A Report
to the
Montana
Legislature

Financial-Compliance Audit

Montana Board of Housing

For the Fiscal Year Ended June 30, 2019

December 2019

Legislative Audit Division

19-07A

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§5-13-202(2), MCA

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Financial-Compliance Audits

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2017, was issued March 23, 2018. The Single Audit Report for the two fiscal years ended June 30, 2019, will be issued by March 31, 2020.

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Reports can be found in electronic format at:
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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

December 2019

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance report on the Montana Board of Housing for the fiscal year ended June 30, 2019. We performed this audit in accordance with §90-6-124, MCA.

Our audit work included analyzing the financial statements and note disclosures, examining the underlying financial activity, such as bonds, investment and mortgages, and reviewing and testing selected control systems.

We issued an unmodified opinion on the board's financial statements for the fiscal year ended June 30, 2019, which means that the information presented within them can be relied upon for decision-making purposes.

We thank the Executive Director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Montana Board of Housing C-1

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Appointed and Administrative Officials

			Term Expires
Montana Board of Housing	Pat Melby, Chair	Helena	2021
	Jeanette McKee, Vice Chair	Hamilton	2023
	Sheila Rice, Secretary	Great Falls	2023
	Robert Gauthier	Ronan	2023
	John McClusky	Billings	2021
	Eric Schindler	Helena	2021
	Amber Parish	Billings	2021

Department of Commerce Tara Rice, Director

Board of Housing

Bruce Brensdal, Executive Director

Virginia Pfankuch, CPA, Accounting and Finance Manager

Mary Bair, Multifamily Program Manager

Cheryl Cohen, Operations Manager

Vicki Bauer, Single Family Program Manager

Mary Palkovich, Servicing Program Manager

For additional information concerning the Montana Board of Housing, contact:

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Montana Legislative Audit Division

Financial-Compliance Audit
Montana Board of Housing
For the Fiscal Year Ended June 30, 2019

December 2019 | 19-07A | Report Summary

The Montana Board of Housing (board) purchased approximately $116 million of mortgages during fiscal year 2019 in the Single Family Program, which is the board's largest program. The board also issued $90 million in bonds during fiscal year 2019 and issued approximately $72 million in bonds, subsequent to fiscal year 2019. At fiscal year-end 2019, $493 million in bonds payable remained outstanding.

Context

The Montana Board of Housing 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 issues tax-exempt bonds to provide funds to purchase home mortgages, make loans for rental housing projects, administer federal housing tax credit programs, and work in partnership with other housing providers throughout the state. Revenues collected from the mortgage loans are used by the board for repayment of issued bonds.

At fiscal year-end 2019, approximately $525 million in mortgage receivables and $493 million in bonds payable remained outstanding.

Results

Our audit work included analyzing the financial statements and note disclosures, examining the underlying financial activity, and reviewing and testing selected control systems. We focused our audit effort on activity related to bonds, investments, and mortgages loans. We issued an unmodified opinion on the board's financial statements, which means that the information presented within them can be relied upon for decision-making purposes.

In the current audit we made no recommendations to the board. In the prior audit there was one audit recommendation related to an inter-entity loan obtained from a source prohibited by state law. The board modified their fiscal year-end procedures to explain where the board can obtain an inter-entity loan if necessary. We determined the board implemented the prior audit recommendation.

For a complete copy of the report (19-07A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to **lad@mt.gov**; or check the web site at **https://leg.mt.gov/lad/audit-reports**
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Call toll-free 1-800-222-4446, or e-mail **LADHotline@mt.gov.**

Chapter I – Introduction and Background

Audit Objectives

We performed a financial-compliance audit of the Montana Board of Housing (board) for the fiscal year ended June 30, 2019. The objectives of our audit were to:

1. Determine whether the board's financial statements present fairly the financial position, results of operations, and cash flows in conformity with Generally Accepted Accounting Principles, for the fiscal year ended June 30, 2019.
2. Obtain an understanding of the board's control systems to the extent necessary to support our audit of the board's financial statements and, if appropriate, make recommendations for improvement in management and internal controls of the board.
3. Determine whether the board complied with selected state laws and regulations.
4. Determine the implementation status of the recommendation made in the prior audit.

We addressed these objectives by focusing our audit effort on activity related to bonds, investments, and mortgage loans. Our audit works included analyzing the financial statements and note disclosures, examining the underlying financial activity, and testing selected control systems.

In addition to the annual financial audit of the board, our office performs special engagements for the board throughout the year. These include agreed-upon procedures for the board and its underwriters to evaluate revenue, expense, and fund equity information when selling bonds, and reviews of preliminary and official statements to allow inclusion of our Independent Auditor's Report with the financial statements when the board issues bonds.

Background

The board is allocated to the Department of Commerce for administrative purposes. 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 Montana. Mortgage loans are primarily for first-time home buyers. The board's programs are outlined below:

- The Homeownership Program offers a low interest rate, 30-year, fixed-rate mortgage to assist low and moderate income first-time home buyers in purchasing homes in the state of Montana under the federal Mortgage Revenue Bond Program.

- The Montana Veterans' Home Loan Mortgage Program is designed to assist Montana residents who are National Guard members, reservists, or federally qualified veterans to purchase their first home.
- The Multifamily Program offers a variety of financing options for the development of affordable multifamily rental units. The board offers multifamily loans to produce rental housing using proceeds from the sale of multifamily bonds and issues credits under the Low Income Housing Tax Credit Program.
- The Low Income Housing Tax Credit Program receives Montana's allocation of federal tax credits each year and distributes those credits to developers of multifamily housing according to a competitive application process. Generally, the awarded credits are sold to an investor and the equity is used to reduce the amount of debt financing incurred by the property owner. This makes it economically feasible to operate the property at affordable rates.
- The Reverse Annuity Mortgage Program provides senior Montana homeowners the ability to borrow the equity in their homes and use the additional monthly income. Lower income seniors who are 68 years old or older are eligible to apply.
- Down Payment Assistance Programs provide assistance to borrowers, in the form of a loan, for down payment and closing costs. The assistance is provided by partners of the board such as cities, counties, nonprofits, and lenders that receive funding from the board. Such assistance may be a second loan that requires payment or may be deferred until the home is sold. The Score Advantage, NeighborWorks Montana, and MBOH Plus programs differ in the interest and loan amounts offered as well as borrower eligibility requirements.
- In-house mortgage servicing provides Montana homeowners the benefit of local, easy-to-access servicing staff. Staff specialize in servicing government loans to assist and educate first time homeowners. Relationships are built with borrowers and resources available to borrowers are real estate professionals, attorneys, and counselors.

The Homeownership Program, Montana Veterans' Home Loan Mortgage Program, and Down Payment Assistance programs are accounted for in the board's Single Family Program funds. The Multifamily Program is accounted for in the Multifamily Program funds. The Low Income Housing Tax Credit Program and the Reverse Annuity Mortgage Program are accounted for in the board's Housing Trust Fund. The Affordable Housing Program and the Federal Housing and Urban Development (HUD) Section 8 administrative fee reserves are accounted for in the board's Housing Montana Fund. See the Combining Statements, starting on page A-49.

The board's portfolio of loans has a low rate of default and potential foreclosures. The following table compares the delinquency and foreclosure rates of board loans to the averages of all mortgage loans in Montana, in the Mountain Region, and in the nation as a whole. Since June 30, 2018, the board's overall delinquency rates have decreased by 0.52 percent, and the foreclosure rate has decreased by 0.01 percent.

Table 1
Delinquency and Foreclosure Rates as of June 2019

	30 Days Delinquent	60 Days Delinquent	90 Days Delinquent	Foreclosure in process
Montana Board of Housing	1.64%	0.61%	0.55%	0.50%
Montana Mortgage Loans	1.64%	0.50%	0.53%	0.52%
Mountain Region	1.97%	0.55%	0.62%	0.46%
United States	2.59%	0.78%	1.04%	0.90%

Source: Montana Board of Housing, unaudited.

Prior Audit Recommendation

The audit report for the fiscal year ended June 30, 2018, contained a recommendation related to requiring the board to obtain inter-entity loans from a source that is allowable by state law. Acceptable sources as identified in state law, are from unrestricted funds or the General Fund.

During the current audit period we evaluated the steps the board took to ensure any future inter-entity loans are from a source allowable by state law and policy. To address this recommendation, the board amended their fiscal year-end polices. Policy now requires negative cash balances to be addressed by an inter-entity loan from either an unrestricted fund at the Department of Commerce or from the General Fund. Both sources are acceptable by state policy. The board also did not have any inter-entity loans at fiscal year ended June 30, 2019.

Based on the results of our audit work, the board implemented the prior audit recommendation.

Independent Auditor’s Report and Board Financial Statements

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction
We have audited the accompanying Statement of Net Position of the Montana Board of Housing (board) as of June 30, 2019, the related Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana Board of Housing as of June 30, 2019, and the changes in net position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Other Post-Employment Benefits–Total Board OPEB Liability and Relation Ratios, Pension Benefits–Schedule of Proportionate Share of the Net Pension Liability, and Pension Benefits–Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Statement of Net Position; Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and Combining Statement of Cash Flows is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Montana Board of Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

December 13, 2019

Montana Board of Housing
Management's Discussion and Analysis, Financial Statements, Notes, Required Supplementary Information, and Supplementary Information

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The following information presents management's discussion and analysis of the Montana Board of Housing (MBOH) program and financial activity during the fiscal year (FY) ended June 30, 2019. Please read this section in conjunction with the financial statements and accompanying notes.

Summary

- 911 Single-Family Mortgages were purchased with the Bond Program for $117.3 million.
- 140 Mortgage Credit Certificates were issued on a total loan amount of $32.6 million.
- $31.7 million of Low Income Housing Tax Credits were awarded providing equity to produce or preserve affordable rental housing.
- 8 Reverse Annuity Mortgage (RAM) Loans were originated in the amount of $860 thousand . Since its inception the RAM program has assisted 225 elderly households.
- The Board issued $90 million of Single Family Mortgage Bonds.
- Bond debt retired was $35.7 million from prepayments and regular debt service.
- Gross bond debt payable increased from $445.5 million to $486.1 million.
- Net position increased by approximately $3.9 million during 2019.

Fiscal Year 2019 Update

Homeownership Program:

In the first half of fiscal year 2019, market rates remained higher than the rates that the Montana Board of Housing (MBOH) was able to offer, providing considerable advantage to first time homebuyers served by our programs. MBOH saw a steady increase in the overall portfolio size both in the number of loans and the amount of principal outstanding. Market rates ranged from 4.4% to 4.75% and MBOH rates were between 4.0% and 4.5%. However, in the second half of the fiscal year, the market rates dropped and remained low. MBOH was not able to lower rates as quickly as the market so production slowed and decrease in the portfolio was seen as borrowers refinanced into lower market rate loans faster than the MBOH purchased new loans. The MBOH rate at fiscal year-end was 3.5% compared to the average market rate of 3.4%. The negative result of rate shift in the market was minimized by the down payment assistance (DPA) programs offered by the MBOH.

The DPA programs were restructured in the second half of the fiscal year to create a sustainable funding source for DPA. The 0% deferred program is funded from agency reserves. An income limit was added to this program to limit its use and reduce the drain on reserves. The amortizing DPA was expanded to have higher loan amounts and more favorable rates. The amortizing DPA is now being funded through bond proceeds. DPA loans are paired with MBOH first mortgage loans and are aiding in increases in production.

Loan Servicing Program:

MBOH was servicing 87% of its own Single Family loans and all of its Multifamily loans at the end of FY2019. They increased their portfolio size by 297 loans.

Multifamily Program

The Montana Board of Housing offers a variety of financing options for the development of affordable multifamily rental units including Federal Housing Credits and permanent loan products. During fiscal year 2019, the MBOH allocated $31.7 million in tax credits to produce 213 rental units in Montana.

Finance:

MBOH has engaged a financial adviser to assist in the development of new programs and the sustainability of existing programs. The changes in DPA programs discussed above have come out of discussions with the adviser and other MBOH partners. Through these and other changes that may be made in upcoming years, MBOH will be able to continue to help Montana's hard-working families afford a safe home.

MBOH experienced an increase in net position of $3.9 million. There was an increase in revenues of $5.8 million compared to an increase of $1.7 million in expenses. The increase in revenues included an increase in fair value of investments of $1.5 million.

Other economic and financial changes occurring have little effect since MBOH does not issue variable rate bonds or swap interest rates; mortgages are insured largely through federal programs; and MBOH investment policy emphasizes capital preservation over return thus limiting risk to capital. As a result, MBOH continues to maintain stable ratings; the Single Family I & II Indentures are rated at Aa1 by Moody's and AA+ by Standards & Poor's; the Single Family XI Indenture was upgraded in March of 2019 from Aa3 to Aa2 by Moody's.

Overview of the Financial Statements

The MBOH is a self-supporting entity using no Montana State government general fund appropriations to operate. The MBOH is classified as an enterprise fund, that is, a fund which is financed and operated in a manner similar to a private business enterprise.

Net Position – Restricted for Bondholders represents bond program funds that are pledged as collateral for the bondholders and are restricted by federal tax law to costs directly related to carrying out qualifying housing programs, qualifying mortgages or paying off bonds. These funds are therefore not available for use for other activities.

This discussion and analysis, the financial statements, notes and supplemental information are designed to provide the stakeholders of the MBOH, citizens, taxpayers, legislatures, customers, clients, investors and creditors, with an overview of the MBOH operations and to demonstrate accountability for the resources with which MBOH is entrusted.

MONTANA BOARD OF HOUSING
CONDENSED FINANCIAL INFORMATION
CHANGE IN NET POSITION AND OPERATING INCOME
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018
Assets:			
Current Assets	$ 117,774,448		$ 124,740,023
Noncurrent Assets	546,744,745		492,269,430
Total Assets	664,519,193		617,009,453
Deferred Outflows of Resources:	699,096		827,217
Liabilities:			
Current Liabilities	28,384,668		23,563,214
Noncurrent Liabilities	478,928,365	(A)	440,674,154
Total Liabilities	507,313,033		464,237,368
Deferred Inflows of Resources:	429,343		80,704
Net Position:			
Invested in Capital Assets	864		1,456
Restricted	157,475,049		153,517,142
Total Net Position	157,475,913		153,518,598
Operating Revenue:			
Interest on Loans	19,835,173		18,177,417
Earnings from Investments	4,998,101	(B)	1,125,017
Fees and Charges	1,772,080		1,461,750
Other Income	30,235		54,310
Total Operating Revenue	26,635,589		20,818,494
Operating Expenses:			
Bond Expenses	17,076,183		15,414,407
Servicing Fees	1,016,196		902,672
General and Administrative	4,622,798		4,681,485
Total Expenses	22,715,177		20,998,564
Operating Income (Loss)	3,920,412	(C)	(180,070)
Nonoperating revenue			
Pensions - nonemployer contributions	39,403		32,599
Total Nonoperating Income	39,403		32,599
Increase (Decrease) in Net Position	3,959,815		(147,471)
Net Position, Beginning of Year	153,518,598		153,328,717
Adjustments to Beginning Net Position	(2,500)		337,352
Net Position, End of Year	$ 157,475,913		$ 153,518,598

Discussion of Changes

(A) The Board issued two new bond series during fiscal year 2109 (FY19) which increased the associated liabilities and allowed purchases of mortgage loans for Montana residents.

(B) Interest earnings from investments continued to increase during FY19 with improving markets.

(C) An increase in fair value of investments of approximately $1.5 million contributed to the overall operating income for fiscal year 2019

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	86,661,150
Investments		7,154,206
Mortgage Loans Receivable, Net		19,215,383
Corporate Advance		356,941
Interest Receivable		4,222,054
Prepaid Expense		164,714
Total Current Assets		117,774,448
Noncurrent Assets		
Investments		38,644,711
Mortgage Loans Receivable, Net		505,635,733
Mortgage Backed Securities		535,943
Acquisition Costs		1,927,494
Capital Assets, Net		864
Total Noncurrent Assets		546,744,745
TOTAL ASSETS		664,519,193
DEFERRED OUTFLOW OF RESOURCES		
Deferred Refunding Costs		262,181
Deferred OPEB Outflows		16,154
Deferred Pension Outflow		420,761
TOTAL DEFERRED OUTFLOWS		699,096
LIABILITIES		
Current Liabilities		
Accounts Payable		3,060,793
Funds Held For Others		6,245,432
Accrued Interest - Bonds Payable		1,465,365
Bonds Payable, Net		17,095,000
Arbitrage Rebate Payable to U.S. Treasury Department		389,653
Accrued Compensated Absences		128,425
Total Current Liabilities		28,384,668
Noncurrent Liabilities		
Bonds Payable, Net		476,130,468
Arbitrage Rebate Payable to U.S. Treasury Department		733,969
Accrued Compensated Absences		173,916
Net Pension Liability		1,835,782
Other Postemployment Benefits		54,230
Total Noncurrent Liabilities		478,928,365
TOTAL LIABILITIES		507,313,033
DEFERRED INFLOW OF RESOURCES		
Deferred Pension Inflow		429,343
TOTAL DEFERRED INFLOWS		429,343
NET POSITION		
Net Investment in Capital Assets		864
Restricted for Bondholders:		
Unrealized (losses) gains on investments		5,458,465
Single Family Programs		123,356,856
Various Recycled Mortgage Setaside Programs		6,137,230
Multifamily Programs		11,536,512
Multifamily Project Commitments		135,448
Reverse Annuity Mortgage Program		7,916,427
Restricted for Affordable Revolving Loan Program		2,934,111
TOTAL NET POSITION	$	157,475,913

The accompanying notes are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Interest Income - Mortgage Loans	$ 19,835,173
Interest Income - Investments	3,466,750
Fee Income	1,772,080
Net Increase (Decrease) in Fair Value of Investments	1,531,351
Other Income	30,235
Total Operating Revenues	26,635,589
OPERATING EXPENSES	
Interest on Bonds	15,482,930
Servicer Fees	1,016,196
Contracted Services	805,261
Amortization of Refunding Costs	62,300
Bond Issuance Costs	1,011,444
General and Administrative	3,819,037
Arbitrage Rebate Expense	519,509
Other Post-Employment Benefits	(1,500)
Total Operating Expenses	22,715,177
Operating Income (Loss)	3,920,412
Nonoperating Revenues (Expenses)	
Pensions - nonemployer contribution	39,403
Nonoperating Income (Loss)	39,403
Increase (Decrease) in Net Position	3,959,815
Net Position, July 1 - as previously reported	153,518,598
Adjustments to Beginning Net Position (Note 18)	(2,500)
Net Position, July 1 as restated	153,516,098
Net Position, End of Year	$ 157,475,913

The accompanying notes are an integral part of these financial statements.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITY:	
Receipts for Sales and Services	$ 3,347,916
Collections on Loans and Interest on Loans	75,693,467
Collection on Loan Escrow Accounts	86,239
Cash Payments for Loans	(113,924,458)
Federal Adjustment Factor Expense	(4,320)
Payments to Suppliers for Goods and Services	(1,954,387)
Payments to Employees	(2,881,029)
Corporate Advances	564,861
Other Operating Revenues	30,235
Net Cash Provided (Used) by Operating Activities	(39,041,476)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payment of Principal and Interest on Bonds and Notes	(65,869,594)
Proceeds from Issuance of Bonds and Notes	90,000,000
Payment of Bond Issuance Costs	(1,043,263)
Premium Received on Bonds	1,742,815
Pension - Nonemployer Contributions	39,403
Pension - Deferred Inflows/Outflows Payments	414,465
Net Cash Provided (Used) by Noncapital Financing Activities	25,283,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Mortgage Servicing Rights	(796,456)
Net Cash Provided (Used) by Capital and Related Financing Activities	(796,456)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(30,369,499)
Proceeds from Sales or Maturities of Investments	39,025,384
Interest on Investments	5,051,012
Arbitrage Rebate Tax	(47,805)
Net Cash Provided (Used) by Investing Activities	13,659,092
Net Increase (Decrease) in Cash and Cash Equivalents	(895,014)
Cash and Cash Equivalents, July 1	87,556,164
Cash and Cash Equivalents, June 30	$ 86,661,150

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	3,920,412
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation		592
Amortization		(84,961)
Interest Expense		16,429,692
Interest on Investments		(3,273,006)
Arbitrage Rebate Tax		519,509
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable		(57,305,963)
Decr (Incr) in Other Assets		1,003,972
Decr (Incr) in Fair Value of Investments		(1,531,350)
Incr (Decr) Accounts Payable		1,611,795
Incr (Decr) Funds Held for Others		86,239
Incr (Decr) Pensions Payable		(442,935)
Incr (Decr) in Compensated Absences Payable		21,910
Incr (Decr) Other Postemployment Benefits		2,618
Net Cash Provided (Used) by Operating Activities	$	(39,041,476)

Noncash Investing, capital, and financing activities: During fiscal year 2019, the Board investments increased in fair value by $1,531,351 with improving market conditions. The fair value increase was not realized in cash during the fiscal year.

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Montana Board of Housing (the Board) is a quasi-judicial board created in 1975, by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income as determined in accordance with the Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total dollar amount of notes and bonds outstanding at any time may not exceed $1,500,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for payment of amounts so issued. The Board of Housing is attached for administrative purposes to the Housing Division, Department of Commerce.

Basis of Presentation:

The financial statements of the Board are presented on a combined basis. Summary comparative financial information is contained in the Management Discussion and Analysis section. The accompanying financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The financial activities of the Board are recorded in funds established under various bond resolutions and the Montana Code Annotated (MCA). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and revenues and expenses for the period.

Reporting Entity:

In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting entity. The financial statements of the Board of Housing are presented as a component unit in the State of Montana's Comprehensive Annual Financial Statement. The enterprise fund of the Board of Housing is part of, but does not comprise the entire proprietary fund type, of the State of Montana. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures the Board of Housing accounts are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, deferred inflows of resources, liabilities, deferred outflows of resources, net position, revenues, and expenses.

The funds of the Board are classified as enterprise funds, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

Net Position – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the Net Position: The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Due to the nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain mortgage and debt service reserve requirements, restricting funds for these purposes. As disclosed in Note 6 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture. Restricted Net Position also includes funds reserved by participants and funds committed to specific projects under various programs established by the Board and restricted by enabling legislation.

Net Position:

Restricted Net Position - Net position is considered restricted if it is limited as to the manner in or purpose for which funds may be used. The Statement of Net Position reports $864 of net investment in capital assets and $157,475,049 of restricted net position. All restricted funds are restricted by enabling legislation and agreements with bond holders.

Revenue and Expense Recognition:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services relating to a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, if they occur, are reported as other financing sources or uses. The Board records all revenues and expenses related to mortgages, investments, and bonds as operating revenues and expenses.

Fund Structure:

The Board's program funds and other funds have been presented on a combined basis, as the Board is considered a single enterprise fund for financial reporting purposes. A description of the funds established by the Board follows:

Single Family Mortgage Program Funds

These funds, established under three separate trust indentures adopted on various dates, are established to account for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single-family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by Veterans Administration, Rural Development or private mortgage insurance.

The assets of each individual Single Family Mortgage Program Fund are restricted by the fund's respective trust indenture; therefore, the total does not indicate that the Single Family Mortgage Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific loan programs. These loans will be originated from funds available in Single Family I, II and XI Indentures.

Multifamily Mortgage Program Funds

These funds, established under a trust indenture adopted February 23, 1978, as amended and restated as of December 29, 1992, are established to account for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The Federal Housing Administration must insure mortgage loans originated prior to December 1992.

On November 10, 1998, the Board issued $1,625,000 in Multifamily General Obligation Bonds. These bonds are payable out of any of the Board's moneys, assets or revenue. These funds, established under a trust indenture adopted November 1, 1998, are established to account for the proceeds from the sale of Multifamily Mortgage General Obligation Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds.

The mortgage loans originated under this Indenture do not require Federal Housing Administration insurance. The Multifamily Program Fund on the combining financial statements includes activity for both Indentures.

Housing Trust Fund

The Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs including the establishment of new programs as deemed necessary by the Board and any loans or projects that will provide housing for lower income persons and families with special housing needs. Housing Trust Fund accounts are held in the state treasury. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program (RAM) for senior Montana homeowners, the Cash Assistance Program (CAP) and the Disabled Assistance program (DAAHP) to assist to help individuals and families in the purchase of a single-family home. The Housing Trust Fund includes all revenues and expenses for the Low-Income Housing Tax Credit Program.

Housing Montana

Under MCA 90-6-133, a Revolving Loan Account was established. The account was established in the state special revenue fund in the state treasury. Senate Bill 243 of the 2003 Legislature moved the Revolving Loan Account to the enterprise fund, effective July 1, 2003. For purposes of financial reporting, the Board has reclassified this account as an enterprise fund as allowed in GASB Statement No. 34. During the 2007 legislative session, the account was renamed "Housing Montana." The money in the loan account is allocated to the Board for the purposes of providing loans to eligible applicants. Currently, the account holds resources and loans provided by the Federal Housing and Urban Development Section 8 administrative fee reserve account, the Temporary Assistance to Needy Families (TANF) block grant to the state and the Affordable Housing Program.

Cash and Cash Equivalents:

For the purposes of the combining statement of cash flows, cash and cash equivalents consist of cash held by the State of Montana Treasurer, cash and money market accounts held by trustees, and cash invested in the state's short-term investment pool. Cash and equivalents are described in Note 2 of these financial statements.

Investments:

The Board follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The applicable investment risk disclosures are described in Note 3 of these financial statements.

The Board values its investments at fair value except for certain investments that have a remaining maturity at the time of purchase of one year or less which are measured at amortized cost. This presentation conforms to the provisions of GASB Statement No. 72 regarding fair values.

Mortgage Loans Receivable:

Mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and deferred loan fees, less an allowance for loan losses. Mortgage discounts and loan fees earned after 1988 are amortized using the interest method over the life of the mortgage loans and are accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight-line method over the remaining life of the mortgage loans and accreted to interest income.

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or private mortgage insurance or guaranteed by the VA (Veterans Administration) or RD (Rural Development) or Housing and Urban Development (HUD) or have a loan-to-value less than 80%. Guidelines to minimize credit risk are established by FHA, VA, RD and Board policies.

Interest receivable is accrued on the amount of outstanding mortgage loan principal only if deemed collectible. Accrual on non-performing loans ceases at six months. Estimated losses are determined based on management's judgment, giving effect to numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience and independent appraisals. The reserve for anticipated loan losses represents amounts which are not expected to be fully reimbursed by certain guarantors or covered by the Board's operating funds.

The Board incurs mortgage loan service fees with loan servicers based on outstanding monthly mortgage loan principal balances. The service fees are paid only when the mortgagee's full monthly payment is collected.

The Board has pledged future revenues collected from mortgage receivable accounts to bondholders for repayment of the mortgage revenue bonds issued by the Board; see Note 8 for details. The Board issued these bonds to finance the mortgage loans purchased by the Board's various programs. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the pledging of these revenues is considered a collateralized borrowing based on the Board retaining control of the receivables and evidenced by the Board's active management of these accounts.

Mortgage-Backed Securities:
Mortgage-backed securities reported in the Single-Family Programs are pass-through securities created by the Federal National Mortgage Association (FNMA) and purchased by the Board. FNMA pools and securitizes qualified Montana mortgage loans from the Board's Single-Family Programs. These securities are reported at fair value which may vary from the value of the securities if held to maturity.

Bonds Payable:
Bonds payable is adjusted for amortized bond premiums and discounts. Bond premiums and discounts are amortized or accreted to interest expenses using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds. Bond issuance costs, including underwriter discounts, are expensed in the period incurred.

Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These statements contain estimates for Compensated Absences Liability, Net Pension Liability, Deferred Pension Inflows and Outflows, Deferred Other Postemployment Benefits (OPEB) inflows and outflows, OPEB Benefits Liability, Arbitrage Rebate Liability, Allowance for Loan Losses and Fair Value of Investments.

Capital Assets:
Capital assets are recorded at historical cost and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. The majority of capital assets consist of computers and software. The capitalization threshold for recording capital assets varies between $5,000 and $500,000 depending on the type of asset purchased. Purchases under these thresholds are recorded as expenses in the current period.

Funds Held for Others:
The Board started to service Board loans during fiscal year 2012. The servicing fund holds hazard insurance premiums and property taxes collected from mortgage loan borrowers' monthly payments until premiums and property taxes are due.

Pensions:
For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public

Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Investments are reported at fair value. PERS adheres to all applicable GASB statements.

Compensated Absences:
The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

NOTE 2. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are held by trustees or by the State of Montana Treasury as cash or short-term investments having maturities of less than 90 days. At June 30, 2019, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

Program Funds:	
Cash Deposited with State Treasury	$ 5,231,227
Custodial Cash	5,832,941
Cash on Hand*	50,042
Short-Term Investments	75,546,940
Total Cash and Cash Equivalents	$ 86,661,150

* Cash on hand is a combination of cash held for customer change and cash or checks received but not deposited on June 30, 2019.

NOTE 3. INVESTMENTS

The Board invests the following funds: bond proceeds until the amounts are used to purchase mortgage loans, mortgage loan collections until debt service payment dates, and reserves and operating funds until needed. The Board follows GASB Statement No. 40 and GASB Statement No. 72 regarding fair values. The applicable investment risk disclosures are described in the following paragraphs.

Power to Invest & Investment Policy:
Montana statute grants the Board the power to invest any funds not required for immediate use, subject to any agreements with its bondholders and note holders. The Board conducts its investing in accordance with an investment policy which is annually reviewed and follows bond indenture, Internal Revenue Code, and state statutes. The policy prohibits the Board from investing in leveraged investments, including but not limited to derivatives. The Board's policy follows state law by limiting investments to the following:

- Direct obligations or obligations guaranteed by the United States of America.
- Indebtedness issued or guaranteed by Government Sponsored Entities such as Federal Home Loan Bank System, Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation.
- Certificates of Deposit insured by the Federal Deposit Insurance Corporation.
- Guaranteed Investment Agreements or Repurchase Agreements.

Credit Risk:

Credit risk is the risk that the other party to an investment will not fulfill its obligations. Board investment policy mitigates this risk by requiring financial institutions to be rated in either of the two highest rating categories by Standard & Poor's and Moody's Investors Services. The Board enters into guaranteed investment agreements and repurchase agreements as directed by bond indentures. The table included in this note identifies investment agreement participants and their ratings.

Credit Risk Concentration:

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment with a single investment provider. Board investment policy follows the prudent expert principle as contained in Title 17, Chapter 6, Montana Code Annotated. This principle instructs investing entities to diversify investment holding to minimize the risk of loss. The table included in this note displays both investment provider and investment source diversity.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's investment policy requires that investment contracts and repurchase agreements be fully collateralized with securities and cash held by the provider's agent and confirmed by the Board's trustee as required by the bond indentures. Securities underlying the investment contracts have a market value of at least 100% of the cost of the investment contract plus accrued interest. Securities underlying the repurchase agreements have a market value of at least 102% of the cost of repurchase agreement.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board's investment policy does not explicitly address interest rate risk. However, the policy indirectly speaks about interest rate risk by stating that investments are to be held to maturity and not for the intention of generating investment return. Typically, long-term investments are only sold as a result of refunding a bond issue or to meet liquidity needs. The following table displays Effective Duration for appropriate investment types or NA (not applicable) to indicate interest rate risk. All funds and component units of the State of Montana are required to use the duration method to report interest rate risk.

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	Fair Value June 30, 2019	Moody's Rating	S&P Rating	Effective Duration
Government Sponsored Enterprises				
Federal Farm Credit Bank Notes	$ 2,073,561	Aaa	AA+	3.28
Federal Home Loan Bank	11,798,893	Aaa	AA+	2.28
FHLMC[1] Bonds	3,194,522	Aaa	AA+	13.04
FNMA[2] Medium Term Notes	16,045,364	Aaa	AA+	7.75
FNMA[2] Mortgage Backed Securities	535,943	Aaa	AA+	18.18
	$ 33,648,283			
U.S. Treasury Bonds	6,187,799	Aaa	AA+	6.13
U.S. Treasury Notes	2,100,276	Aaa	AA+	0.50
U.S Treasury Zeros	34,739	Aaa	AA+	0.38
U.S. Treasury Notes - Short Term (at amortized cost)	2,973,107	Aaa	A-1+	0.08
U.S. Treasury Bills – Short Term (at amortized cost)	1,361,068	Aaa	A-1+	0.59
U.S. Treasury Zeros – Short Term (at amortized cost)	29,588	Aaa	A-1+	0.00
Trustee Money Market Accounts (at amortized cost)[3]	75,546,939	NR	NR	N/A
Total Investments (including Money Market)	$ 121,881,799			

[1] Federal Home Loan Mortgage Corporation
[2] Federal National Mortgage Association
[3] Money Market Accounts are included in Cash Equivalents on the financial statements
NR Not Rated
NA Not Applicable

NOTE 4. FAIR VALUE MEASUREMENT

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Prices determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Prices are determined using unobservable inputs.

		Fair Value Measurement Using		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Fixed income investments				
U.S. Treasuries	$ 8,322,814	$ 8,322,814		
Agency/Government Related	33,112,340		$ 33,112,340	
Commercial Mortgage Backed Securities	535,943		535,943	
Total fixed income investments	41,971,097	8,322,814	33,648,283	
Investments Measured at Amortized Cost				
Short Term U.S. Treasuries	4,363,763			
Money Market Accounts	75,546,939			
Total investments managed	121,881,799			

Note: Money Market are included in cash equivalents on the financial statements

Fixed income investments classified in Level 1 of the fair value hierarchy above are valued using prices quoted from live sources such as active markets and inter-dealer brokers. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments measured at amortized cost are included to account for U.S. Treasuries that have a remaining maturity of one year or less upon acquisition.

NOTE 5. MORTGAGE LOANS RECEIVABLE

The Board's Single Family, Multifamily, Housing Trust Fund and Housing Montana Fund mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. Those loans held for servicing by the Servicing program are not deemed pledged mortgages and are not included in the table below.

All Board mortgage loans purchased are for properties located within Montana and held to maturity. Board loans are secured by first liens on real property and are insured by the Federal Housing Administration or private mortgage insurance (Single Family 1977 Indenture only); or are guaranteed by the Veterans' Administration or United States Department of Agriculture Rural Development program; or are uninsured if the mortgages have a loan to value of less than 80%.

In accordance with GASB Statement No. 48, the pledging of mortgage loans receivable is considered a collateralized borrowing. Collateralized mortgage loans receivable, as of June 30, 2019 consist of the following:

Single Family Program	$	505,374,051
Multifamily Program		8,283,495
Housing Trust Program		2,882,645
Housing Montana Fund		2,171,368
		518,711,559
Net mortgage discounts and premiums		5,698,062
Allowances for losses and real estate owned (Note 7)		(300,000)
Net Collateralized Mortgage Loans Receivable		524,109,621

Pledged mortgage loans do not include loans receivable by the Servicing Department in the amount of $741,495.

NOTE 6. ALLOWANCE FOR LOAN LOSSES AND REAL ESTATE OWNED

Real estate owned property is property that is acquired through foreclosure or in satisfaction of loans and is reported as the outstanding loan balance.

The June 30, 2019 Allowances for Loan Losses include $100,000 for mortgage bad debt and $200,000 for future estimated losses on real estate owned property. The Board held 4 real estate owned properties as of June 30, 2019. The properties' combined loan amounts were $321,837 as of June 30, 2019. Since Board real estate owned properties are insured or guaranteed by external organizations, Board loan losses are limited by insurance claims or sale of foreclosed properties. Real estate owned by the Board is included in the mortgages receivable
balance (Note 5).

The following summarizes activity in the allowance for loan losses and real estate owned:

Balance as of June 30, 2018	$	300,000
Plus: Additional provision		—
Less: Net loans charged off		—
Balance as of June 30, 2019	$	300,000

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NOTE 7. CAPITAL ASSETS

Capital assets consist primarily of computer software and equipment and other office equipment. Capital asset balances as of June 30, 2019 are as follows:

Capital Assets:		
Equipment	$	11,319
Accumulated Depreciation		(10,455)
	$	864

Depreciation expense included in general and administrative expense was $1,016 for the year ended June 30, 2019.

NOTE 8. LONG-TERM DEBT

The Board has no variable interest rate debt obligations and does not swap interest rates. The following bonds are fixed rate mortgage revenue or general obligation bonds. Bonds payable, net of premium or discount, consists of the following as of June 30, 2019:

Single Family I Mortgage Bonds:	**Original Amount**		**Balance**
2015			
Series B-1 and B-2 serial and term bond at 0.50% to 4.0% maturing in scheduled semi-annual installments to December 1, 2026, December 1, 2030, December 1, 2038, and December 1, 2042.	64,400,000		41,835,000
2016			
Series A-1 and A2 serial and term bonds at 0.65% to 3.50% maturing in scheduled semi-annual installments to December 1, 2027, December 1, 2031, December 1, 2036, December 1, 2039, June 1, 2042, and June 1, 2044.	64,645,000		52,080,000
2017			
Series A-1 and A-2 serial and term bonds at 1.00% to 4.00% maturing in scheduled semi-annual installments to December 1, 2028, December 1, 2032, December 1, 2037, and December 1, 2045.	41,900,000		35,290,000
2017			
Series B-1 and B-2 serial and term bonds at 0.85% to 4.00% maturing in scheduled semi-annual installments to December 1, 2029, December 1, 2032, December 1, 2037, December 1, 2042, December 1, 2047, and December 1, 2048	42,600,000		38,395,000
2018			
Series B serial and term bonds at 1.65% to 4.0% maturing in scheduled semi-annual installments to December 1, 2029, December 1, 2033, June 1, 2037, and December 1, 2043	50,000,000		49,545,000
Bonds outstanding Single Family I		$	217,145,000
Unamortized bond premium (discount)			4,250,758
Total Bonds Payable Single Family I		**$**	**221,395,758**

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Single Family II Mortgage Bonds	Original Amount		Balance
2013			
Series A-1, A-2, and A-3 serial and term bonds at 0.20% to 3.75% maturing in semi-annual installments to December 1, 2025, December 1, 2028, December 1, 2033, December 1, 2037, December 1, 2038, December 1, 2043, and June 1, 2044.	73,000,000		34,060,000
2013			
Series B-1 and B-2 serial and term bonds at 0.45% to 5.30% maturing in semi-annual installments to December 1, 2025, December 1, 2028, December 1, 2033, December 1, 2038, December 1, 2043, and December 1, 2044.	59,980,000		26,750,000
2014			
Series A-1, A-2 and A-3 serial and term bonds 0.25% to 4.15% maturing in semi-annual installments to December 1, 2025, December 1, 2029, June 1, 2032, December 1, 2035 and December 1, 2043.	71,500,000		41,930,000
2015			
Series A serial and term bonds at 0.20% to 3.50% maturing in semi-annual installments to December 1, 2026, December 1, 2029, December 1, 2034, and June 1, 2040.	20,000,000		10,605,000
2018			
Series A serial and term bonds at 1.65% to 4.00% maturing in semi-annual installments to December 1, 2030, December 1, 2033, December 1, 2038, December 1, 2043, December 1, 2048, and June 1, 2049.	38,450,000		37,890,000
2019			
Series A serial and term bonds at 1.85% to 4.25% maturing in semi-annual installments to December 1, 2030, December 1, 2033, December 1, 2038, June 1, 2045, and December 1, 2045.	40,000,000		39,995,000
Bonds outstanding Single Family II		$	191,230,000
Unamortized bond premium (discount)			2,599,918
Total Bonds Payable Single Family II		**$**	**193,829,918**

Single Family XI Mortgage Bonds:	Original Amount	Balance
2009		
Series B Term Bonds at 3.70% maturing December 1, 2041, with 2011 Series A. Bonds are issued as part of the Housing Finance Authority Initiative - New Issue Bond Program.	24,600,000	9,660,000
2009		
Series C Term Bonds at 2.47% maturing December 1, 2041, converted from 2009 Series A and issued concurrently with 2011 Series B. Bonds are issued as part of the Housing Finance Authority Initiative - New Issue Bond Program.	20,000,000	8,650,000

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2009			
Series D Term Bonds at 2.79% maturing December 1, 2041, converted from 2009 Series A and issued concurrently with 2012 Series A. Bonds are issued as part of the Housing Finance Authority Initiative - New Issue Bond Program.	25,000,000		10,470,000
2009			
Series E Term Bonds at 2.67% maturing December 1, 2041. Bonds are issued as part of the Housing Finance Authority Initiative - New Issue Bond Program.	25,000,000		13,560,000
2011			
Series A serial and term bonds at 0.60% to 5.00%, maturing in semi-annual installments to December 1, 2022, December 1, 2026, June 1, 2028, and December 1, 2028.	16,400,000		3,675,000
2011			
Series B-1 and B-2 serial and term bonds, 1.00% to 5.00%, maturing in semi-annual installments to December 1, 2022, December 1, 2026, and December 1, 2027.	38,175,000		9,385,000
2012			
Series A-1 and A-2 serial and term bonds, 0.375% to 4.00%, maturing in semi-annual installments to December 1, 2024, December 1, 2027, December 1, 2030, and December 1, 2038.	56,280,000		17,485,000
Bonds outstanding Single Family XI		$	72,885,000
Unamortized bond premium (discount)			312,491
Total Bonds Payable Single Family XI		**$**	**73,197,491**

Single Family General Obligation Bonds:	**Original Amount**		**Balance**
2008			
Series A General Obligation Private Placement Bonds.	497,942		299,910
Total Single-Family Mortgage Bonds Payable, Net		**$**	**488,723,077**

All single-family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 106%.

Single Family I, II and XI mortgage bonds are general obligation bonds of the Board of Housing within the individual bond indentures.

Board of Housing Essential Workers' Program
The Board has authorized the issuance of $1,000,000 of taxable general obligation bonds to finance second mortgage shared appreciation loans to provide assistance to Ravalli County teachers. As of June 30, 2019, $497,942 of bonds have been issued.

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Multifamily Mortgage Bonds:	Original Amount	Balance
1998		
Series A 3.5% to 4.70% interest, serial and term bonds, maturing in scheduled annual installments to August 1, 2014 and on August 1, 2029.	1,625,000	195,000
1999		
Series A 4.95% to 8.45% interest, term bonds, maturing in scheduled semi-annual installments to August 1, 2008, August 1, 2010, August 1, 2016, August 1, 2025, August 1, 2030, August 1, 2037, August 1, 2039, and August 1, 2041.	9,860,000	4,330,000
Bonds outstanding Multifamily		$ 4,525,000
Unamortized bond premium (discount)		(22,609)
Total Multifamily Mortgage Bonds Payable, Net		**$ 4,502,391**

All Multifamily mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 102%. The 1998A Multifamily bonds are general obligations of the Board.

Combined Total Single and Multifamily Bonds Payable, Net	**$ 493,225,468**

The following is a summary of bond principal and interest requirements as of June 30, 2019:

Fiscal year ending June 30:	Single Family Principal & Interest Total	Multifamily Principal and Interest Total	Single and Multifamily Principal Only Total	Single and Multifamily Interest Only Total
2020	$ 33,148,340	$ 376,222	$ 17,095,000	$ 16,429,562
2021	33,567,963	379,714	17,895,000	16,052,677
2022	33,426,805	377,618	18,185,000	15,619,424
2023	33,535,684	380,229	18,785,000	15,130,913
2024	33,461,025	396,975	19,270,000	14,588,000
2025-2029	167,972,500	1,914,048	106,795,000	63,091,547
2030-2034	151,456,143	1,697,826	108,880,000	44,273,968
2035-2039	112,413,633	1,751,400	88,419,910	25,745,123
2040-2044	79,863,551	856,750	69,875,000	10,845,301
2045-2049	22,660,798	—	20,885,000	1,775,798
Total	**$ 701,506,442**	**$ 8,130,782**	**$ 486,084,910**	**$ 223,552,313**

Cash paid for interest expenses during the year ended June 30, 2019 was $16,429,593.

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Summary of Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due in More Than One Year
Bonds payable						
Single Family, net	$ 447,268,735	$ 90,794,343	$ 49,340,000	$ 488,723,078	$ 16,985,000	$ 471,738,078
Multifamily, net	4,600,680	1,711	100,000	4,502,391	110,000	4,392,391
Total bonds/notes payable, net	451,869,415	90,796,054	49,440,000	493,225,469	17,095,000	476,130,469
Other liabilities						
Arbitrage rebate tax payable [(1)]	651,918	519,509	47,805	1,123,622	389,653	733,969
Compensated absences payable [(1)]	280,430	21,910	(1)	302,341	128,425	173,916
Net pension liability [(1)]	2,278,727	128,625	571,570	1,835,782	—	1,835,782
OPEB implicit rate subsidy [(2)]	51,602	(245)	(2,873)	54,230	—	54,230
Total other liabilities	$ 3,262,677	$ 669,799	$ 616,501	$ 3,315,975	$ 518,078	$ 2,797,897
Total Business-type activities long-term liabilities	$ 455,132,092	$ 91,465,853	$ 50,056,501	$ 496,541,444	$ 17,613,078	$ 478,928,366

(1) The compensated absences liability and pension liability will be liquidated by several enterprise funds. The arbitrage rebate tax payable will be liquidated by various rebate funds.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy on the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the Board.

NOTE 9. BOND REDEMPTIONS

During the year ended June 30, 2019 the Board redeemed Single Family and Multi-Family mortgage program bonds prior to scheduled maturity as follows:

Single Family I	
December 1	$ 7,525,000
June 1	5,320,000
	12,845,000
Single Family II	
December 1	7,970,000
June 1	4,180,000
	12,150,000
Single Family XI	
December 1	6,670,000
June 1	4,065,000
	10,735,000
Total	35,730,000

All bonds were redeemed at par or 100% of their compounded value to date of redemption.

NOTE 10. COMMITMENTS

Single Family Indentures - The Board has bond proceeds available for the purchase and reservation of single family mortgages of approximately $11,344,235 in the Single Family I and II Indentures.

The Board has also committed to purchase Single Family Mortgages as noted below:

Foreclosure Prevention	$	50,000
Disabled Affordable Accessible Homeownership		862,950
Lot Refinance		726,440
Habitat for Humanity		3,377,290
Montana Street		704,600
Lee Gordan Place		235,950
Total Single-Family Commitments	$	5,957,230

Single Family I - Reverse Annuity Mortgage Program Future Loan Amounts: $ 3,055,310

Single Family I & II – funding for Homebuyer Education for fiscal year 2019: $180,000

Housing Trust Fund Program:
Reverse Annuity Mortgage Program Funds: $4,861,117

Multifamily Program:
Financing Adjustment Factor Subsidy Set aside (restricted by agreement with HUD): $135,448

These commitments will be funded through cash and investments held by the programs or indentures identified above.

NOTE 11. EMPLOYEE BENEFIT PLANS

Summary of Significant Accounting Policies – DBRP:
MPERA prepared its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

General Information about the Pension Plan:

Plan Description
In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pension,* employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement

System (PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapter 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new PERS members are initially members of the DBRP and have a 12-month window during which they may choose to remain in the DBRP or join the DCRP by filing an irrevocable election. Benefits are established by state law and can only be amended by the Legislature. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Benefits provided
The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Members rights are vested after five years of service.

Eligibility for benefits

Service retirement:

• Hired prior to July 1, 2011:	Age 60, 5 years of membership service Age 65, regardless of membership service; or Any age, 30 years of membership service.
• Hired on or after July 1, 2011:	Age 65, 5 years of membership service; or Age 70, regardless of membership service.

Early Retirement

Early Retirement, actuarially reduced

• Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
• Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service)

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
   a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
   b. No service credit for second employment;
   c. Start the same benefit amount the month following termination; and
   d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit;
   a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
   b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
   a. The same retirement as prior to the return to service;
   b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
   c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC):

- Hired prior to July 1, 2011: HAC during any consecutive 36 months
- Hired on or after July 1, 2011: HAC during any consecutive 60 months

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's highest average compensation

Monthly benefit formula:

1) Members hired prior to July 1, 2011:
   - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
   - 25 years of membership service or more: 2% of HAC per year of service credit.

2) Members hired on or after July 1, 2011:
   - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
   - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit
   - 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*:

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided above) each January, inclusive of other adjustments to the member's benefit.

1) 3% for members hired prior to July 1, 2007
2) 1.5% for members hired between July 1, 2007 and June 30, 2013
3) Members hired on or after July 1, 2013:
   - 1.5% for each year PERS is funded at or above 90%;
   - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
   - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers, including the Board, who received special funding are all participating employers.

Not Special Funding

Per Montana law, state agencies, including the Board, paid their own additional contributions. The employer paid contributions are not accounted for as special funding but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Employer
	Hired < 07/01/11	Hired > 07/01/11	
2019	7.900%	7.900%	8.670%
2018	7.900%	7.900%	8.570%
2017	7.900%	7.900%	8.470%
2016	7.900%	7.900%	8.370%
2015	7.900%	7.900%	8.270%
2014	7.900%	7.900%	8.170%
2012 - 2013	6.900%	7.900%	7.170%
2010 - 2011	6.900%		7.170%
2008 - 2009	6.900%		7.035%
2000 - 2007	6.900%		6.900%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The

additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.

b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:
   a. Special Funding
      i. The state contributed 0.1% of members' compensation on behalf of local government entities.
      ii. The state contributed 0.37% of members' compensation on behalf of school district entities.
      iii. The state contributed a Statutory Appropriation for the General Fund of $33,454,182

Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability (TPL). The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the affects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Board recorded a liability of $1,835,782 and the employers proportionate share was 0.1412 percent.

As of measurement date		Net Pension Liability as of June 30, 2018	Percent of Collective NPL as of June 30, 2018	Change in Percent of Collective NPL
Board of Housing Proportionate Share	$	1,835,782	0.09%	(0.03)%
State of Montana Proportionate Share associated with the Board		590,389	0.11%	0.11 %
Total		2,426,171	0.20%	0.08 %

Changes in actuarial assumptions and methods

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability (TPL).

Changes in benefit terms

There have been no changes in benefit terms since the previous measurement period.

Changes in Proportionate share
There were no changes between the measurement date of the collective NPL and the Board's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense
At June 30, 2018 the Board recognized $139,506 for its proportionate share of the Plan's pension expense and grant revenue of $39,403 for the State of Montana proportionate share of the pension expense associated with the Board. Additionally, the Board recognized grant revenue of $0 from the State Statutory Appropriations from the General fund.

Recognition of Deferred Inflows and Outflows
At June 30, 2018, the Board reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 139,599	$ 0
Projected Investment Earning vs. Actual Investment Earnings	—	28,510
Changes in assumptions	156,106	—
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	400,833
Employer Contributions Subsequent to the Measurement Date	125,056	—
Total	$ 420,761	$ 429,343

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to the Pension Expense
2019	$ 12,850
2020	(8,816)
2021	(125,958)
2022	(11,714)
2023	—
Thereafter	—

Actuarial Assumptions:
The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

Investment Return (net of admin expense)	7.65%
Administration Expense as % of Payroll	0.26%
General Wage Growth*	3.50%
*Includes Inflation at	2.75%
Merit Increases	0% to 4.80%

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, **inclusive** of other adjustments to the members' benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
  a) 1.5% for each year PERS is funded at or above 90%
  b) 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
  c) 0% whenever amortization period for PERS is 40 years or more

- Mortality assumptions among contributing members,service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back one year.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

The most recent analysis, performed for the period of fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and is located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.0%	

Discount Rate
The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.10% of salaries for local

governments and 0.37% for school districts. In addition, the State contributed a statutory appropriation from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(6.65)%	(7.65)%	(8.65)%
DBRP Total Plan	18,808,734	$ 13,005,340	$ 8,239,829
BOH	2,654,965	1,835,782	1,163,101

Disclosure for the defined contribution plan:

The Board contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the Public Employee Retirement Board (PERB) and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2018, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan.

At the plan level for the year ended June 30, 2018, the Board did not recognize an net pension liability or any pension expense for the defined contribution plan. The PERS-DCRP plan member contributions were $12,447,453; employer contributions were $11,898,611; and employers did not recognize any expenses and carry no liability for the defined contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the DCRP totaled $746,144.

Stand-Alone Statements:
The PERS financial information is reported in the PBRB *Comprehensive Annual Financial Report* and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at P O Box 200131, Helena, MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at https://mpera.mt.gov/

Deferred Compensation Plan:
The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, Chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, Chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trust, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance was required by January 1, 1999.

Health Care: Board staff and dependents are eligible to receive medical and dental health care through the State Group Benefits Plan administered by the Montana Department of Administration Health Care & Benefits Division. Montana Department of Administration established premiums for medical, basic vision and dental coverage for employees at $30 per month. Administratively established medical premiums for the spouse of employee and employee's family vary between $250 and $327 per month depending on the medical plan selected, family coverage, and eligibility. Administratively established premiums vary between $21.40 and $28.90 per month for spouse and family dental coverage and between $7.64 and $22.26 per month for an optional vision hardware plan depending on family coverage and eligibility. The State reimburses all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Eligible dental claims are reimbursed at 20% to 100% of the allowable charges, depending on the services provided. The State funds claims on a pay-as-you-go basis and, in addition, maintains a claims fluctuation reserve equivalent to three months projected claims and operating costs.

NOTE 12. ARBITRAGE REBATE LIABILITY

The Board has established an accrual for the liability for estimated arbitrage payments due to the United States Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. Ninety percent of the estimated rebate will be paid to the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

The Board made $ 47,805 in arbitrage rebate cash payments to The United States Treasury Department in fiscal year 2019. The related liability was $1,123,622 as of June 30, 2019.

Balance as of June 30, 2018	$651,918
Plus: Increases	519,509
Less: Reductions	47,805
Balance as of June 30, 2019	$1,123,622

NOTE 13. NO-COMMITMENT DEBT

The Board is authorized by the State of Montana to issue bonds to finance affordable housing for Montana residents. To meet this purpose, the Board may issue bonds (no-commitment debt) on behalf of third parties (borrower).

These bonds are not general obligations, debts, liabilities or pledges of faith and credit of the Board but are special limited obligations payable solely from pledged revenues and assets of the borrower. The Board is not obligated to make payment on the bonds from any of its assets. Accordingly, these bonds are not reflected in the accompanying financial statements.

The bonds are not a debt of the state and the state is not liable for the bonds. Neither the state's faith or credit or taxing power is pledged to the payment of bond principal or interest. The Board has no taxing power.

The outstanding balances of these bonds as of June 30, 2019 are as follows:

Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2007	5,100,000	4,486,017
Multifamily Housing Revenue Bond Series 2012 A-1	857,000	769,521
Multifamily Housing Revenue Bond Series 2012 A-2	4,032,000	3,627,878
Multifamily Housing Revenue Bond Series 2012 B-1	857,000	830,365
Multifamily Housing Revenue Bond Series 2015 A	15,500,000	11,739,927
Multifamily Housing Revenue Bond Series 2018 (Copperridge)	3,584,712	3,584,712
Multifamily Housing Revenue Bond Series 2018 (Rockcress Commons)	15,000,000	15,000,000
Multifamily Housing Revenue Bond Series 2018 (Starner Gardens)	15,000,000	15,000,000

NOTE 14. REFUNDING AND DEFERRED BOND COSTS

The Board may refund all or a portion of the Board's outstanding bonds when it is economically advantageous to do so. Refundings involve the issuance of new debt with the proceeds being used to repay previously issued debt.

GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, and GASB Statement No. 65, requires deferred costs to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds. Previous to the implementation of GASB Statement No. 65 deferred refunding costs included unamortized cost of issuance of the refunded bonds.

On June 30, 2019, there were $262,180 in unamortized deferred refunding costs from prior years' refundings. These costs are associated with the refundings and were deferred. They are being amortized under the GASB Statement No. 23 and GASB Statement No. 65 guidelines.

Refundings:
The Montana Board of Housing did not refund any bonds during the 2019 fiscal year.

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information Non-Trust Plan

The Board provides optional postemployment (OPEB) healthcare benefits in accordance with Section 2-18-704, MCA. This coverage applies to the following employees and dependents who elect to continue coverage and pay administratively established contributions: 1) employees and dependents who retire under applicable retirement provisions and 2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The plan is not administered through a trust; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the Board provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS), and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by retirement plan. Detail on retirement plans is available in Note 11 .

Plan Description

The OPEB plan is reported as a single-employer plan. The Board pays for post employment healthcare benefits on a a pay-as-you-go basis. Section 2-18-8, MCA gives authority for establishing and amending the funding policy to the Montana Department of Administration for the State group health insurance plan. The healthcare OPEB plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a a result of direct funding to the plan or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plan. The healthcare OPEB plans is reported within the State of Montana financial statements, as the primary government, as agency funds for reporting purposes. There are no assets or liabilities as only contributions collected and distributions made are reflected in these funds.

As of December 31, 2018, premiums varied between $439 and $1,633 per month, depending on coverage selected and Medicare eligibility. Administratively established dental contributions vary between $41.10 and $70.00 and vision hardware contributions vary between $7.64 and $22.26 depending on coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

Basis of Accounting

Total OPEB liability is reported on an accrual basis on the Board financial statement. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The plan states that an employee enrolled in the OPEB plan who (a) at least meets the early retirement criteria defined by the Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with the benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2019.

As of March 31, 2018, there are 15 active employees and 3 retired employees, spouses and surviving spouses for a total of 18 participating in the plan.

Schedule of Changes in Total OPEB Liability

The following table presents the other items related to and changes in the total OPEB liability:

Beginning Balance	
June 30, 2018	51,602
Service Cost	421
Interest	200
Difference between expected and actual experience	—
Changes of assumptions or other inputs	2,252
Benefit Payments	(245)
Net Changes	2,628
Balances at	
June 30, 2019	54,230

Benefits Provided

Non-Medicare retirees may continue the core plan, which includes medical, dental and basic life insurance. Vision coverage is optional. Medical, dental and/or vision coverage is optional for dependents. Medicare eligible retirees may continue medical coverage. Dental and vision coverage is optional, and no life insurance is available. Medical, dental and/or vision coverage is optional for dependents. Medicare eligible retirees must enroll in both Part A and Part B Medicare coverage.

A retiree may continue coverage for a spouse who does not work for the State. If coverage is not continued, the spouse may only be added when the spouse loses eligibility for other coverage. If the retiree and spouse both work for the State, the retiree may elect to be covered under the working spouse and retains the right to exercise the transfer option. Dependent medical or dental coverage can only be continued if the retiree continues medical and/or dental coverage.

A surviving spouse may elect to continue their medical, dental, and/or vision coverage until Medicare age, at which time they will be offered COBRA and no longer be eligible for the plan. For surviving spouses already of Medicare age, they will be offered COBRA and lose eligibility under the plan at the end of the offering month.

Actuarial assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go- public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish and Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members.

The State's OPEB plan TOL in December 31, 2017, rolled forward to March 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Contributions (in thousands):	Retiree/Surviving Spouse	Spouse
Before Medicare eligibility	$ 13,572	$ 4,268
After Medicare eligibility	5,271	4,403

Actuarial valuation date	December 31, 2017
Measurement date [1]	March 31, 2019
Actuarial funding method	Entry age normal
Amortization method	Open basis
Remaining amortization period	20 years
Asset valuation	Not applicable since no assets meet the definition of plan assets
Actuarial assumptions:	
Interest / discount rate	3.79%
Projected payroll increases	4.00%
Average retirement age	62.59
Participation	55% of future retirees and 60% of future eligible spouses.
Marital status	Actual spouse information is used for current retirees. Marital status at retirement for future members assumed to be 70%.
Healthcare cost trend rates	The current Healthcare Cost Trend Rate is 7.0. With annual decreases of up to 0.5% with an ultimate rate of 3.8%
Retiree Contribution Increases	Current year was based on actual trend. For retiree/surviving spouse and spouse the increase is 7.0% in 2019 decreasing up to 0.5% per year to an ultimate rate of 3.8%

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: Assumed to follow RP2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: Assumed to follow the RP2000 Combined Mortality Table with no projections.

- Changes in actuarial assumptions an methods since last measurement date:
  - Interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements
- Changes in benefit terms since last measurement date: None

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (DR-1 percent) or 1-percentage-point higher (DR+1 percent) than the current discount rate:

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			State Total OPEB Liability		BOH OPEB Liability		State Actuarially Determined Contribution		BOH Actuarially Determined Contribution
1.0% Decrease	2.79%	$	68,467,191	$	73,074	$	6,434,694	$	6,805
Current Discount Rate	3.79%	$	55,697,115	$	54,230	$	4,885,394	$	4,816
1.0% Increase	4.79%	$	45,943,839	$	73,662	$	3,766,621	$	3,385

Sensitivity of Net OPEB liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

			State Total OPEB Liability		BOH OPEB Liability		State Actuarially Determined Contribution		BOH Actuarially Determined Contribution
1.0% Decrease	6.00%	$	45,163,034	$	38,885	$	3,727,127	$	3,312
Current Discount Rate	7.00%	$	55,697,115	$	54,230	$	4,885,394	$	4,816
1.0% Increase	8.00%	$	69,995,346	$	75,195	$	6,483,316	$	6,842

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Board had an OPEB expense of $1,055. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	(59,081)	—
Changes in assumptions	38,942	—
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	36,293	—
Total	16,154	—

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense
2020	(157)
2021	(157)
2022	(157)
2023	(157)
2024	(157)
Thereafter	(898)

Payable to the OPEB Plan

At June 30, 2019, the Board reported a payable of $54,230 for the outstanding amount of contributions to the Department of Administration required for the year ended June 30, 2019. The Board did not have an employer contributions due or paid during the fiscal year ended June 30, 2018 because of reallocation of prior years.

Net OPEB Liability

The Board's net OPEB liability of $54,230 is approximately 0.10% of the total primary government OPEB liability of $55,697,115 as measured on March 31, 2018 as a basis of the total group insurance premiums paid. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as December 31, 2017 with a rolled forward actuarial valuation measurement date of March 31, 2019. The unfunded actuarial accrued liability is amortized over a 20-year period on an open basis beginning December 31, 2017.

General Information about the DCRP OPEB Plan

Per statute, participants that choose the PERS-DCRP retirement system are covered by the PERS-DCRP long-term disability plan. The disability plan provides disability benefits to plan members who are vested in the plan and are currently ineligible for retirement. A separate trust has been established for purposes of providing disability benefits to members. The assets are held in a trust capacity for the beneficiaries. The PERS issues publicly available annual reports which include financial statements and required supplemental information for the plan. Those reports may be obtained online (http://mpera.mt.gov) or by contacting the PERS at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131.

NOTE 16. INTERFUND BALANCES

The following interfund balances have been eliminated from the Combined Statement of Revenues, Expenses and Changes in Net Position to report the Statement of Revenues, Expenses and Changes in Net Position for all programs net of interfund activity for June 30, 2019:

Fee Income and Servicers Fees related to in-house loan servicing	$	1,572,391

NOTE 17. ADJUSTMENTS TO BEGINNING NET POSITION

A prior period adjustment was done in the Housing Montana Fund in the amount of $(2,500) to correct an entry error for a prior period.

NOTE 18. SUBSEQUENT EVENTS

On July 30, 2019, Single Family Mortgage Bonds, 2019 series B, were issued for $30,000,000 to be used for the purpose of acquiring additional mortgage loans in Montana. This event does not require adjustment to fiscal year 2019 financial statements.

In January of 2020, the Board anticipates issuing approximately $42 million in Single Family Mortgage Bonds, 2020 Series A, that will be used for acquiring additional mortgage loans and refunding certain of the Board's Single Family Homeownership bonds.

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Other Post-Employment Benefits (Financial Statements Note 15)

The State of Montana State Employee Group Benefits (SEGB) OPEB plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes.

Total Board OPEB Liability and Related Ratios

Last 10 Fiscal Years *

For the fiscal year ended June 30	Total Board OPEB Liability	Proportionate share of the collective total OPEB liability as a a Percentage	Covered Employee Payroll	Share pensionable payroll
2018	$ 51,602	0.10%	774,320	6.66%
2019	$ 54,230	0.10%	684,204	7.93%

* Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Factors that significantly affect trends in the amounts reported for OPEB Liabilities:

Changes of benefit terms, the medical plan coverage moved from Cigna to allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016, the pharmacy plan moved from URx to Navitus as of January 1, 2017, and the State implemented an employer group waiver program for Medicare retirees effective January 1, 2017.

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Pension Benefits (Financial Statement Note 11)

Schedule of Proportionate Share of the Net Pension Liability
For the Last Ten Fiscal Years*
(Dollar amounts in thousands)

For the fiscal year ended June 30	Proportionate share of net pension liability (NPL) as a percentage	MBOH Proportionate share of NPL	State of Montana Share of NPL Associated with MBOH	Total MBOH Share of NPL	Pensionable payroll	Proportionate share of the NPL as a percentage of its pensionable payroll	Plan fiduciary net position as a percentage of total pension liability
2015	0.10%	$ 1,203	$ —	$ 1,203.00	$ 1,079	111.44%	79.90%
2016	0.10%	$ 1,452	$ —	$ 1,452.00	$ 1,208	120.20%	78.40%
2017	0.12%	$ 2,047	$ —	$ 2,047.00	$ 1,422	143.92%	74.71%
2018	0.12%	$ 2,279	$ —	$ 2,279.00	$ 1,434	158.88%	73.75%
2019	0.12%	$ 1,836	$ 590	$ 2,426.00	$ 1,431	169.08%	73.47%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions
For the Last Ten Fiscal Years *
(Dollar amounts in thousands)

For the fiscal year ended June 30	Contractually required contributions	Contributions made	Contribution deficiency (excess)	Share pensionable payroll	Contributions as a percentage of pensionable payroll
2015	$ 89	$ 89	$ —	$ 1,079	8.80%
2016	$ 106	$ 106	$ —	$ 1,208	8.76%
2017	$ 272	$ 272	$ —	$ 1,422	19.04%
2018	$ 123	$ 123	$ —	$ 1,434	8.58%
2019	$ 125	$ 125	$ —	$ 1,431	8.74%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Factors that significantly affect trends in the amounts reported for Pension Liabilities:

Changes in benefit Terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes:
General Revisions - House Bill 101, 3ffective January 1, 2016
Second Retirement Benefit - for PERS

1. Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment , and accumulate less than 2 years of service credit before retiring again:
   a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
   b. No service credit for second employment;
   c. Start same benefit amount the month following termination; and
   d. GABA starts again the January immediately following second retirement.
2. For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
   a. Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
   b. GABA starts the January after receiving recalculated benefit for 12 months.
3. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
   a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
   b. No service credit for second employment;
   c. Start same benefit amount the month following termination; and
   d. GABA starts again the January immediately following second retirement.
4. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
   a. Member receives the same retirement benefit as prior to return to work
   b. Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
   c. GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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2017 Legislative Changes

General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations - for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Terminating Employers - Recovery of actuary costs - for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

1. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2. Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refunds must do so within 90 days of termination of service.
3. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who become disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have normal retirement age of 60 and are eligible for disability benefit until age 65.

PERS Statutory Appropriation - House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to PERS defined benefit trust fund will be replaced wit the following statutory appropriations:

1. FY2018 - $31.386 million
2. FY2019 - $31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
    a. FY2020 - $32.277 million
    b. FY2021 - 32.6 million
    c. FY2022 - 32.926 million
    d. FY2023 - 33.255 million
    e. FY2024 - 33.588 million
    f. FY2025 -33.924 million

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Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females; RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disable members)	For Males and Females: RP 2000 Combined Mortality Table
Admin expense as % of payroll	0.26%

Administrative expenses are recognized by an additional amount added to the normal cost contributions rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

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	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	Single Family Program Totals	Multifamily Program Fund	Mortgage Loan Servicing	Housing Trust Fund	Housing Montana Fund	TOTAL
Assets									
Cash and Cash Equivalents	$ 38,424,017	$ 28,879,814	$ 4,162,365	$ 71,466,196	$ 5,098,174	$ 8,098,342	$ 1,401,595	$ 596,843	$ 86,661,150
Investments	1,097,968	2,427,702	—	3,525,670	3,628,536	—	—	—	7,154,206
Mortgage Loans Receivable, Net	7,852,025	7,191,542	3,214,830	18,258,397	270,817	669,124	6,879	10,166	19,215,383
Corporate Advance Receivable	489	—	—	489	—	356,452	—	—	356,941
Inter-Entity Loan Receivable	—	—	—	—	—	—	—	—	—
Interest Receivable	1,007,098	941,799	470,510	2,419,407	36,411	278,301	1,319,163	168,772	4,222,054
Prepaid Expense	47,788	47,063	—	94,851	7,246	30,309	32,308	—	164,714
Total Current Assets	48,429,385	39,487,920	7,847,705	95,765,010	9,041,184	9,432,528	2,759,945	775,781	117,774,448
Noncurrent Assets									
Investments	7,818,943	18,731,109	12,094,659	38,644,711	—	—	—	—	38,644,711
Mortgage Loans Receivable, Net	225,143,626	201,839,530	65,533,060	492,516,216	8,012,678	72,371	2,875,766	2,158,702	505,635,733
Mortgage Backed Securities	—	535,943	—	535,943	—	—	—	—	535,943
Acquisition Costs	—	—	—	—	—	1,927,494	—	—	1,927,494
Capital Assets, Net	553	355	—	908	(60)	—	16	—	864
Total Noncurrent Assets	232,963,122	221,106,937	77,627,719	531,697,778	8,012,618	1,999,865	2,875,782	2,158,702	546,744,745
Total Assets	281,392,507	260,594,857	85,475,424	627,462,788	17,053,802	11,432,393	5,635,727	2,934,483	664,519,193
Deferred Outflow of Resources									
Deferred Refunding Costs	158,701	78,097	25,383	262,181	—	—	—	—	262,181
Deferred OPEB Outflow	3,952	3,952	—	7,904	119	7,776	355	—	16,154
Deferred Pension Outflow	128,512	128,512	—	257,024	1,747	156,738	5,252	—	420,761
Total Deferred Outflows	291,165	210,561	25,383	527,109	1,866	164,514	5,607	—	699,096
Liabilities									
Current Liabilities									
Accounts Payable	110,743	101,669	28,447	240,859	14,183	2,773,712	31,667	372	3,060,793
Inter-Entity Loans Payable	—	—	—	—	—	—	—	—	—
Funds Held For Others	503	—	—	503	1,375,915	4,869,014	—	—	6,245,432
Accrued Interest - Bonds Payable	584,862	570,099	198,765	1,353,726	111,639	—	—	—	1,465,365
Bonds Payable, Net	7,300,000	6,230,000	3,455,000	16,985,000	110,000	—	—	—	17,095,000
Arbitrage Rebate Payable to U.S. Treasury Department	389,653	—	—	389,653	—	—	—	—	389,653
Accrued Compensated Absences	20,030	20,030	—	40,060	7,555	59,368	21,442	—	128,425
Total Current Liabilities	8,405,791	6,921,798	3,682,212	19,009,801	1,619,292	7,702,094	53,109	372	28,384,668

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	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	Single Family Program Totals	Multifamily Program Fund	Mortgage Loan Servicing	Housing Trust Fund	Housing Montana Fund	TOTAL
Noncurrent Liabilities									
Bonds Payable, Net	214,095,758	187,899,828	69,742,491	471,738,077	4,392,391	—	—	—	476,130,468
Arbitrage Rebate Payable to U.S. Treasury Department	—	17,604	716,365	733,969	—	—	—	—	733,969
Accrued Compensated Absences	41,197	41,198	—	82,395	16,743	37,930	36,848	—	173,916
Net Pension Liability	500,703	500,703	—	1,001,406	9,146	797,726	27,504	—	1,835,782
OPEB Liability	13,941	13,941	—	27,882	36	26,203	109	—	54,230
Total Noncurrent Liabilities	214,651,599	188,473,274	70,458,856	473,583,729	4,418,316	861,859	64,461	—	478,928,365
Total Liabilities	223,057,390	195,395,072	74,141,068	492,593,530	6,037,608	8,563,953	117,570	372	507,313,033
Deferred Inflow of Resources									
Deferred OPEB Inflow	—	—	—	—	—	—	—	—	—
Deferred Pension Inflow	117,045	117,045	—	234,090	2,181	186,568	6,504	—	429,343
Total Deferred Inflows	117,045	117,045	—	234,090	2,181	186,568	6,504	—	429,343
Net Position									
Net Investment in Capital Assets	553	355	—	908	(60)	—	16	—	864
Restricted for Bondholders:									
Unrealized (losses) gains on Investments	1,423,528	1,559,341	2,475,490	5,458,359	106	—	—	—	5,458,465
Single Family Programs	50,961,231	60,664,990	8,884,249	120,510,470	—	2,846,386	—	—	123,356,856
Various Recycled Mortgage Setaside Programs	3,068,615	3,068,615	—	6,137,230	—	—	—	—	6,137,230
Multifamily Programs	—	—	—	—	10,880,385	—	656,127	—	11,536,512
Multifamily Project Commitments	—	—	—	—	135,448	—	—	—	135,448
Housing Trust Fund Program	3,055,310	—	—	3,055,310	—	—	4,861,117	—	7,916,427
Restricted for Affordable Housing Loan Program	—	—	—	—	—	—	—	2,934,111	2,934,111
Total Net Position	$ 58,509,237	$ 65,293,301	$ 11,359,739	$ 135,162,277	$ 11,015,879	$ 2,846,386	$ 5,517,260	$ 2,934,111	$157,475,913

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
OPERATING REVENUES									
Interest Income - Mortgage Loans	$ 8,641,287	$ 7,211,486	$ 3,326,508	$ 19,179,281	$ 410,445	$ —	$ 202,111	$ 43,336	$ 19,835,173
Interest Income Investments	1,299,701	1,359,080	702,485	3,361,266	80,331	4,456	16,372	4,325	3,466,750
Fee Income	61,475	55,179	—	116,654	181,573	2,207,497	838,747	—	3,344,471
Net Increase (Decrease)									
in Fair Value of Investments	371,588	625,110	533,439	1,530,137	1,214	—	—	—	1,531,351
Federal Financial Assistance	—	—	—	—	—	—	—	—	—
Other Income	11,357	18,717	—	30,074	—	161	—	—	30,235
Securities Lending Gross Income	—	—	—	—	—	—	—	—	—
Total Operating Revenues	10,385,408	9,269,572	4,562,432	24,217,412	673,563	2,212,114	1,057,230	47,661	28,207,980
OPERATING EXPENSES									
Interest on Bonds	6,562,654	6,056,900	2,591,928	15,211,482	271,448	—	—	—	15,482,930
Servicer Fees	827,747	700,331	272,116	1,800,194	8,452	778,915	—	1,026	2,588,587
Contracted Services	222,338	169,703	—	392,041	31,725	295,884	85,671	(60)	805,261
Amortization of Deferred Refunding	37,096	21,299	3,905	62,300	—	—	—	—	62,300
Bond Issuance Costs	563,772	447,672	—	1,011,444	—	—	—	—	1,011,444
General and Administrative	724,607	727,720	(21,240)	1,431,087	230,993	1,547,046	609,911	—	3,819,037
Arbitrage Rebate Expense	188,484	24,781	306,244	519,509	—	—	—	—	519,509
Other Post-Employment Benefits	(235)	(235)	—	(470)	(82)	(702)	(246)	—	(1,500)
Total Operating Expenses	9,126,463	8,148,171	3,152,953	20,427,587	542,536	2,621,143	695,336	966	24,287,568
Operating Income (Loss)	1,258,945	1,121,401	1,409,479	3,789,825	131,027	(409,029)	361,894	46,695	3,920,412
Nonoperating Revenue (Expenses)									
Pensions - Nonemployer	10,813	10,813	—	21,626	165	17,122	490	—	39,403
Nonoperating Income (Loss)	10,813	10,813	—	21,626	165	17,122	490	—	39,403
Income (Loss) before transfers	1,269,758	1,132,214	1,409,479	3,811,451	131,192	(391,907)	362,384	46,695	3,959,815
Transfers In (Out)	795,802	491,974	(258,776)	1,029,000	—	650,000	(1,679,000)	—	—
Increase (Decrease) in Net Position	2,065,560	1,624,188	1,150,703	4,840,451	131,192	258,093	(1,316,616)	46,695	3,959,815
Net Position, July 1	56,443,677	63,669,113	10,209,036	130,321,826	10,884,687	2,588,293	6,833,876	2,889,916	153,518,598
Adjustments to Beginning Net Position (Note 18)	—	—	—	—	—	—	—	(2,500)	(2,500)
Net Position, July 1, as restated	56,443,677	63,669,113	10,209,036	130,321,826	10,884,687	2,588,293	6,833,876	2,887,416	153,516,098
Net Position, End of Year	$58,509,237	$65,293,301	$ 11,359,739	$ 135,162,277	$ 11,015,879	$ 2,846,386	$ 5,517,260	$ 2,934,111	$ 157,475,913

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts for Sales and Services	$ 61,475	$ 55,177	$ —	$ 116,652	$ 185,024	$ 2,207,494	$ 838,746	$ —	$ 3,347,916
Collections on Loans and Interest on loans	30,811,623	28,249,378	16,075,151	75,136,152	266,400	67,306	442,985	(219,376)	75,693,467
Collection on Loan Escrow Accounts	—	—	—	—	78,893	7,346	—	—	86,239
Cash Payments for Loans	(55,682,527)	(58,241,931)	—	(113,924,458)	—	—	—	—	(113,924,458)
Federal Adjustment Factor Expense	—	—	—	—	(4,320)	—	—	—	(4,320)
Payments to Suppliers for Goods and Services	(1,344,911)	(1,165,049)	(264,208)	(2,774,168)	(135,176)	1,280,456	(324,635)	(864)	(1,954,387)
Payments to Employees	(575,869)	(575,869)	—	(1,151,738)	(121,379)	(1,282,682)	(325,230)	—	(2,881,029)
Corporate Advances	(489)	—	—	(489)	—	565,350	—	—	564,861
Other Operating Revenues	11,357	18,717	—	30,074	—	161	—	—	30,235
Net Cash Provided (Used) Operating Activities	(26,719,341)	(31,659,577)	15,810,943	(42,567,975)	269,442	2,845,431	631,866	(220,240)	(39,041,476)
CASH FLOWS FROM NONCAPITAL ACTIVITIES									
Payment of Principal and Interest on Bonds and Notes	(25,466,672)	(22,969,517)	(17,061,262)	(65,497,451)	(372,143)	—	—	—	(65,869,594)
Proceeds from Issuance of Bonds and Notes	50,000,000	40,000,000	—	90,000,000	—	—	—	—	90,000,000
Payment of Bond Issuance Costs	(563,772)	(479,491)	—	(1,043,263)	—	—	—	—	(1,043,263)
Premium Received on Bonds	925,815	817,000	—	1,742,815	—	—	—	—	1,742,815
Proceeds from (payments for) intra-fund loans	—	—	—	—	—	(90,000)	90,000	—	—
Pension - Nonemployer Contributions	10,813	10,813	—	21,626	165	17,122	490	—	39,403
Pension - Deferred Inflows/ Outflows Payments	113,427	113,428	—	226,855	315	186,397	898	—	414,465
Transfers in (out)	795,802	491,974	(258,776)	1,029,000	—	650,000	(1,679,000)	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	25,815,413	17,984,207	(17,320,038)	26,479,582	(371,663)	763,519	(1,587,612)	—	25,283,826

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Purchase of Mortgage Servicing Rights	—	—	—	—	—	(796,456)	—	—	(796,456)
Net Cash Provided (Used) in Capital and Related Financing Activities	—	—	—	—	—	(796,456)	—	—	(796,456)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of Investments	(7,887,557)	(7,673,457)	(9,243,879)	(24,804,893)	(5,564,606)	—	—	—	(30,369,499)
Proceeds from Sales or Maturities of Investments	14,925,587	12,830,087	8,716,023	36,471,697	2,553,687	—	—	—	39,025,384
Interest on Investments	1,738,076	1,986,388	1,224,644	4,949,108	76,639	4,603	16,329	4,333	5,051,012
Arbitrage Rebate Tax	—	(47,805)	—	(47,805)	—	—	—	—	(47,805)
Net Cash Provided (Used) by Investing Activities	8,776,106	7,095,213	696,788	16,568,107	(2,934,280)	4,603	16,329	4,333	13,659,092
Net Increase (Decrease) in Cash and Cash Equivalents	7,872,178	(6,580,157)	(812,307)	479,714	(3,036,501)	2,817,097	(939,417)	(215,907)	(895,014)
Cash and Cash Equivalents, July 1	30,551,839	35,459,971	4,974,672	70,986,482	8,134,675	5,281,245	2,341,012	812,750	87,556,164
Cash and Cash Equivalents, June 30	$ 38,424,017	$ 28,879,814	$ 4,162,365	$ 71,466,196	$ 5,098,174	$ 8,098,342	$ 1,401,595	$ 596,843	$ 86,661,150

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTI FAMILY PROGRAM FUNDS	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
Operating Income (Loss)	$ 1,258,945	$ 1,121,401	$ 1,409,479	$ 3,789,825	$ 131,027	$ (409,029)	$ 361,894	$ 46,695	$ 3,920,412
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED FOR) OPERATING ACTIVITIES									
Depreciation	175	373	—	548	22	—	22	—	592
Amortization	11,331	87,723	(139,628)	(40,574)	(44,387)	—	—	—	(84,961)
Interest Expense	7,142,044	6,336,437	2,681,474	16,159,955	269,737	—	—	—	16,429,692
Interest on Investments	(1,300,723)	(1,269,802)	(646,546)	(3,217,071)	(30,782)	(4,456)	(16,372)	(4,325)	(3,273,006)
Arbitrage Rebate Tax	188,484	24,781	306,244	519,509	—	—	—	—	519,509
Change in Assets and Liabilities:									
Decr (Incr) Mortgage Loans Receivable	(33,426,662)	(37,102,710)	12,636,827	(57,892,545)	(144,508)	847,113	133,048	(249,071)	(57,305,963)
Decr (Incr) Other Assets	(78,917)	(95,016)	103,418	(70,515)	(3,477)	976,971	114,634	(13,641)	1,003,972
Decr (Incr) Fair Value of Investments	(371,588)	(625,109)	(533,439)	(1,530,136)	(1,214)	—	—	—	(1,531,350)
Incr (Decr) Accounts Payable	(15,916)	(11,140)	(6,886)	(33,942)	2,942	1,639,358	3,335	102	1,611,795
Incr (Decr) Funds Held for Others	—	—	—	—	78,893	7,346	—	—	86,239
Incr (Decr) Pensions Payable	(125,581)	(125,594)	—	(251,175)	9,147	(228,410)	27,503	—	(442,935)
Incr (Decr) Compensated Absences Payable	(1,532)	(1,532)	—	(3,064)	2,006	15,275	7,693	—	21,910
Incr (Decr) Other Post Employment Benefits	599	611	—	1,210	36	1,263	109	—	2,618
Net Cash Provided by (Used for) Operating Activities	$ (26,719,341)	$ (31,659,577)	$ 15,810,943	$ (42,567,975)	$ 269,442	$ 2,845,431	$ 631,866	$ (220,240)	$ (39,041,476)

Noncash Investing, capital, and financing activities: During fiscal year 2019, the Board investments increased in fair value by $1,531,351.14. The fair value increase was not realized in cash during the fiscal year.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montana Board of Housing (board) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control. Accordingly, we do not express an opinion on the effectiveness of the board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

December 13, 2019

Montana Board of Housing

Board Response

TARA RICE
DIRECTOR

MONTANA HOUSING

STEVE BULLOCK
GOVERNOR

December 18, 2019

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LEGISLATIVE AUDIT DIV.

Angus Maciver
Legislative Auditor
Room 160, State Capitol Building
P O Box 201705
Helena, MT 59620-1705

Dear Mr. Maciver,

We have received and reviewed the financial-compliance audit of the Montana Board of Housing for the fiscal year ended June 30, 2019. We appreciate the professionalism and courtesy which with the audit was conducted. The nature of the Board's business structure does require specialized skills on the part of the audit staff. We appreciate you and your staff's continued willingness to do all that is necessary for our bond issues, compliance and reporting to our investors.

I am looking forward to speaking with the Audit Committee regarding the operations of the Board of Housing.

Sincerely,

Bruce Brensdal
Executive Director

Cc: Pat Melby