

FINANCIAL-COMPLIANCE AUDIT

Montana Board of Housing

For the Two Fiscal Years Ended June 30, 2017

DECEMBER 2017

17-07A

REPORT SUMMARY

The Montana Board of Housing issued approximately \$41.9 million in bonds during fiscal year 2017 and approximately \$446.6 million in bonds remained outstanding at year-end. Approximately \$53.7 million of mortgages were purchased in the Single Family program, which is the board's largest program.

Context

The Montana Board of Housing (board) is self-supporting and receives no general fund appropriations. A majority of the board's operations and programs are financed by proceeds from selling tax-exempt bonds in the private sector. The board is allocated to the Department of Commerce for administrative purposes.

The powers of the board are vested in a seven-member board, appointed by the Governor, subject to the confirmation of the Senate. The board provides policy direction to the agency staff, authorizes bond issuances, and approves development financing. The board also administers the Single Family, Recycled Single Family, and Multifamily loan programs, as well as the Low Income Tax Credit and Reverse Annuity programs.

The board issues tax-exempt bonds to provide funds to purchase home mortgages, makes loans for rental housing projects, administers federal housing tax credit programs, and works in partnership with other housing providers throughout the state. The board's mortgage loans are primarily for first-time home buyers.

In January of 2017, the board switched bond trustees. Responsibilities of the trustee include

administering bond issuances, monitoring bond document requirements, and providing regular statements to the board. During the fiscal year, the board issued bonds for approximately \$41.9 million.

Results

Our audit work included analyzing the board's financial statements and note disclosures, examining the underlying financial activity, and reviewing and testing selected control systems. Our audit effort focused primarily on activity related to bonds, investments, and mortgage loans. We also determined compliance with selected state laws and regulations. This report does not contain any recommendations. We issued an unmodified opinion on the board's financial statements, which means the information presented within them can be relied upon.

We reviewed the recommendation made to the board in the prior financial-compliance audit of the board for the fiscal year ended June 30, 2016. We determined the board implemented the prior recommendation to enhance internal control procedures to ensure note disclosures are accurate and complete, in accordance with generally accepted accounting principles.