 2013 - 2034	8,590	**3,610**	8,590
2003 Series 10 (2% to 5.1%), due 2006 - 2036	10,880	**10,880**	10,880
2004 Series 1 (4.05% to 4.95%), due 2018 - 2036	3,160	**3,160**	3,160
2004 Series 2 (1.5% to 4.95%), due 2005 - 2035	4,190	**4,190**	4,190
2004 Series 3 (5.1% to 5.33%), due 2018 - 2035	1,800	**1,350**	1,800
2004 Series 4 (1.61% to 5.25%), due 2005 - 2036	5,990	**5,990**	5,990
2004 Series 5 (2.15% to 5.45%), due 2005 - 2036	3,785	**3,785**	—
2004 Series 6 (2.5% to 5.15%), due 2006 - 2036	6,735	**6,735**	—
2004 Bridgeport (6.6%), due 2041**	6,580	**6,580**	—
2005 Series 1 (2.55% to 4.9%), due 2006 - 2036	8,125	**8,125**	—
2005 Series 2 (2.7% to 4.85%), due 2007 - 2042	8,540	**8,540**	—
2005 Series 3 (2.55% to 4.8%), due 2006 - 2036	6,520	**6,520**	—
2005 1-A and I-B (5.25%), due 2007 - 2035*,**	2,750	**2,750**	—
2005 Series 4 (2.9% to 4.7%), due 2007 - 2037	10,330	**10,330**	—
	518,665	**270,988**	270,412
Less: Unamortized debt discount	—	**(102)**	(146)
Add: Unamortized debt premium	—	**20**	23
Less: Deferred amount on refunding	—	**(680)**	(757)
	$ 518,665	$ **270,226**	$ 269,532

	Original Amount Authorized	Outstanding June 30, 2005	2004
Homeownership Bond - Financed Program			
June 15, 1976 Series (6.375%), due 2007	$ 28,175	$ **1,285**	$ 1,515
1988 Series A (7.875%), due 2015*	76,200	**200**	4,090
September 1, 1991 Series B (7% to 7.25%), due 2010 - 2012	18,200	**12,266**	13,160
1994 Series A (6.4% to 7.3%), redeemed 2004*	100,000	**—**	4,690
1995 Series A (5.4% to 6.22%), due 2005 - 2026*	55,000	**8,950**	12,375
1995 Series B (5.4% to 6.45%), due 2005 - 2027*	30,000	**4,430**	6,120
1995 Series C (5.1% to 7.25%), due 2005 - 2026*	30,000	**1,745**	2,775
1995 Series D (5.2% to 6.15%), due 2005 - 2026*	16,800	**910**	2,380
1996 Series A (5.2% to 7.2%), due 2005 - 2027*	41,000	**2,930**	4,990
1996 Series B (5.4% to 7.55%), due 2005 - 2027*	29,060	**1,220**	1,775
1996 Series C (5.2% to 7.45%), due 2005 - 2027*	32,925	**2,735**	4,550
1996 Series D (5.1% to 7.1%), due 2005 -2028*	46,640	**4,795**	8,295
1997 Series A (5.3% to 7.3%), due 2005 - 2028*	50,000	**3,450**	6,345
1997 Series A-4 (4.8% to 5.65%), due 2005 - 2029*	10,000	**1,025**	1,360
1997 Series B (4.9% to 6.85%), due 2005 - 2029*	64,500	**11,040**	16,920
1997 Series C (4.8% to 6.85%), due 2005 - 2029*	55,625	**7,650**	11,045
1998 Series B (4.6% to 6.4%), due 2005 - 2029*	70,000	**11,545**	18,585
1998 Series D (4.450% to 6.5%), due 2005 - 2029*	70,000	**11,510**	20,100
1998 Series E (4.25% to 6.45%), due 2005 - 2029*	50,000	**9,800**	15,838
1999 Series I (5.1%), due 2030	5,095	**1,500**	2,305
1999 Series A (4.15% to 6.3%), due 2005 - 2030*	75,000	**18,850**	27,300
1999 Series B (4.65% to 6.83%), due 2005 - 2030*	75,000	**14,250**	22,635
1999 Series C (4.80% to 7.07%), due 2005 - 2030*	75,000	**11,130**	17,740
2000 Series A (5.25% to 7.77%), due 2005 - 2031*	98,135	**10,815**	19,605
2000 Series B (5.35% to 8%), due 2005 - 2031*	70,000	**10,570**	18,950
2000 Series C (4.9% to 7.4%), due 2005 - 2032*	84,390	**17,365**	26,610
2001 Series A (4.05% to 6.35%), due 2005 - 2033*	100,000	**31,885**	46,260
2001 Series B (4.0% to 6.85%), due 2005 - 2033*	70,000	**24,680**	35,375
2001 Series C (3.25% to 6.23%), due 2005 - 2033*	46,490	**23,650**	31,875
2002 Series A (3.35% to 6.75%), due 2005 - 2034*	45,000	**19,575**	30,305
2002 Series B (3.2% to 6.66%), due 2005 - 2034*	80,000	**36,815**	59,425
2002 Series C (2.2% to 6%), due 2005 - 2034*	80,000	**45,090**	62,765
2003 Series A (1.8% to 5.78%), due 2005 - 2035*	50,000	**36,065**	48,550
2003 Series B (1.7% to 5.375%), due 2005 - 2034*	78,795	**59,595**	75,015
2003 Series C (1.65% to 5.35%), due 2005 - 2034*	60,000	**52,790**	60,000
2003 Series D (1.6% to 5.55%), due 2005 - 2034*	70,000	**63,490**	70,000
2004 Series A (1.4% to 5.15%), due 2005 - 2035*	57,280	**54,590**	57,280
Draw Down Series 2004 A (1.096%), due 2005	150,000	**—**	12,030
2004 Series B (1.9% to 6.35%), due 2005 - 2035*	60,000	**56,305**	60,000
2004 Series C (1.75% to 6%), due 2005 - 2035*	60,000	**58,765**	—
2004 Series D (1.85% to 5.5%), due 2005 - 2035*	40,000	**40,000**	—
2005 Series A (2.5% to 5.9%), due 2006 - 2036*	54,680	**54,321**	—
Draw Down Series 2005 A (2.98%), due 2006	150,000	**9,625**	—
2005 Series B (2.85% to 5.8%), due 2006 - 2036*	75,000	**75,000**	—
	2,683,990	**924,207**	940,933
Less: Unamortized debt discount	—	**(4)**	(32)
Add: Unamortized debt premium	—	**27,970**	26,144
Less: Deferred amount on refunding	—	**(1,003)**	(958)
	2,683,990	**951,170**	966,087
Total	$ 3,202,655	$ **1,221,396**	$ 1,235,619

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

The proceeds of bond issues denoted by "**" are used to provide financing for multifamily rental housing projects. These bonds are limited obligations of the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower.

During the years ended June 30, 2005 and 2004, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of $3,986,000 and $6,210,000 for the years ended June 30, 2005 and 2004, respectively, on early extinguishment of debt have been recorded and included with financing fees and other operating revenue. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the resolution.

During the fiscal year ended June 30, 2004, the Commission issued Single Family Homeownership Mortgage Revenue Bonds 2004A in the aggregate amount of $57,280,000. Of this aggregate amount, $7,280,000 refunded a portion of the outstanding Housing Development Bonds (Insured Mortgage Loans). The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $66,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the bonds outstanding method. The Commission completed the advance refunding to reduce its total debt service payments over the next 30 years by approximately $40,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $413,000.

During the fiscal year ended June 30, 2005, the Commission issued Single Family Homeownership Mortgage Revenue Bonds 2005A in the aggregate amount of $54,680,000. Of this aggregate amount, $3,630,000 refunded a portion of the outstanding Housing Development Bonds (Insured Mortgage Loans). The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $94,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the bonds outstanding method. The Commission completed the advance refunding to reduce its total debt service payments over the next 30 years by approximately $159,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $266,000.

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discount and premium, follows *(in thousands)*:

Bonds Maturing During Years Ending June 30,	Principal	Interest	Total
2006	$ 27,835	$ 59,340	$ 87,175
2007	21,176	60,046	81,222
2008	15,275	59,405	74,680
2009	14,400	58,848	73,248
2010	14,656	58,296	72,952
2011 - 2015	82,625	285,254	367,879
2016 - 2020	82,904	263,353	346,257
2021 - 2025	140,940	237,783	378,723
2026 - 2030	167,718	200,389	368,107
2031 - 2035	488,450	130,658	619,108
2036 - 2040	136,214	7,520	143,734
2041 - 2045	3,002	281	3,283
	$ 1,195,195	$ 1,421,173	$ 2,616,368

In addition to bonds payable, at June 30, 2005 and 2004, the Commission had available fixed rate notes totaling $3,090,000 and $3,615,000, respectively, at interest rates of 1.76% to 3.64%. The fixed rate notes pay monthly interest with a final principal balloon payment due at maturity as follows *(in thousands)*:

Maturity Date	Interest Rate	Principal	Interest	Total
2006	1.76%	$ 525	$ 85	$ 610
2007	2.28%	525	74	599
2008	2.72%	525	62	587
2009	3.10%	515	47	562
2010	3.40%	500	30	530
2011	3.64%	500	12	512
		$ 3,090	$ 310	$ 3,400

7. Escrow Deposits And Rent Subsidies Payable

Escrow deposits represent funds paid by project developers for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from the State of Missouri and HUD for payment of rent subsidies to participants in the Housing Assistance Programs.

Such funds held by the Commission are included in restricted cash and temporary cash investments.

8. Restrictions

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 of 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, they 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.

In addition, 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 Rental Bond-Financed and Homeownership Bond-Financed Programs.

As of June 30, 2005 and 2004, the assets of all accounts equaled or exceeded the requirements as established by the Trust Indentures. Such assets are restricted as follows:

	2005	2004
Program and Construction Funds - rental assistance, construction escrows, and other restricted funds	**$ 80,556**	$ 85,740
Mortgage Escrow Accounts - insurance, taxes, replacement reserves, and other mortgage escrows	**53,086**	47,438
Federal Programs Funds	**1,814**	1,467
Missouri Housing Trust Fund	**5,666**	4,824
Bond Proceeds Accounts - funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of cost of issuance	**99,673**	104,437
Revenue and Debt Service Funds – program revenues for debt service payments	**114,487**	158,997
Debt Service and Other Bond Reserve Accounts - reserves held as required by bond indentures, including: debt service reserves, mortgage reserves, and capitalized interest	**38,145**	41,731
	$ 393,427	$ 444,634

Restricted Net Assets

Pursuant to certain of its resolutions, the Commission has restricted the net assets of the Rental Bond-Financed Mortgage Program and the Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, through various resolutions for the Rental Bond-Financed Mortgage Program, the Homeownership Bond-Financed Program and activities of the Operating Fund, the Commission has reserved internally generated funds for financing residential housing units and for providing rental housing assistance, which are included in restricted net assets. 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.

Pursuant to State Statute, the Commission has restricted the amount of net assets representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, by 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 assets by the Commission, bond resolution and State Statute as of June 30, 2005 and 2004 *(in thousands)*:

	2005	2004
Restricted By Commission:		
Tenant assistance	**$ 47,833**	$ 46,770
Loans not funded by a bond sale	**104,457**	109,550
Loan commitments not yet disbursed	**16,288**	14,988
Reserves committed to Home Improvement and Multifamily interest subsidy program	**5,799**	5,799
Restricted earnings of HUD purchased loans	**10,482**	9,765
Restricted for Rural Initiative Program	**1,193**	1,225
	186,052	188,097
Restricted by bond resolution	**127,773**	117,556
Restricted by State Statute - Missouri Housing Trust Fund	**5,989**	6,048
	$ 319,814	$ 311,701

9. Commitments And Contingencies

The Commission rents office space in Kansas City, Missouri in accordance with a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods.

The Commission rents office space in St. Louis, Missouri in accordance with a 10-year lease, which is accounted for as an operating lease.

Lease expenditures for the years ended June 30, 2005 and 2004 were $695,000 and $621,000, respectively. Future minimum lease payments for these leases are as follows *(in thousands)*:

Year	Amount
2006	$ 630
2007	680
2008	682
2009	686
2010	692
2011 - 2012	1,042
	$ 4,412

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Commission carries commercial insurance.

The Commission is also subject to additional audits, as deemed necessary by its federal grantor agencies, of the Commission's grant programs which may result in disallowed costs to the Commission. However, 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, 2005.

10. Pension Plan

All Commission employees participate in the Missouri State Employees' Plan (MSEP), a single-employer public employee retirement plan administered by the Missouri State Employees Retirement System (the System). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. The System issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P. O. Box 209, Jefferson City, Missouri 65102, or by calling 1-800-827-1063.

Covered employees do not contribute toward the plan. The employer is required to contribute at an actuarially determined rate. The contribution requirement for the years ended June 30, 2005, 2004 and 2003 was $542,000, $461,000 and $427,000, respectively; these contributions represented 10.5%, 9.2% and 8.9% of total payroll during 2005, 2004 and 2003, respectively. These contributions are expensed by the Commission when incurred.

The annual required contribution for the System for the current year was determined as part of an actuarial valuation of the System as of June 30, 2003 using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for the System includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP, depending on age, attributable to seniority and/or merit and (d) the assumption that benefits will increase 4% per year after retirement.

As determined in accordance with GASB Statement No. 27, *"Accounting for Pensions by State and Local Governmental Employers,"* the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

11. Other Postemployment Benefits

In addition to the retirement benefits described in Note 10, the State of Missouri (the State) provides postemployment health care and life insurance benefits, in accordance with state statutes to eligible Commission employees who retire and elect to participant. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). There are currently no Commission retirees eligible for health care benefits. The life insurance benefits are administered by MOSERS. The eligible number of retirees for MOSERS for life insurance benefits are 22. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employee 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 75%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, effective July 1, 2004, the State assesses a charge of 3.14% of total employees salary. That 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 year 2005, expenses of approximately $163,000 were recognized for postretirement health care benefits.

12. Subsequent Events

Prior to June 30, 2005, the Commission approved Missouri Housing Development Commission Homeownership Mortgage Revenue Bonds (Homeownership Loan Program), 2005 Series C, totaling $68,000,000; and Missouri Housing Development Commission Rental Housing Revenue Bonds, 2005 Series 5, 2005 Series II, and 2005 Series III, totaling $18,860,000. These bonds were issued in July and August 2005.

In addition, prior to June 30, 2005, the Commission approved one bond issue in the Rental Bond-Financed Mortgage Program, and subsequent to June 30, 2005, the Commission approved four bond issues in the Rental Bond-Financed Mortgage Program. It is expected that these bonds will be issued during fiscal year 2006 and in total will not exceed $30,000,000.

Supplementary Information

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING BALANCE SHEET

Page 1 Of 2

(In Thousands)

June 30, 2005

Assets

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Current Assets				
Cash and temporary cash investments	$ 5,629	$ —	$ —	$ 5,629
Investments	22,640	—	—	22,640
Mortgage investments	8,320	—	—	8,320
Accrued interest receivable	1,585	—	—	1,585
Accounts receivable - other	268	—	—	268
Prepaid expenses	110	—	—	110
Total Current Assets	38,552	—	—	38,552
Noncurrent Assets				
Restricted Assets:				
Cash and temporary cash investments	20,178	13,932	5,680	39,790
Investments	72,943	84,427	196,267	353,637
Mortgage investments	3,596	265,939	815,426	1,084,961
Accrued interest receivable	37	1,705	5,668	7,410
Deferred financing charges	—	708	32,839	33,547
Total Restricted Assets	96,754	366,711	1,055,880	1,519,345
Investments	47,711	—	—	47,711
Mortgage investments, net of current portion and allowances for loan losses ($20,701)	72,895	—	—	72,895
Capital assets, less depreciation	928	—	—	928
Total Noncurrent Assets	218,288	366,711	1,055,880	1,640,879
Total Assets	$ 256,840	$ 366,711	$ 1,055,880	$ 1,679,431

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING BALANCE SHEET

Page 2 Of 2

(In Thousands)

June 30, 2005

Liabilities And Net Assets

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Current Liabilities				
Bonds and notes payable	$ 525	$ —	$ —	$ 525
Accounts payable	772	—	—	772
Deferred financing and commitment fees	691	—	—	691
Total Current Liabilities	1,988	—	—	1,988
Current Liabilities - Payable From Restricted Assets				
Bonds and notes payable	—	10,776	22,710	33,486
Accrued interest payable	—	3,971	15,195	19,166
Escrow deposits	24,774	44,244	—	69,018
Rent subsidies and other payables	1,331	80	—	1,411
Accounts payable	—	814	1,005	1,819
Deferred financing and commitment fees	—	136	1,170	1,306
Total Current Liabilities - Payable From Restricted Assets	26,105	60,021	40,080	126,206
Noncurrent Liabilities				
Bonds and notes payable	2,565	259,450	928,460	1,190,475
Deferred financing and commitment fees	6,823	2,211	4,596	13,630
Total Noncurrent Liabilities	9,388	261,661	933,056	1,204,105
Total Liabilities	37,481	321,682	973,136	1,332,299
Net Assets				
Invested in capital assets	928	—	—	928
Restricted by the Commission, bond resolution and State Statute	192,041	45,029	82,744	319,814
Unrestricted	26,390	—	—	26,390
Total Net Assets	219,359	45,029	82,744	347,132
Total Liabilities And Net Assets	$ 256,840	$ 366,711	$ 1,055,880	$ 1,679,431

MISSOURI HOUSING DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(In Thousands)

For The Year Ended June 30, 2005

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
Operating Revenues				
Interest and investment income:				
Income - mortgage investments	$ 4,152	$ 13,732	$ 44,663	$ 62,547
Income - investments	5,160	1,841	6,228	13,229
Net increase in fair market value of investments	1,468	308	2,164	3,940
Total interest and investment income	10,780	15,881	53,055	79,716
Administration fees	6,596	—	—	6,596
Financing fees and other	8,850	(216)	5,636	14,270
Federal program income	108,832	—	—	108,832
Total Operating Revenues	135,058	15,665	58,691	209,414
Operating Expenses				
Interest expense on bonds	93	10,674	48,236	59,003
Bank miscellaneous bond debt expense	104	118	4,081	4,303
Compensation	7,318	—	—	7,318
General and administrative expenses	3,200	—	—	3,200
Provision for loan and real estate owned losses	2,220	—	—	2,220
Rent and other subsidy payments	5,247	—	—	5,247
Housing Trust Fund grants	6,064	—	—	6,064
Federal program expenses	108,781	—	—	108,781
Total Operating Expenses	133,027	10,792	52,317	196,136
Change In Net Assets	2,031	4,873	6,374	13,278
Net Assets - Beginning Of Year	216,298	41,242	76,314	333,854
Interfund Transfers	1,030	(1,086)	56	—
Net Assets - End Of Year	$ 219,359	$ 45,029	$ 82,744	$ 347,132