A Report
to the
Montana
Legislature

Financial-Compliance Audit

Montana Board of Housing

For the Fiscal Year Ended June 30, 2021

November 2021

Legislative Audit Division

21-07A

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, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by September 30, 2022.

Audit Staff

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LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

November 2021

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, 2021. 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 of the board which includes bonds, investments, 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, 2021, which means that the information presented within the statements can be relied upon for decision-making purposes.

We would like to thank the Executive Director and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Figures and Tables

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Appointed and Administrative Officials

	Name	City	Term Expires
Montana Board of Housing	Sheila Rice, Chair	Great Falls	2023
	Bruce Posey, Vice Chair	Billings	2025
	Adam Hertz, Secretary	Missoula	2025
	Robert Gauthier	Ronan	2023
	Jeanette McKee	Hamilton	2023
	Charles Robison	Helena	2025
	Cari Yturri	Great Falls	2025

Department of Commerce Scott Osterman, Director

Board of Housing Cheryl Cohen, Executive Director

Virginia Pfankuch, CPA, Accounting and Finance Manager

Mary Bair, Multifamily Program Manager (through November 21, 2020)

Nicole McKeith, Multifamily Program Manager (effective October 19, 2020)

Joe DeFilippis, Operations Manager (effective August 31, 2020)

Vicki Bauer, Homeownership Program Manager

Mary Palkovich, Servicing Program Manager

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

Cheryl Cohen, Executive Director
Montana Board of Housing
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Helena, MT 59620-0528

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Phone: (406) 841-2844

Financial-Compliance Audit 21-07A November 2021

Montana Legislative Audit Division

Montana Board of Housing

For the Fiscal Year Ended June 30, 2021

The Montana Board of Housing (board) purchased approximately $68.5 million of mortgages during fiscal year 2021 in the Single-Family Program, the board's largest program. The board also issued $73.4 million in bonds during fiscal year 2021. The board saw a decrease of approximately $45 million in mortgage loan receivables in fiscal year 2021. This was due to market conditions that resulted in lower interest rates than what the board could offer, allowing borrowers to refinance their mortgages.

Background

The Montana Board of Housing works with community partners across the state to ensure Montana families have access to safe and affordable housing. The board is self-supporting and does not receive any general fund appropriations. The board finances a majority of their operations and programs through the sale of tax-exempt bonds in the private sector. These tax-exempt bonds 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 mortgage loans are used by the board for repayment of issued bonds.

The board is allocated to the Department of Commerce for administrative purposes.

The powers of the board are vested in a seven-member board. Board members are appointed by the governor and are subject to Senate confirmation. The board provides policy direction to agency staff, authorizes bond issuances, and approves development financing.

AUDITOR'S OPINION (page A-1): UNMODIFIED

We found the board's financial statements and note disclosures presented fairly the activity of the board, in all material respects, and issued an unmodified opinion on them. We also found the combining financial statements included in the report were reasonable, in all material respects, in relation to the financial statements, and issued an in-relation-to opinion on them. This means that a reader can rely on the information in the board's financial statements, notes, and combining statements presented in this report.

For the full context of the board's financial activity, see the financial schedules and notes beginning on page A-7.

RECOMMENDATIONS:

This report contains no recommendations to the board.

The prior audit report contained no recommendations.

SUMMARY OF AUDIT WORK:

We focused our audit effort on activity related to bonds, investments, and mortgage loans. Our audit work included analyzing the financial statements and note disclosures. We also examined the board's underlying financial activity including bonds, investments, and mortgages. We performed a sample of new loans, ensured the value and classification of current and noncurrent assets for mortgages receivable and investments was accurate and supported, confirmed the reasonableness of outstanding bonds, and tested 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

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

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The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

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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.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):

In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 0
Material Non-Compliance: 0
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction and Background

Introduction

We performed a financial-compliance audit of the Montana Board of Housing (board) for the fiscal year ended June 30, 2021. 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.
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.

We addressed these objectives by focusing our audit efforts on activity related to bonds, investments, and mortgages. Our audit work included analyzing the financial statements and note disclosures, examining the underlying activity, performing a sample of new loans, and testing control systems.

Our office performs special engagements for the board throughout the year in addition to the annual financial audit of the board. 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 per §2-15-1814, MCA. The board issues tax-exempt bonds that provide funds to purchase home mortgages, make loans for rental housing projects, administer federal housing tax credit programs, and partner with other housing providers throughout Montana. Mortgage loans are primarily for first-time home buyers. The board's programs and/or services are outlined below:

- **The Single-Family Program** helps make home ownership affordable for eligible Montana homebuyers through low-interest mortgages, down payment assistance, and other various loan programs. Borrowers must meet all seven eligibility requirements set by the Internal Revenue Service (IRS) as the loans are purchased from tax-exempt Mortgage Revenue Bonds (MRB's). Some of the Home Loan Programs available to borrowers are:
  - ◊ Regular Bond Program: A 30-year low-interest, fixed-rate mortgage geared towards low- and moderate-income first-time homebuyers.
  - ◊ Down Payment Assistance: This loan can be combined with other loan programs offered by the board to help Montana homebuyers with funds for down payment and closing cost assistance.
  - ◊ Montana Veterans' Home Loan Program: This program assists first-time homeowners who have served, or who are currently serving, in the military through the federal armed services and/or the Montana National Guard. Program funds are provided from the principal of the Montana Coal Tax Fund.

- **The Reverse Annuity Mortgage Program** provides senior Montana homeowners, 68 years of age or older, the ability to borrow against the equity in their homes. The loan proceeds are advanced to borrowers monthly and are based on a 10-year term. These loans allow senior homeowners the financial flexibility to stay in their homes and to live in the manner of their choosing.
- **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. This funding consists of payments received on prior multifamily loans, the Housing Montana Fund, the Multifamily Coal Trust Home Program, and Multifamily Bonds.
- **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. Investors purchase the awarded credits and the property owner uses the proceeds from the sale of the credits to reduce the amount of debt financing. This makes it economically feasible to operate the property at affordable rates.
- The board's **In-House Mortgage Servicing** provides Montana homeowners the benefit of local, easy-to-access servicing staff. The staff specialize in servicing government loans and in assisting and educating first-time homeowners. The Mortgage Servicing Program can provide Montana borrowers with contact information to resources such as real estate professionals, attorneys, and counselors.

The board continues to expand their servicing program. In fiscal year 2021, the board was servicing approximately 88% of their mortgage loans. As of July 1, 2021, the board gained an additional 589 loans in its servicing operations, increasing the percentage of loans serviced by the board to approximately 99%. The board is currently in the process of implementing the seller/servicer program with Freddie Mac. This will allow the board to offer Freddie Mac Program loans in Montana.

Market Rates and Inventory

The market rates for the first half of fiscal year 2021 were lower than what the board was able to offer, resulting in borrowers refinancing mortgages and a corresponding decrease in the board's loan portfolio. According to board personnel, fiscal year 2021 also saw a reduction in the amount of affordable homes available on the market as Montana saw an influx of people moving into the state and purchasing homes. This reduction in inventory led to purchase price increases across the state which resulted in sales prices that were beyond the loan program's purchase price limits set by the IRS.

For more information related to the lack of affordable housing inventory for first-time homebuyers, see the Management's Discussion and Analysis section of the Financial Statements beginning on page A-7.

Low Income Housing Tax Credit – Period of Affordability

The Tax Reform Act of 1986 created the Low-Income Housing Tax Credit (LIHTC) Program, one of the federal government's primary policy tools that incentivizes the development of affordable rental housing. This program awards nonrefundable 9% federal housing tax credits and 4% tax credits to developers. The annual credit claimed equals a project's qualified basis multiplied by the credit percentage. Congress sets limits each year on the amount of LIHTC's that can be allocated for the 9% credits. Developers must apply to the board for these credits. The developers sell the credits to investors and use the cash for construction. While the board considers several factors in determining which projects receive the credits, such as cost, location, and need, the decision is ultimately at the discretion of the board. The 4% tax credits are available for loans financed through the board's Tax-Exempt Revenue Bonds.

The following table shows the number of Low-Income Housing Tax Credit Rental Units in Montana since the program's inception in 1987.

Table 1

Number of Low-Income Housing Tax Credit Rental Units Created

Years	Noncompetitive Credits (4% Credits)	Competitive Credits (9% Credits)
2021*	700	165
2011 – 2020	1,267	2,056
2001 – 2010	440	2,003
1991 – 2000	180	2,682
1987 – 1990	0	493
Total	**2,587**	**7,399**

Source: Montana Board of Housing, unaudited.

* Through October.

As shown in Table 1, the number of units utilizing the 4% tax credits increased in 2021. Per board staff, this is due to the IRS locking the rate at 4%. Prior to locking the rate, actual rates were lower than 4%. Locking the rate made more projects economically feasible.

A period of affordability (POA) is mandatorily attached to any LIHTC project for a set number of years. This period is dictated by the Internal Revenue Service (IRS) and the Montana Board of Housing and is typically anywhere from 30 to 50 years. Property owners are required to maintain affordable rents and to comply with LIHTC regulations during the POA. Once the affordability restrictions end, these properties can be converted to market rents. Developers will sometimes apply for and receive additional credits to remodel current Multifamily rental units, which resets the POA for that project, adding an additional 30 to 50 years. Table 2 shows the number of projects with affordability periods ending through 2050.

Table 2

Projects With Affordability Periods Ending

Time Frame	Number of Units
2021 – 2030	2,181
2031 – 2040	1,680
2041 – 2050	1,163
Totals	**5,024**

Source: Montana Board of Housing, unaudited.

While the board continues to fund new Multifamily projects, the funding is contingent on the federal tax credits that they receive each year. If a project does not receive funding through the board, the developer can build the project and set rents at a price point that may not be affordable to many renters, or the developer can choose to not build the project at all. Some of the tax credits that the board receives are used for remodel projects in addition to new construction. Some years may see more new construction and fewer remodels and other years may see more remodels and less new construction. There is no guarantee the number of projects that the board will be able to fund will equal the number of units lost through the expiration of the POA. Program staff have stated that even though the board is able to fund projects to replace some of the lost units, this is not happening near Montana's current population growth speed. As the table above shows, Montana has over 2,000 units that will reach the end of their affordability period within the next ten years that could potentially be converted to market rents.

COVID-19

The board experienced higher delinquency rates in fiscal year 2021 than in prior years due to the COVID-19 Pandemic. Payment forbearance and foreclosure moratorium requirements at the federal level gave borrowers the option of not making monthly payments, while they experienced financial hardships due to COVID, without the risk of foreclosure. These payments are still due, and borrowers are now working with the board to bring their loans current. The board's delinquency rates are in line with the rates around the state, region, and in the United States.

Table 3
Delinquency and Foreclosure Rates as of June 2021

	30 Days Delinquent	60 Days Delinquent	90 Days Delinquent	Foreclosures in Process
Montana Board of Housing	1.02%	0.75%	4.26%	0.11%
Montana Mortgage Loans	0.82%	0.38%	2.51%	0.26%
Mountain Region	1.1%	0.56%	3.63%	0.23%
United States	1.34%	0.62%	4.16%	0.54%

Source: Montana Board of Housing, unaudited.

The foreclosure moratoriums expired on July 31, 2021, and the moratorium on foreclosure-related evictions expired on September 30, 2021. The Department of Housing and Urban Development (HUD), the Federal Housing Administration (FHA), and the Federal Housing Finance Agency (FHFA) have extended the initial forbearance request period until the expiration of the national COVID-19 emergency. This means that borrowers, depending on when they initially applied for forbearance, can receive anywhere from 12 to 18 months of mortgage forbearance; however, as previously stated, this does not mean that the payments are forgiven as they are still due.

For more information pertaining to COVID-19 and its impact on board operations, please refer to the Management's Discussion and Analysis starting on page A-7 and Note 17 on page A-44.

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
William Soller

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, a component unit of the state of Montana, as of June 30, 2021, 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, 2021, 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 Related 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 November 2, 2021, 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

November 2, 2021

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, 2021

The following information presents management's discussion and analysis of the Montana Board of Housing (Board) program and financial activity during the fiscal year ending June 30, 2021 (FY21). Please read this section in conjunction with the financial statements and accompanying notes.

Summary

- 551 Single-Family Mortgages were purchased with the Bond Program for $68.5 million.
- 88 Mortgage Credit Certificates were issued on a total loan amount of $21.9 million.
- A ten year $32.4 million allocation of Low Income Housing Tax Credits, at $3.24 million per year, was awarded during FY21, providing equity to produce or preserve affordable rental housing.
- 4 Reverse Annuity Mortgage (RAM) loans were originated in the amount of $494,412 thousand. RAM is currently assisting 52 elderly households.
- The Board issued $ 73.4 million of Single Family Mortgage Bonds.
- Bond debt retired was $100.6 million from prepayments and regular debt service and an additional $13.4 million was refunded with new bond funds.
- Gross bond debt payable decreased from $531.3 million to $494.0 million.
- Net position, including a prior period adjustment described in note 18, increased approximately $194 thousand during FY21.

Fiscal Year 2021 Update

Single Family Program

The Board experienced a decrease in its portfolio in FY21, both in number of loans and unpaid principal balance, because of a few variables. In the first half of the FY21, market rates were set lower that what the Board was able to offer through its bond issues. Market rates ranged from 2.4% to 2.9% and Board rates ranged from 2.75% to 3.5%. In the second half of the FY21, the Board saw an improvement in bond pricing which was reflected in the rates the Board was able to offer, which were consistently lower than market rates.

The new challenge the Board faced was a lack of affordable inventory for first time homebuyers to purchase. With the ability to work remotely, Montana experienced an influx of people moving from out of state to buy homes, and reducing the affordable inventory of homes. The reduction of the housing supply also drove purchase prices up around the State. In some counties, sales prices increased beyond what first time homebuyers could afford. In other counties, sale prices increased beyond the IRS purchase price limits set for our loan programs. We also saw an increased number of loan payoffs in our portfolio as borrowers took advantage of high property values, either refinancing or selling their homes. The Board continues to explore opportunities to expand its programs and offer low interest loans and down payment assistance to first time homebuyers.

The Board currently offers two down payment assistance programs. The 0% Deferred Program is funded from agency reserves. There is a maximum loan amount of $6,500 and income limit of $55,000 for households of 1 or 2 people, and $65,000 for family size of 3 or more. The amortizing Bond Advantage DPA Program offers a 15 year amortizing loan with the same interest rate as the first loan, with a maximum loan amount of $10,000. The amortizing DPA is now being funded through bond proceeds.

Loan Servicing Program

The Board was servicing 87% of its own Single Family loans and all of its Multifamily loans at the end of FY21. As of June 30, 2021, the portfolio size decreased by 267 loans.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

As of June 30, 2021, the Board was servicing 211 COVID-19 formal loan forbearances belonging to the Board of Housing. Forbearance is a temporary postponement of mortgage payments. Forbearance is mandated by the Federal Housing Administration (FHA), Department of Veterans Affairs (VA) and USDA Rural Development (RD).

Multifamily Program

The Board offers a variety of financing options for the development of affordable multifamily rental units including Federal Low Income Housing Tax Credits and permanent loan products. During FY2021, the Board allocated $32.4 million in housing credits to be used over ten years to produce 162 rental units in Montana.

The Board has seen an increase in the number of Low Income Housing Tax Credit properties funded with 4% tax credits and conduit bonds. In FY21, we issued $204 million in conduit bonds to produce 1,208 additional rental units.

Finance

The global outbreak of COVID-19 and measures taken by federal, state and local governments in response, are altering the behaviors of individuals and businesses in a manner that may have negative effects on economic activity across the country and in the State. See Note 17, Operation Disruption Risk - COVID-19.

One factor that did affect the Board were low interest rates on investments. The lower interest rates reduced the number of appropriate securities available for the Board to purchase for the investment portfolio. The lower interest rates also reduced fair values of current investments and produced lower investment income.

Changes in actuarial assumptions used to calculate pension and OPEB liabilities and allocated expenses caused increases in the pension and OPEB liabilities and expenses that further reduced Board income.

Low loan rates available to borrowers caused a decrease in the mortgage loans receivable as borrowers refinanced home loans. Increase in home sale prices contributed to some slow down in loan purchasing and reduced the loan portfolio. This decrease also caused a decrease in interest income from mortgage loans.

Overview of the Financial Statements

The Board is a self-supporting entity using no Montana State government general fund appropriations to operate. The Board 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 Board, citizens, taxpayers, legislatures, customers, clients, investors and creditors, with an overview of the Board operations and to demonstrate accountability for the resources with which the Board is entrusted.

MONTANA BOARD OF HOUSING
CONDENSED FINANCIAL INFORMATION
CHANGE IN NET POSITION AND OPERATING INCOME
YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2020
Assets:			
Current Assets	$ 156,494,347		$ 142,713,511
Non-current Assets	511,010,383		563,594,981
Total Assets	667,504,730	1	706,308,492
Deferred Outflows of Resources:	1,073,265		554,552
Liabilities:			
Current Liabilities	27,697,936		31,296,245
Non-current Liabilities	480,568,519		515,291,153
Total Liabilities	508,266,455	2	546,587,398
Deferred Inflows of Resources:	204,270		362,198
Net Position:			
Invested in Capital Assets	2,589		2,891
Restricted	160,104,681		159,910,557
Total Net Position	160,107,270		159,913,448
Operating Revenue:			
Interest on Loans	18,949,898	3	20,626,159
Earnings from Investments	(169,366)	4	4,484,946
Fees and Charges	2,581,752	5	1,712,635
Other Income	29,539		29,466
Total Operating Revenue	21,391,823	6	26,853,206
Operating Expenses:			
Bond Expenses	16,321,671		18,175,175
Servicing Fees	628,706	7	1,333,792
General and Administrative	4,869,149		4,946,509
Total Expenses	21,819,526		24,455,476
Operating Income (Loss)	(427,703)		2,397,730
Non-operating revenue			
Pensions - Non-employer Contributions	126,640		39,805
Total Non-operating Income	126,640		39,805
Income (Loss) before transfers	(301,063)		2,437,535
Transfer From Other Agency	501,433	8	—
Increase (Decrease) in Net Position	200,370		2,437,535
Net Position, Beginning of Year	159,913,448		157,475,913
Adjustments to Beginning Net Position	(6,548)		—
Net Position, End of Year	$ 160,107,270		$ 159,913,448

[1] The $38.8 million reduction in assets was caused by a $45.4 million reduction in Mortgage Loans Receivable that occurred due to the availability of lower market rates on home loans. These rates caused refinancing of Board loans and a reduction in the purchases of new Board loans.

[2] The majority of the $38.3 million drop in liabilities was due to a reduction in the Board's bonds payable. This was also due to the drop in rates which allowed to Board to refund a higher interest rate bond at lower rates. Prepayments and payoffs were also used to call bonds, lowering the bonds payable amounts.

[3] The $1.7 million decrease in interest income was also due to the reduction in the Mortgage Loans Receivable and the lower interest rates on new loans purchased.

[4] The investment market during FY21 fluctuated markedly and at fiscal year-end caused a drop in the value of the board investments of $1.7mm. The Board also had several longer term higher yield investments that matured during FY21 and there were to replacement option, decreasing investment income.

[5] $801.5 thousand of the $869.1 thousand increase in fee income was from fees associated with conduit debt fees.

[6] Overall revenue was also affected by a $1.7 million drop in the fair value of Board investments during FY21. Maturity of some long-term investments with no suitable replacement options also negatively affected the earnings from investments.

[7] As the Board continues to service more of their own loans service fees will continue to drop because we will not be paying outside servicers.

[8] $501,433 was transferred from the Real Estate Recovery account to the Housing Montana Fund. For more information on this transfer, see Note 20.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 115,927,871
Investments	16,708,362
Mortgage Loans Receivable, Net	18,306,538
Corporate Advance	925,973
Interest Receivable	4,460,386
Prepaid Expense	165,217
Total Current Assets	156,494,347
Non-current Assets	
Investments	30,006,334
Mortgage Loans Receivable, Net	479,318,199
Mortgage Backed Securities	437,032
Acquisition Costs	1,237,840
Capital Assets, net	10,978
Total Non-current Assets	511,010,383
TOTAL ASSETS	667,504,730
DEFERRED OUTFLOW OF RESOURCES	
Deferred Refunding Costs	151,231
Deferred OPEB Outflows	320,587
Deferred Pension Outflow	601,447
TOTAL DEFERRED OUTFLOWS	1,073,265
LIABILITIES	
Current Liabilities	
Accounts Payable	2,454,851
Funds Held For Others	6,416,112
Accrued Interest - Bonds Payable	1,366,765
Bonds Payable, Net	16,820,000
Arbitrage Rebate Payable to U.S. Treasury Department	521,085
Accrued Compensated Absences	112,848
Leases Payable within 1 year	6,275
Total Current Liabilities	27,697,936
Non-current Liabilities	
Bonds Payable, Net	477,142,624
Arbitrage Rebate Payable to U.S. Treasury Department	239,529
Accrued Compensated Absences	249,739
Net Pension Liability	2,554,290
Other Postemployment Benefits	380,223
Lease Payable	2,114
Total Non-current Liabilities	480,568,519
TOTAL LIABILITIES	508,266,455
DEFERRED INFLOW OF RESOURCES	
Deferred OPEB Inflow	20,860
Deferred Pension Inflow	183,410
TOTAL DEFERRED INFLOWS	204,270
NET POSITION	
Net Investment in Capital Assets	2,589
Restricted for Bondholders:	
Unrealized (losses) gains on investments	5,356,008
Single Family Programs	126,889,033
Various Recycled Mortgage Setaside Programs	3,112,062
Multifamily Programs	12,786,860
Multifamily Project Commitments	125,767
Reverse Annuity Program	8,322,749
Restricted for Affordable Revolving Loan Program	3,512,202
TOTAL NET POSITION	$ 160,107,270

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Interest Income - Mortgage Loans	$ 18,949,898
Interest Income - Investments	1,538,661
Fee Income	2,581,752
Net Increase (Decrease) in Fair Value of Investments	(1,708,027)
Other Income	29,539
Total Operating Revenues	21,391,823
OPERATING EXPENSES	
Interest on Bonds	15,107,710
Servicer Fees	628,706
Contracted Services	828,852
Amortization of Refunding Costs	51,380
Bond Issuance Costs	928,992
General and Administrative	3,853,093
Arbitrage Rebate Expense	233,589
TANF Spec Project Expense	(238,682)
Pension Expense	402,729
Other Post-Employment Benefits	23,157
Total Operating Expenses	21,819,526
Operating Income (Loss)	(427,703)
Nonoperating Revenues (Expenses)	
Pensions - nonemployer contribution	126,640
Nonoperating Income (Loss)	126,640
Income (Loss) before transfers	(301,063)
Transfer from Other Agency	501,433
Increase (Decrease) in Net Position	200,370
Net Position, July 1 - as previously reported	159,913,448
Adjustments to Beginning Net Position (Note 18)	(6,548)
Net Position, July 1 as restated	159,906,900
Net Position, End of Year	$160,107,270

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, 2021

CASH FLOWS FROM OPERATING ACTIVITY:	
Receipts for Sales and Services	$ 4,794,216
Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans	132,269,613
Collection (Disbursement) on Loan Escrow Accounts	(840,001)
Cash Payments for Loans	(68,444,318)
HUD Rental Adjustment Expense	238,682
Payments to Suppliers for Goods and Services	(4,412,198)
Payments to Employees	(2,703,045)
Corporate (Advances) Repayments	(711,774)
Other Operating Revenues	29,539
Net Cash Provided (Used) by Operating Activities	60,220,714
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payment of Principal and Interest on Bonds and Notes	(128,558,829)
Proceeds from Issuance of Bonds and Notes	73,410,000
Payment of Bond Issuance Costs	(928,995)
Premium Received on Bonds	2,504,125
Transfer From Other State Agency	501,433
Purchase of Mortgage Servicing Rights	(488,404)
Net Cash Provided (Used) by Non-capital Financing Activities	(53,560,670)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(12,257,000)
Proceeds from Sales or Maturities of Investments	4,993,906
Change in Interest on Investments	(193,294)
Arbitrage Rebate Tax	(593,665)
Net Cash Provided (Used) by Investing Activities	(8,050,053)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,390,009)
Cash and Cash Equivalents, July 1	117,317,880
Cash and Cash Equivalents, June 30	$ 115,927,871

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, 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	(427,703)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation		6,482
Amortization		(1,121,964)
Interest Expense		17,311,755
Interest on Investments		(1,637,574)
Arbitrage Rebate Tax		233,589
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable		46,263,421
Decr (Incr) in Other Assets		(1,664,216)
Decr (Incr) in Fair Value of Investments		1,695,562
Incr (Decr) Accounts Payable		(641,566)
Incr (Decr) Funds Held for Others		(790,230)
Incr (Decr) Pensions Payable		682,449
Incr (Decr) in Compensated Absences Payable		803
Incr (Decr) Other Postemployment Benefits		316,086
Incr (Decr) Leases Payable		(6,180)
Net Cash Provided (Used) by Operating Activities	$	60,220,714

Noncash Investing, capital, and financing activities: During FY21, Board investments decreased in fair value by $1,708,027. The fair value decrease was not realized in cash during FY21.

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
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

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 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 as a reporting entity. The financial statements of the Board are presented as a component unit in the State of Montana's Annual Comprehensive Financial Statement. The enterprise fund of the Board 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 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.

As disclosed in Note 5 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 $2,589 of net investment in capital assets and $160,104,681 of restricted net position.

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.

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 non-operating revenues or expenses. 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 are generally insured by the Federal Housing Administration (FHA), guaranteed by Veterans Administration (VA), Rural Development (RD), 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 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. 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.

On April 13, 2020, the office of the prior Governor, Steve Bullock, issued an Executive order that allowed the Board to administer TANF Housing Assistance funds as grants, not just as loans. "To provide for the program, to allow for the expenditure of available TANF funds, and to allow for grant payments, strict compliance with §§ 90-6-133(1)(b) and 90-6-134(1) MCA, and ARM 8.111.508(4) is suspended for the duration of the emergency, but only for the limited purposes of administering the program described in this Directive."

Montana Housing granted over $430,000 to over 100 eligible families under this Program. Since using this fund source as grants for emergency housing assistance was not originally a budgeted use, we were able to receive reimbursement from the Department of Commerce, who facilitated the CARES Act CRF funds. A portion of this reimburse was received during FY21.

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 Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), Rural Development (RD), Housing and Urban Development (HUD), private mortgage insurance 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 5 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 purchases, 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 post employment 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 computer, software and capital leases. 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. Multifamily reserves are held to be used for repairs on the Multifamily properties as a requirement of the loan type. Expenditures from the Multifamily reserves have to be approved and documented by the Board.

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, 2021, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

Program Funds:		
Cash Deposited with State Treasury	$	6,317,455
Custodial Cash		6,613,695
Cash on Hand[9]		36,646
Short-Term Investments		102,960,075
Total Cash and Cash Equivalents	$	115,927,871

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.

[9] Cash on hand is a combination of cash held for customer change and cash or checks received but not deposited on June 30, 2021.

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.

	Fair Value June 30, 2021	Moody's Rating	S&P Rating	Effective Duration
Government Sponsored Enterprises				
Federal Home Loan Bank	$ 11,203,289	Aaa	AA+	4.79
FHLMC[1] Bonds	3,268,525	Aaa	AA+	12.45
FNMA[2] Medium Term Notes	15,901,829	Aaa	AA+	14.63
FNMA[2] Mortgage Backed Securities	437,032	Aaa	AA+	12.92
	$ 30,810,675			
U.S. Treasury Bonds	5,999,316	Aaa	AA+	6.46
U.S. Treasury Notes	4,836,664	Aaa	AA+	1.88
U.S. Treasury Bills – Short Term (at amortized cost)	5,505,073	Aaa	A-1+	1.00
Trustee Money Market Accounts (at amortized cost)[3]	102,960,075	NR	NR	N/A
Total Investments (including Money Market)	$ 150,111,803			

[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, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)[10]	Significant Other Observable Inputs (Level 2)[10]	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Fixed income investments				
U.S. Treasuries	$ 10,835,980	$ 10,835,980		
Agency/Government Related	30,373,643		30,373,643	
Commercial Mortgage Backed Securities	437,032		437,032	
Total fixed income investments	$ 41,646,655	$ 10,835,980	$ 30,810,675	
Investments Measured at Amortized Cost[11]				
Short Term U.S. Treasuries	5,505,073			
Money Market Accounts	102,960,075			
Total investments managed	$ 150,111,803			

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

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 (FHA), are guaranteed by the Veterans' Administration (VA), United States Department of Agriculture Rural Development (RD) program, private mortgage insurance (Single Family 1977 Indenture only), or are uninsured if the mortgages have a loan to value of less than 80%.

[10] 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.

[11] 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.

In accordance with GASB Statement No. 48, the pledging of mortgage loans receivable is considered a collateralized borrowing. Collateralized mortgage loans receivable[12], as of June 30, 2021, consist of the following:

Single Family Program	$	481,517,755
Multifamily Program		5,798,255
Housing Trust Program		2,696,491
Housing Montana Fund		2,134,821
		492,147,322
Net mortgage discounts and premiums		4,553,106
Allowances for losses and real estate owned (Note 6)		(300,000)
Net Collateralized Mortgage Loans Receivable	$	496,400,428

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, 2021 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 zero (0) real estate owned properties as of June 30, 2021. . 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, 2020	$	300,000
Plus: Additional provision		—
Less: Net loans charged off		—
Balance as of June 30, 2021	$	300,000

[12] Collateralized mortgage loans receivable do not include loans receivable by the Servicing Department in the amount of $ 1,224,310.

NOTE 7. CAPITAL ASSETS AND CAPITAL LEASES

Capital assets consist primarily of computer software and equipment and other office equipment. Capital leases are for leased copy machines. Capital asset balances as of June 30, 2021 are as follows:

Capital Assets:		
Equipment	$	29,984
Accumulated Depreciation		(19,005)
Capital Assets, net	$	10,979

Depreciation expense included in general and administrative expense was $6,481 for the year ended June 30, 2021. The amortization of the leased assets are included in depreciation expense. Leases are not included in Net Investment in capital assets on the Statement of Net Position but are included in net capital assets.

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, 2021:

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	$	27,065,000
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	$	39,815,000
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	$	23,825,000
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	$	28,260,000
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	$	32,810,000
2019				
Series B serial and term bonds at 1.30% to 4.00% maturing in scheduled semi-annual installments to December 1, 2034, December 1, 2039, December 1, 2044, December 1, 2049, and June 1, 2050.	$	30,000,000	$	26,260,000

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2020 Series A-1 and A-2 serial and term bonds at 1.10% to 3.50% maturing in scheduled semi-annual installments to December 1, 2034, December 1, 2039, December 1, 2044, December 1, 2049 and June 1, 2050.	$	42,425,000	$	37,625,000
2020 Series B serial and term bonds at 0.75% to 4.00% maturing in scheduled semi-annual installments to December 1, 2035, December 1, 2040, December 1, 2045, June 1, 2050, and December 1, 2050.	$	37,200,000	$	34,070,000
2020 Series C serial and term bonds at 0.15% to 3.00% maturing in scheduled semi-annual installments to December 1, 2035, December 1, 2040, December 1, 2045, June 1, 2050, and December 1, 2050	$	30,000,000	$	29,790,000
2021 Series A serial and term bonds at 0.30% to 3.00% maturing in scheduled semi-annual installments to December 1, 2036, December 1, 2041, December 1 2046, December 1, 2050, and June 1, 2051	$	43,410,000	$	43,410,000
Bonds outstanding Single Family I			$	322,930,000
Unamortized bond premium (discount)				8,289,070
Total Bonds Payable Single Family I			$	331,219,070

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	$	24,010,000
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	$	16,120,000
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	$	31,485,000
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	$	5,525,000

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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	$ 29,220,000
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	$ 31,885,000
Bonds outstanding Single Family II		$ 138,245,000
Unamortized bond premium (discount)		1,748,735
Total Bonds Payable Single Family II		$ 139,993,735

Single Family XI Mortgage Bonds:	Original Amount	Balance
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	$ 7,260,000
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	$ 10,895,000
Bonds outstanding Single Family XI		$ 18,155,000
Unamortized bond premium (discount)		105,897
Total Bonds Payable Single Family XI		$ 18,260,897

Single Family General Obligation Bonds:	Original Amount	Balance
2008		
Series A General Obligation Private Placement Bonds.	$ 497,942	$ 213,216
Total Single-Family Mortgage Bonds Payable, Net		$ 489,686,918

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, 2021, $497,942 of bonds have been issued.

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	$	165,000
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	$	4,130,000
Bonds outstanding Multifamily			$	4,295,000
Unamortized bond premium (discount)				(19,294)
Total Multifamily Mortgage Bonds Payable, Net			**$**	**4,275,706**

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	**$**	**493,962,624**

The following is a summary of bond principal and interest requirements as of June 30, 2021:

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
2022	$	31,741,844	$	377,618	$	16,820,000	$	15,299,462
2023		32,301,564		380,229		17,745,000		14,936,793
2024		32,638,178		396,975		18,510,000		14,525,153
2025		32,282,632		392,710		18,590,000		14,085,342
2026		35,006,639		387,858		21,775,000		13,619,496
2027-2031		160,960,132		1,836,456		104,065,000		58,731,588
2032-2036		140,745,239		1,679,800		101,050,000		41,375,039
2037-2041		107,875,430		1,923,200		84,458,216		25,340,414
2042-2046		76,923,976		—		65,305,000		11,618,976
2047-2051		38,133,156		—		35,520,000		2,613,156
Total	**$**	**688,608,790**	**$**	**7,374,846**	**$**	**483,838,216**	**$**	**212,145,419**

Cash paid for interest expenses during the year ended June 30, 2021 was $17,528,829.

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	$526,888,477	$73,708,442	$110,910,001	$489,686,918	$ 16,695,000	$ 472,991,918
Multifamily, net	4,394,068	1,638	120,000	4,275,706	125,000	4,150,706
Total bonds/notes payable, net	531,282,545	73,710,080	111,030,001	493,962,624	16,820,000	477,142,624
Arbitrage Payable	1,120,690	233,589	593,665	760,614	521,085	239,529
Compensated absences payable[13]	361,782	805	—	362,587	112,848	249,739
Net pension liability[13]	1,870,826	683,464	—	2,554,290	—	2,554,290
OPEB implicit rate subsidy[14]	64,138	316,085	—	380,223	—	380,223
Lease Obligation	14,569	—	6,180	8,389	6,275	2,114
Total other liabilities	3,432,005	1,233,943	599,845	4,066,103	640,208	3,425,895
Total Business-type activities long-term liabilities	$534,714,550	$74,944,023	$111,629,846	$498,028,727	$ 17,460,208	$ 480,568,519

[13] 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.

[14] 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, 2021 the Board redeemed Single Family and Multi-Family mortgage program bonds prior to scheduled maturity as follows:

Single Family I		
December 1	$	12,270,000
June 1		33,445,000
		45,715,000
Single Family II		
December 1		9,715,000
June 1		18,015,000
		27,730,000
Single Family XI		
December 1		5,800,000
April 1		7,680,000
June 1		9,110,000
		22,590,000
Total	$	96,035,000

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 $13,580,021 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		1,472,671
Total Single-Family Commitments	$	3,112,061

Single Family I - Reverse Annuity Mortgage Program Future Loan Amounts: $ 3,102,939

Housing Trust Fund Program:

Reverse Annuity Mortgage Program Funds: $5,219,810

NOTE 11. EMPLOYEE BENEFIT PLANS

Summary of Significant Accounting Policies – Defined Benefit Retirement Plan (DBRP)

Montana Public Employee Retirement Administration (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 Net Pension Liability (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. 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. MPERA applied all applicable pronouncements of GASB.

General Information about the Pension Plan

Plan Description

The PERS - 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 PERS - DBRP and have a 12-month window during which they may choose to remain in the PERS - DBRP or join the PERS - Defined Contribution Retirement Plan (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.

Service Retirement:

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

Early Retirement:

- 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)

- 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 refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018)
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retire before January 1, 2016 and accumulate at least 2 years of additional service credit;
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - 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

- 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.

- 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.

- 3% 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:
  - 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	
2021	7.900%	7.900%	8.870%
2020	7.900%	7.900%	8.770%
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%

- 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.
- Employer contributions to the system:
  - 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.
  - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - 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.
- Non-Employer Contributions:
  - Special Funding
    - The State contributed 0.1% of members' compensation on behalf of local government entities.
    - The State contributed 0.37% of members' compensation on behalf of school district entities.
    - The State contributed a Statutory Appropriation for the General Fund of $33,951,150

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, 2020, was determined by taking the results of the June 30, 2019, 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 of the Board's and the State of Montana's NPL as of the measurement date for June 30, 2020 are displayed below. The Board's 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 $2,554,290 and the employers proportionate share of the collective NPL was 0.137% percent.

As of measurement date	Net Pension Liability as of June 30, 2020	Net Pension Liability as of June 30, 2019	Percent of Collective NPL as of June 30, 2020	Percent of Collective NPL as of June 30, 2019	Change in Percent of Collective NPL
Board of Housing Proportionate Share	$ 2,554,290	$ 2,005,526	0.137 %	0.129 %	0.001 %
State of Montana Proportionate Share associated with the Board	774,355	628,538	0.001 %	0.030 %	(0.001)%
Total	$ 3,328,645	$ 2,634,064	0.138 %	0.159 %	— %

Changes subsequent to the measurement date

Since the measurement date, the plan has experienced significant investment returns that are expected to have a favorable impact on the net pension liability.

Changes in actuarial assumptions and methods

The following changes in assumptions or other inputs were made that affected the measurement of TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

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, 2020, the Board recognized $402,729 for its proportionate share of the Plan's pension expense. Additionally, the Board recognized grant revenue of $126,640 from the State Statutory Appropriations from the General fund.

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Recognition of Deferred Inflows and Outflows

At June 30, 2020, 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	$ 41,231	$ 73,031
Projected Investment Earning vs. Actual Investment Earnings	221,179	—
Changes in assumptions	176,875	—
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	110,379
Employer Contributions Subsequent to the Measurement Date	162,162	—
Total	$ 601,447	$ 183,410

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
2021	$ (22,544)
2022	$ 145,879
2023	$ 77,282
2024	$ 55,259
Thereafter	$ 0

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

Investment Return (net of admin expense)	7.34%
Administration Expense as a Percentage of Payroll	0.30%
General Wage Growth*	3.50%
*Includes Inflation at	2.40%
Merit Increases	0% to 4.80%
Postretirement Benefit Increases	
Guaranteed Annual Benefit Adjustment (GABA) each January	
• After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to member the member's benefit.	
◦ Members hired prior to July 1, 2007	3.0%
◦ Members hired between July 1, 2007 & June 30, 2013	1.5%
◦ Members hired on or after July 1, 2013	
▪ For each year PERS is funded at or above 90% - the 1.5% is reduced by 0.1% for each 2.0% PERS is below 90%	1.5%
▪ 0% whenever the amortization period for PERS is 40 years or more	0.0%
Mortality	
• Contributing members, service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
• Disabled Members	RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, 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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the Survey of capital market assumptions 2020 edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.11%
Domestic Equity	30.00 %	6.19%
International Equity	16.00 %	6.92%
Private Investments	14.00 %	10.37%
Natural Resources	4.00 %	3.43%
Real Estate	9.00 %	5.74%
Core Fixed Income	20.00 %	1.57%
Non-Core Fixed Income	5.00 %	3.97%
Total	100.0 %	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.34%. 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 contributes 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 2123. 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 7.34%, 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**
	(6.34)%	(7.34)%	(8.34)%
DBRP Total Plan	$ 22,959,111	$ 16,680,057	$ 11,405,695
BOH	$ 3,515,829	$ 2,554,290	$ 1,746,604

Disclosure for the defined contribution plan

PERS also manages a defined contribution retirement plan (PERS-DCRP) that is reported as a multiple-employer plan established July 1, 2002, and governed by title 19, chapter 2 &3, MCA. PERS-DCRP benefits are based on individual account balances. Member rights are immediately vested in their own contributions and attributable income. Members are vested after five 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. Forfeitures are used to pay the administrative expenses of the DCRP. At the plan level, the DCRP employer did not recognize any Net Pension Liability or pension expense.

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 contribution 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 year ended June 30, 2020, the Board did not recognize a net pension liability or any pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 329 employers that have participants in the DCRP totaled $775,195.

Pension Plan Fiduciary Net Position

The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) Annual Comprehensive 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, (460) 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 $101 and $327 per month depending on the medical plan selected, family coverage, and eligibility. Administratively established premiums vary between $19.90 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 50% 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 $ 593,665 in arbitrage rebate cash payments, from the arbitrage rebate and yield liability accounts, to The United States Treasury Department in FY21. The related liability was $760,614 as of June 30, 2021.

Balance as of June 30, 2020	$1,120,690
Plus: Increases	233,589
Less: Reductions	593,665
Balance as of June 30, 2021	$760,614

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, 2021 are as follows:

Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2007 (South Forty Apartments)	$ 5,100,000	$ 4,395,883
Multifamily Housing Revenue Bond Series 2012 A-1 (Rainbow/Silver Bow Apartments)	$ 857,000	$ 749,990.22
Multifamily Housing Revenue Bond Series 2012 A-2 (Rainbow/Silver Bow Apartments)	$ 4,032,000	$ 3,537,847.29
Multifamily Housing Revenue Bond Series 2012 B-1 (Rainbow/Silver Bow Apartments)	$ 850,713	$ 830,364.54
Multifamily Housing Revenue Bond Series 2015 A (Larkspur Commons Apartments)	$ 15,500,000	$ 11,578,788.53
Multifamily Housing Revenue Bond Series 2017 (Big Sky Manor Apartments)	$ 4,500,000	$ 3,837,370.48
Multifamily Housing Revenue Bond Series 2018 (Copper Ridge Ridge 4 Apartments)	$ 3,584,712	$ 3,584,712
Multifamily Housing Revenue Bond Series 2018 (Rockcress Commons Apartments)	$ 15,000,000	$ 8,730,793.13

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Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2018 (Starner Gardens Apartments)	$ 15,000,000	$ 9,406,814
Multifamily Housing Revenue Bond Series 2019 (Red Alder Residences)	$ 6,000,000	$ 5,992,894.7
Multifamily Housing Revenue Bond Series 2020 (Emporda Apartments)	$ 3,600,000	$ 3,240,000
Multifamily Housing Revenue Bond Series 2020 (Ponderosa Acres)	$ 20,915,000	$ 20,915,000
Multifamily Housing Revenue Bond Series 2020 (Butte I Affordable Owner I)	$ 13,200,000	$ 13,200,000
Multifamily Housing Revenue Bond Series 2020 (Butte Affordable Owner II)	$ 29,300,000	$ 29,300,000
Multifamily Housing Revenue Bond Series 2020 (Arrowleaf Park Apartments)	$ 26,000,000	$ 10,024,499.39
Multifamily Housing Revenue Bond Series 2020 (Perennial Park Apartments)	$ 19,000,000	$ 10,722,566.07
Multifamily Housing Revenue Bond Series 2021 (Trinity Apartments)	$ 36,000,000	$ 1,973,994.39
Multifamily Housing Revenue Bond, Series 2021 (DMS Portfolio Project)	$ 28,500,000	$ 28,500,000
Multifamily Housing Revenue Bond, Series 2021 (Villagio Apartments)	$ 43,000,000	$ 50,001
Multifamily Housing Revenue Bond, Series 2021 (Boulevard Apartments)	$ 7,000,000	$ 7,000,000

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.

Deferred Bond Costs

On June 30, 2021, there were $151,230 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

On March 31, 2021, the Board issued $43,410,000 of Single Family Family Mortgage Bonds, Series 2021 A (1977 Single Family I Indenture, amended and restated as of May 1, 1997). Bond proceeds of $13,410,000 were used as a replacement refunding of the 2011B/2009C Series to reduce debt service payments over the remaining life of the original series. The refunding was a current refunding, thus no economic gain or loss has been calculated.

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information Non-trust Plan

The Board provides optional post-employment (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. Spouses, unmarried dependent children, and surviving spouses are also eligible for the 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.

As listed in the Montana State 2020 Retirement Health Benefits Planning Book, the premiums varied between $457 and $2,172 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, 2021.

As of December 31, 2020, there are 36 active employees and 3 retired employees, spouses and surviving spouses for a total of 39 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:

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Beginning Balance	
April 1, 2020	$ 64,138
Service Cost	1,701
Interest	1,792
Difference between expected and actual experience	192,370
Changes of assumptions or other inputs	121,614
Benefit Payments	(1,392)
Net Changes	$ 316,085
Balances at	
June 30, 2021	$ 380,223

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 an 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 in the future.

The schedule of changes in the Board's TOL and related ratios, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of the plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the Boards' TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

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The State's OPEB plan TOL actuarial valuation on December 31, 2020, rolled forward to March 31, 2021, was determined using the following actuarial assumptions and other inputs and applied to all periods included in the measurement, unless otherwise specified:

Contributions (in thousands):	**Retiree/Surviving Spouse**	**Spouse**
Before Medicare eligibility	$15,505	$3,025
After Medicare eligibility	3,238	1,573

Actuarial valuation date	December 31, 2020
Measurement date	March 31, 2021
Actuarial funding method	Entry age normal
Asset valuation	Not applicable since no assets meet the definition of plan assets under GASB 75
Actuarial assumptions:	
Interest / discount rate	2.23%
Projected payroll increases	2.50%
Average retirement age	
Pre-65 Retirees	61.50
Post-65 Retirees	77.00
Participation	40% of future retirees and 70% of future retirees who elect medical coverage and are married are assumed to elect spousal coverage as well.
Marital status	Actual spouse information is used for current retirees. Marital status at retirement for future members assumed to be 70%. Males are assumed to be 3 years older than females.
Healthcare cost trend rates	The current medical health care cost trend rate is 6.0%. Annual decreases begin in 2022 with an ultimate rate of 3.8%. The current Prescription
Retiree Contribution Increases	Current year was based on actual trend. For retiree/surviving spouse and spouse the increase is 0.00% in 2021 increasing up to 7.1% and then decreasing up to 0.03% per year to an ultimate rate of 3.8%

Mortality - Healthy: Healthy mortality rate for all other groups except the Teachers' Retirement System (TRS), healthy mortality is assumed to follow the RP2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: The disabled mortality rate assumed to follow the RP2000 Combined Mortality Table with no projections.

Changes Since Prior Valuation: Interest rate/Discount rate based upon Multiple March 31, 2021 municpal bond rate sources. An increase in deferred outflows due to no retiree contribution increase and due to a decrease in the interest rate from 2.75% to 2.23%

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:

		State Total OPEB Liability	BOH OPEB Liability	State Actuarially Determined Contribution	BOH Actuarially Determined Contribution
1.0% Decrease	1.23%	$ 186,274,056	$ 489,829	$ 21,639,313	$ 57,808
Current Discount Rate	2.23%	$ 147,513,472	$ 380,223	$ 16,101,058	$ 42,406
1.0% Increase	3.23%	$ 118,458,265	$ 298,459	$ 12,167,590	$ 31,481

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	5.00%	$ 116,506,565	$ 293,011	$ 12,147.785	$ 31,297
Current Discount Rate	6.00%	$ 147,513,472	$ 380,223	$ 16,101,058	$ 42,406
1.0% Increase	7.00%	$ 190,340,880	$ 501,278	$ 21,713,524	$ 58,213

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

For the year ended June 30, 2021, the Board had an OPEB expense of $23,157. At June 30, 2021, 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	$ 201,664	$ (5,499)
Changes in assumptions	113,997	(15,361)
Contributions	4,926	
Total	$ 320,587	$ (20,860)

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	
2021	$	24,112
2022	$	24,112
2023	$	24,112
2024	$	24,112
2025	$	24,112
2026	$	24,112
Thereafter	$	174,243

Payable to the OPEB Plan

At March 31, 2021, the Board reported a payable of $380,223 for the outstanding amount of contributions to the Department of Administration required for the year ended June 30, 2021. The Board's employer contributions between April 1, 2021 and June 30, 2021 were $4,948.65.

Net OPEB Liability

The Board’s net OPEB liability of $380,223 is approximately 0.26% of the total primary government OPEB liability of $147,513,472 as measured on March 31, 2021 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, 2020 with a rolled forward actuarial valuation measurement date of March 31, 2021.

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, 2021:

Fee Income and Servicers Fees related to in-house loan servicing $ 2,212,465

NOTE 17 OPERATION DISRUPTION RISK - COVID-19

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Board’s ability to conduct its business. A prolonged disruption in the Board’s operations could have an adverse effect on the Board’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Board has developed a Montana Board of Housing Business Continuity Plan and a Housing Division Business Continuity Plan (collectively, the "Plan"). The Plan is designed to (i) evaluate the impact of such an event on the Board's business function and processes, (ii) provide a priority ranking of these functions and processes to assist the Board's leadership in allocating recovery resources based upon such priorities, and (iii) provide procedures to protect, restore or recover, as the case may be, the Board's business functions and processes. No assurances can be given that the Board's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations in the event of an emergency.

One such external event is the recent global outbreak of COVID-19 ("COVID-19"), a respiratory disease declared in 2020 to be a pandemic (the "Pandemic") by the World Health Organization, and an emergency by federal and state governments. The Pandemic continues to affect the national capital markets and may negatively impact the State's housing market in its overall economy. The threat from the Pandemic is being addressed on a national, federal, state and local level in various forms, executive orders and legislative actions.

Since the declaration, by the President of the United States, of a national emergency with respect to the pandemic, the United States Congress enacted several COVID-19-related bills. These bills include the Coronavirus Aid, Relief, Economic Security Act (CARES Act), the Consolidated Appropriations Act of 2021, and the American Rescue Plan Act of 2021 (ARPA). Through these programs, Montana has provided and continues to provide rental housing assistance, mortgage assistance and assistance with utilities to help prevent displacement of Montana residents.

Among other things, the CARES Act provides that during the COVID-19 emergency, borrowers of mortgage loans which are FHA insured, VA, HUD or Rural Housing guaranteed, or purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Single Family Loans") who are directly or indirectly experiencing economic difficulties as a result of the coronavirus can seek up to 360 days of payment forbearance. Additionally, the CARES Act created a foreclosure and eviction moratorium on all Federal Single Family Loans. In addition to the foreclosure and eviction relief provided by the CARES Act, HUD/FHA and the Federal Housing Finance Agency ("FHFA") also ordered the servicers of Federal Single Family Loans to suspend foreclosures and evictions of Federal Single Family Loans; HUD/FHA and FHFA have extended their maximum foreclosure moratorium up to an additional six months and eviction moratorium expires in September 30, 2021 for single-family residences. Effective June 30, 2021, the Board is servicing 211 forbearances. New HUD guidance issued on September 27th provides up to six months of COVID-19 forbearance between October 1, 2021 and the end of the COVID-19 national emergency.

The Pandemic is an ongoing situation. At this time the Board cannot predict (i) the duration or extent of the Pandemic or any other outbreak emergency; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Board's ability to foreclose and collect on delinquent mortgage loans; the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the CARES Act; (iv) whether and to what extent the Pandemic or other outbreak or emergency may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any such disruption may adversely impact the Board or its operations; (v) whether or to what extent the Board or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Board or its operations. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Board, its programs and its operations.

NOTE 18 Adjustments to Beginning Net Position

During the reconciliation process a Homeward TANF foreclosure from a prior year was closed out. The prior-period adjustment included the unrecovered $5,000 in principal and unrecovered interest in the amount of $1,548.35 for a total prior period adjustment in the TANF fund of $6,548.35.

NOTE 19 Subsequent Events

On August 1, 2021, the Board issued direction for a full optional redemption of the Series 1999A-1 Multifamily Bond in the amount of $4,130,000.

On August 31, 2021, the 2021 Series B Single Family Mortgage Bonds, in the amount of $32,000,000 closed.

On July 1, 2021, Stockman Bank transferred the servicing of 589 loans to the Board, with a total outstanding balance at the time of transfer of $54,035,500.08.

The American Rescue Plan Act (ARPA) has provided funds to be used for a Homeowner Assistance Fund (HAF) which is to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowner's insurance, utility payments, and other specified purposes. Board borrowers may be eligible to apply to receive a HAF loan to help with these items. These loans will serviced by the Board Servicing department and employees may assist in facilitating this program. The HAF is a Commerce program that will be accounted for in Commerce.

NOTE 20 Unusual Transactions

House Bill 0376 of the 66th Legislature repealed the Real Estate Recovery account, which was previously administered by the Board of Realty Regulations at the Department of Labor, and provided the transfer of remaining money in the account to the Housing Montana Fund. Section 3 of the bill required that the funds be transferred from the Real Estate Recovery account to the Housing Montana Fund on February 1, 2021.

On February 1, 2021, a transfer in the amount of $501,433 was made from the Real Estate Recovery account to the Housing Montana Fund.

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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[15]

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 Covered Employee Payroll
2018	$ 51,602	0.10 %	$ 774,320	6.66 %
2019	$ 54,230	0.10 %	$ 684,204	7.93 %
2020	$ 64,138	0.14 %	$ 753,654	8.56 %
2021	$ 380,223	0.26 %	$ 1,882,278	20.33 %

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.

During FY21 there was a significant increase in the OPEB liability that was due to several factors. There was a reduction of the number of covered retirees by 13.4%. The drop was also driven by the fact there was no change in retiree contributions and a reduction in the discount rate.

2021 Changes in Assumptions include:

- An outflow of $102,421 from the plan due to no retiree contribution increase.
- An outflow of $19,193 due to a decrease in the interest rate from 2.75% to 2.23%.

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

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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[16]
(Dollar amounts in thousands)

As of the measurement date June 30	2014	2015	2016	2017	2018	2019	2020
Proportionate share of net pension liability (NPL) as a percentage	0.10 %	0.10 %	0.12 %	0.12 %	0.12 %	0.09 %	0.10 %
Board proportionate share of NPL	$ 1,203	$ 1,452	$ 2,047	$ 2,279	$ 1,836	$ 1,871	$ 2,554
State of Montana share of NPL associated with the Board	0.00	0.00	0.00	0.00	590.00	586.00	774.00
Total Board Share NPL	$ 1,203	$ 1,452	$ 2,047	$ 2,279	$ 2,426	$ 2,457	$ 3,328
Pensionable payroll	$ 1,079	$ 1,208	$ 1,422	$ 1,434	$ 1,431	$ 1,460	$ 1,606
Proportionate share of the NPL as a percentage of its pensionable payroll	111.44 %	120.20 %	143.92 %	158.88 %	169.08 %	128.12 %	159.05 %
Plan fiduciary net position as a percentage of total pension liability	79.90 %	78.40 %	74.71 %	73.75 %	73.47 %	73.85 %	68.90 %

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

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Schedule of Contributions
For the Last Ten Fiscal Years[17]
(Dollar amounts in thousands)

As of June 30,	Contractually required contributions	Contributions made	Contribution deficiency (excess)	Share pensionable payroll	Contributions as a percentage of pensionable payroll
2014	$ 89	$ 89	$ —	$ 1,079	8.80 %
2015	$ 106	$ 106	$ —	$ 1,208	8.76 %
2016	$ 272	$ 272	$ —	$ 1,422	19.04 %
2017	$ 123	$ 123	$ —	$ 1,434	8.58 %
2018	$ 125	$ 125	$ —	$ 1,431	8.74 %
2019	$ 131	$ 131	$ —	$ 1,460	9.00 %
2020	$ 162	$ 162	$ —	$ 1,606	10.09 %

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:

2017:

Working Retiree Limitations – for PERS

Effective July 1, 2017, 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.

Refunds

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

Interest credited to member accounts

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

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 became 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

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

ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

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, 2019 actuarial valuation:

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
* Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset Valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RB 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.30%

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

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	Single Family Program Totals	Multifamily Program Fund
Assets					
Cash and Cash Equivalents	$ 65,591,433	$ 27,509,546	$ 2,640,917	$ 95,741,896	$ 8,279,077
Investments	7,530,812	9,177,550	—	16,708,362	—
Mortgage Loans Receivable, Net	9,987,028	6,660,733	269,336	16,917,097	218,723
Corporate Advance Receivable	22,335	(51)	—	22,284	—
Interest Receivable	1,571,358	1,016,517	214,170	2,802,045	44,515
Prepaid Expense	51,849	51,849	—	103,698	1,791
Total Current Assets	84,754,815	44,416,144	3,124,423	132,295,382	8,544,106
Non-current Assets					
Investments	8,134,704	7,466,378	10,850,732	26,451,814	3,554,520
Mortgage Loans Receivable, Net	304,560,114	146,798,418	17,495,232	468,853,764	5,579,532
Mortgage Backed Securities	—	437,032	—	437,032	—
Acquisition Costs	—	—	—	—	—
Capital Assets, Net	1,950	1,753	—	3,703	856
Total Non-current Assets	312,696,768	154,703,581	28,345,964	495,746,313	9,134,908
Total Assets	397,451,583	199,119,725	31,470,387	628,041,695	17,679,014
Deferred Outflow of Resources					
Deferred Refunding Costs	98,159	35,499	17,573	151,231	—
Deferred OPEB Outflow	54,527	54,527	—	109,054	17,140
Deferred Pension Outflow	149,996	149,996	—	299,992	13,913
Total Deferred Outflows	302,682	240,022	17,573	560,277	31,053
Liabilities					
Current Liabilities					
Accounts Payable	160,313	135,152	8,061	303,526	18,452
Funds Held For Others	503	—	—	503	1,176,142
Accrued Interest - Bonds Payable	787,235	425,795	47,642	1,260,672	106,093
Bonds Payable, Net	9,925,000	5,405,000	1,365,000	16,695,000	125,000
Arbitrage Rebate Payable to U.S. Treasury Department	—	—	521,085	521,085	—
Accrued Compensated Absences	19,974	19,974	—	39,948	4,053
Leases Payable - Current	1,255	1,255	—	2,510	418
Total Current Liabilities	10,894,280	5,987,176	1,941,788	18,823,244	1,430,158
Non-current Liabilities					
Bonds Payable, Net	321,294,070	134,801,951	16,895,897	472,991,918	4,150,706
Arbitrage Rebate Payable to U.S. Treasury Department	215,297	24,232	—	239,529	—
Accrued Compensated Absences	62,848	62,849	—	125,697	9,664
Net Pension Liability	637,546	637,546	—	1,275,092	58,825
OPEB Liability	68,529	68,530	—	137,059	18,399
Leases Payable	423	423	—	846	141
Total Non-current Liabilities	322,278,713	135,595,531	16,895,897	474,770,141	4,237,735
Total Liabilities	333,172,993	141,582,707	18,837,685	493,593,385	5,667,893
Deferred Inflow of Resources					
Deferred OPEB Inflow	3,467	3,467	—	6,934	1,156
Deferred Pension Inflow	79,552	79,552	—	159,104	(12,663)
Total Deferred Inflows	83,019	83,019	—	166,038	(11,507)
Net Position					
Net Investment in Capital Assets	272	75	—	347	297
Restricted for Bondholders:					
Unrealized (losses) gains on Investments	1,439,132	1,446,777	2,472,549	5,358,458	(2,450)
Single Family Programs	58,399,879	54,691,138	10,177,726	123,268,743	—
Various Recycled Mortgage Setaside Programs	1,556,031	1,556,031	—	3,112,062	—
Multifamily Programs	—	—	—	—	11,930,067
Multifamily Project Commitments	—	—	—	—	125,767
Reverse Annuaity Program	3,102,939	—	—	3,102,939	—
Restricted for Affordable Housing Loan Program	—	—	—	—	—
Total Net Position	$ 64,498,253	$ 57,694,021	$ 12,650,275	$ 134,842,549	$ 12,053,681

Continued on next page

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

(continued)	Mortgage Loan Servicing	Housing Trust Fund	Housing Montana Fund	TOTAL
Assets				
Cash and Cash Equivalents	$ 8,437,981	$ 2,263,139	$ 1,205,778	$ 115,927,871
Investments	—	—	—	16,708,362
Mortgage Loans Receivable, Net	1,145,460	—	25,258	18,306,538
Corporate Advance Receivable	903,689	—	—	925,973
Interest Receivable	188,821	1,252,991	172,014	4,460,386
Prepaid Expense	24,776	34,952	—	165,217
Total Current Assets	10,700,727	3,551,082	1,403,050	156,494,347
Non-current Assets				
Investments	—	—	—	30,006,334
Mortgage Loans Receivable, Net	78,849	2,696,491	2,109,563	479,318,199
Mortgage Backed Securities	—	—	—	437,032
Acquisition Costs	1,237,840	—	—	1,237,840
Capital Assets, Net	3,371	3,048	—	10,978
Total Non-current Assets	1,320,060	2,699,539	2,109,563	511,010,383
Total Assets	12,020,787	6,250,621	3,512,613	667,504,730
Deferred Outflow of Resources				
Deferred Refunding Costs	—	—	—	151,231
Deferred OPEB Outflow	142,972	51,421	—	320,587
Deferred Pension Outflow	245,802	41,740	—	601,447
Total Deferred Outflows	388,774	93,161	—	1,073,265
Liabilities				
Current Liabilities				
Accounts Payable	2,117,076	15,386	411	2,454,851
Funds Held For Others	5,239,467	—	—	6,416,112
Accrued Interest - Bonds Payable	—	—	—	1,366,765
Bonds Payable, Net	—	—	—	16,820,000
Arbitrage Rebate Payable to U.S. Treasury Department	—	—	—	521,085
Accrued Compensated Absences	54,662	14,185	—	112,848
Leases Payable - Current	2,092	1,255	—	6,275
Total Current Liabilities	7,413,297	30,826	411	27,697,936
Non-current Liabilities				
Bonds Payable, Net	—	—	—	477,142,624
Arbitrage Rebate Payable to U.S. Treasury Department	—	—	—	239,529
Accrued Compensated Absences	76,970	37,408	—	249,739
Net Pension Liability	1,043,898	176,475	—	2,554,290
OPEB Liability	169,567	55,198	—	380,223
Leases Payable	704	423	—	2,114
Total Non-current Liabilities	1,291,139	269,504	—	480,568,519
Total Liabilities	8,704,436	300,330	411	508,266,455
Deferred Inflow of Resources				
Deferred OPEB Inflow	9,303	3,467	—	20,860
Deferred Pension Inflow	74,957	(37,988)	—	183,410
Total Deferred Inflows	84,260	(34,521)	—	204,270
Net Position				
Net Investment in Capital Assets	575	1,370	—	2,589
Restricted for Bondholders:				
Unrealized (losses) gains on Investments	—	—	—	5,356,008
Single Family Programs	3,620,290	—	—	126,889,033
Various Recycled Mortgage Setaside Programs	—	—	—	3,112,062
Multifamily Programs	—	856,793	—	12,786,860
Multifamily Project Commitments	—	—	—	125,767
Reverse Annuity Program	—	5,219,810	—	8,322,749
Restricted for Affordable Housing Loan Program	—	—	3,512,202	3,512,202
Total Net Position	$ 3,620,865	$ 6,077,973	$ 3,512,202	$ 160,107,270

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, 2021

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	Single Family Program Totals	Multifamily Program Fund
OPERATING REVENUES					
Interest Income - Mortgage Loans	$ 10,634,069	$ 6,324,621	$ 1,406,628	$ 18,365,318	$ 353,461
Interest Income Investments	500,686	507,667	524,990	1,533,343	2,032
Fee Income	43,243	20,075	—	63,318	1,053,196
Net Increase (Decrease) in Fair Value of Investments	(498,575)	(571,970)	(635,032)	(1,705,577)	(2,450)
Other Income	18,450	11,089	—	29,539	—
Total Operating Revenues	10,697,873	6,291,482	1,296,586	18,285,941	1,406,239
OPERATING EXPENSES					
Interest on Bonds	8,343,142	5,433,320	1,072,792	14,849,254	258,456
Servicer Fees	1,119,835	632,875	110,705	1,863,415	7,220
Contracted Services	156,316	229,676	—	385,992	125,312
Amortization of Deferred Refunding	26,176	21,299	3,905	51,380	—
Bond Issuance Costs	928,992	—	—	928,992	—
General and Administrative	694,388	669,204	3,139	1,366,731	247,399
Arbitrage Rebate Expense	87,277	(10,767)	157,079	233,589	—
TANF Spec Project Expense	—	—	—	—	—
Pension Expense	71,442	71,442	—	142,884	23,814
Other Post-Employment Benefits	4,491	4,491	—	8,982	1,497
Total Operating Expenses	11,432,059	7,051,540	1,347,620	19,831,219	663,698
Operating Income (Loss)	(734,186)	(760,058)	(51,034)	(1,545,278)	742,541
Nonoperating Revenue (Expenses)					
Pensions - Non-employer Contributions	22,465	22,465	—	44,930	7,488
Non-operating Income (Loss)	22,465	22,465	—	44,930	7,488
Income (Loss) before transfers	(711,721)	(737,593)	(51,034)	(1,500,348)	750,029
Transfers From Other Agency	—	—	—	—	—
Transfers From (To) Other Fund	(1,167,520)	(972,016)	1,439,536	(700,000)	—
Total Transfers	(1,167,520)	(972,016)	1,439,536	(700,000)	—
Increase (Decrease) in Net Position	(1,879,241)	(1,709,609)	1,388,502	(2,200,348)	750,029
Net Position, July 1	66,377,494	59,403,630	11,261,773	137,042,897	11,303,652
Adjustments to Beginning Net Position (Note 18)	—	—	—	—	—
Net Position, July 1, as restated	66,377,494	59,403,630	11,261,773	137,042,897	11,303,652
Net Position, End of Year	$ 64,498,253	$ 57,694,021	$ 12,650,275	$ 134,842,549	$ 12,053,681

Continued on next page

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, 2021

(continued)	Mortgage Loan Servicing	HOUSING TRUST FUND	HOUSING MONTANA FUND	ELIMINATION[18]	TOTAL
OPERATING REVENUES					
Interest Income - Mortgage Loans	$ —	$ 202,630	$ 28,489	$ —	$ 18,949,898
Interest Income Investments	112	2,799	375	—	1,538,661
Fee Income	2,856,923	820,780	—	(2,212,465)	2,581,752
Net Increase (Decrease)					
in Fair Value of Investments	—	—	—	—	(1,708,027)
Other Income	—	—	—	—	29,539
Total Operating Revenues	2,857,035	1,026,209	28,864	(2,212,465)	21,391,823
OPERATING EXPENSES					
Interest on Bonds	—	—	—	—	15,107,710
Servicer Fees	969,887	—	649	**(2,212,465)**	628,706
Contracted Services	256,848	60,760	(60)	—	828,852
Amortization of Deferred Refunding	—	—	—	—	51,380
Bond Issuance Costs	—	—	—	—	928,992
General and Administrative	1,533,746	705,217	—	—	3,853,093
Arbitrage Rebate Expense	—	—	—	—	233,589
TANF Spec Project Expense	—	—	(238,682)	—	(238,682)
Pension Expenses	164,589	71,442	—	—	402,729
Other Post-Employment Benefits	8,187	4,491	—	—	23,157
Total Operating Expenses	2,933,257	841,910	(238,093)	(2,212,465)	21,819,526
Operating Income (Loss)	(76,222)	184,299	266,957	—	(427,703)
Nonoperating Revenue (Expenses)					
Pensions - Non-employer					
Contributions	51,757	22,465	—	—	126,640
Nonoperating Income (Loss)	51,757	22,465	—		126,640
Income (Loss) before transfers	(24,465)	206,764	266,957		(301,063)
Transfers from Other Agency	—	—	501,433	—	501,433
Transfers From (To) Other Fund	700,000	—	—	—	—
Total Transfers	700,000	—	501,433	—	501,433
Increase (Decrease) to Net					
Position	675,535	206,764	768,390	—	200,370
Net Position, July 1	2,945,330	5,871,209	2,750,360	—	159,913,448
Adjustments to Beginning Net					
Position (Note 18)	—	—	(6,548)		(6,548)
Net Position, July 1, as restated	2,945,330	5,871,209	2,743,812	—	159,906,900
Net Position, End of Year	$ 3,620,865	$ 6,077,973	$ 3,512,202	$ —	$ 160,107,270

[18] Interfund transactions are eliminated in order to tie to the Statement of Revenues, Expense and Changes in Net Position

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts for Sales and Services	$ 43,243	$ 20,075	$ —	$ 63,318	$ 1,053,196
Collections (Disbursements)) on Loans and Interest on Loans	63,600,930	45,746,570	19,552,524	128,900,024	2,576,897
Collection (Disbursements) for Loan Escrow Accounts	—	—	—	—	(341,438)
Cash Payments for Loans	(68,444,318)	—	—	(68,444,318)	—
HUD Rental Adjustment Expense	—	—	—	—	—
Payments to Suppliers for Goods and Services	(1,480,328)	(1,122,920)	(120,892)	(2,724,140)	(248,518)
Payments to Employees	(486,621)	(459,107)	—	(945,728)	(157,661)
Corporate (Advances) Repayments	(14,651)	266	—	(14,385)	—
Other Operating Revenues	18,450	11,089	—	29,539	—
Net Cash Provided (Used) Operating Activities	(6,763,295)	44,195,973	19,431,632	56,864,310	2,882,476
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:					
Payment of Principal and Interest on Bonds and Notes	(65,213,541)	(40,126,107)	(22,839,467)	(128,179,115)	(379,714)
Proceeds from Issuance of Bonds and Notes	73,410,000	—	—	73,410,000	—
Payment of Bond Issuance Costs	(928,995)	—	—	(928,995)	—
Premium Received on Bonds	2,504,125	—	—	2,504,125	—
Transfers From (To) Other Funds	(1,167,519)	(972,016)	1,439,535	(700,000)	—
Transfers From Other Agencies	—	—	—	—	—
Purchase of Mortgage Servicing Rights	—	—	—	—	—
Net Cash Provided (Used) by Non-capital Financing Activities	8,604,070	(41,098,123)	(21,399,932)	(53,893,985)	(379,714)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(3,205,000)	(3,592,000)	—	(6,797,000)	(5,460,000)
Proceeds from Sales or Maturities of Investments	1,772,360	617,080	698,986	3,088,426	1,905,480
Change in Interest on Investments	13,269	(61,348)	(127,722)	(175,801)	(21,137)
Arbitrage Rebate Tax	—	—	(593,665)	(593,665)	—
Net Cash Provided (Used) by Investing Activities	(1,419,371)	(3,036,268)	(22,401)	(4,478,040)	(3,575,657)
Net Increase (Decrease) in Cash and Cash Equivalents	421,404	61,582	(1,990,701)	(1,507,715)	(1,072,895)
Cash and Cash Equivalents, July 1	65,170,029	27,447,964	4,631,618	97,249,611	9,351,972
Cash and Cash Equivalents, June 30	$ 65,591,433	$ 27,509,546	$ 2,640,917	$ 95,741,896	$ 8,279,077

Continued on next page

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

(continued)	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for Sales and Services	$ 2,856,922	$ 820,780	$ —	$ 4,794,216
Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans	724,671	92,195	(24,174)	132,269,613
Collection (Payouts) for Loan Escrow Accounts	(498,563)	—	—	(840,001)
Cash Payments for Loans	—	—	—	(68,444,318)
HUD Rental Adjustment Expense	—	—	238,682	238,682
Payments to Suppliers for Goods and Services	(1,112,060)	(313,401)	(14,079)	(4,412,198)
Payments to Employees	(1,165,495)	(434,161)	—	(2,703,045)
Corporate (Advances) Repayments	(697,389)	—	—	(711,774)
Other Operating Revenues	—	—	—	29,539
Net Cash Provided (Used) Operating Activities	108,086	165,413	200,429	60,220,714
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	—	—	—	(128,558,829)
Proceeds from Issuance of Bonds and Notes	—	—	—	73,410,000
Payment of Bond Issuance Costs	—	—	—	(928,995)
Premium Received on Bonds	—	—	—	2,504,125
Transfers From (To) Other Funds	700,000	—	—	—
Transfers From Other Agencies	—	—	501,433	501,433
Purchase of Mortgage Servicing Rights	(488,404)	—	—	(488,404)
Net Cash Provided (Used) by non-capital Financing Activities	211,596	—	501,433	(53,560,670)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	—	—	—	(12,257,000)
Proceeds from Sales or Maturities of Investments	—	—	—	4,993,906
Interest on Investments	139	3,100	405	(193,294)
Arbitrage Rebate Tax	—	—	—	(593,665)
Net Cash Provided (Used) by Investing Activities	139	3,100	405	(8,050,053)
Net Increase (Decrease) in Cash and Cash Equivalents	319,821	168,513	702,267	(1,390,009)
Cash and Cash Equivalents, July 1	8,118,160	2,094,626	503,511	117,317,880
Cash and Cash Equivalents, June 30	$ 8,437,981	$ 2,263,139	$ 1,205,778	$ 115,927,871

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

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
Operating Income (Loss)	$ (734,186)	$ (760,058)	$ (51,034)	$ (1,545,278)	$ 742,541
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED FOR) OPERATING ACTIVITIES					
Depreciation	1,922	1,922	—	3,844	191
Amortization	(576,758)	(477,659)	(88,965)	(1,143,382)	21,418
Interest Expense	9,916,932	5,954,413	1,183,592	17,054,937	256,818
Interest on Investments	(542,552)	(529,805)	(542,918)	(1,615,275)	(21,812)
Arbitrage Rebate Tax	87,277	(10,767)	157,079	233,589	—
Change in Assets and Liabilities:					
Decr (Incr) Mortgage Loans Receivable	(14,994,783)	39,561,175	18,056,880	42,623,272	2,214,422
Decr (Incr) Other Assets	(592,303)	(184,688)	82,784	(694,207)	(54,253)
Decr (Incr) Fair Value of Investments	486,110	571,970	635,032	1,693,112	2,450
Incr (Decr) Accounts Payable	3,883	(111,693)	(818)	(108,628)	958
Incr (Decr) Funds Held for Others	—	—	—	—	(342,120)
Incr (Decr) Pensions Payable	139,090	139,090	—	278,180	45,347
Incr (Decr) Compensated Absences Payable	(9,946)	(9,946)	—	(19,892)	(824)
Incr (Decr) Other Post Employment Benefits	53,255	53,255	—	106,510	17,752
Increase (Decr) Leases Payable	(1,236)	(1,236)	—	(2,472)	(412)
Operating Activities	$ (6,763,295)	$ 44,195,973	$ 19,431,632	$ 56,864,310	$ 2,882,476

Continued on next page

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

(continued)	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	FEDERAL PROGRAMS	TOTAL
Operating Income (Loss)	$ (76,222)	$ 184,299	$ 266,957	$ —	$ (427,703)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED FOR) OPERATING ACTIVITIES					
Depreciation	2,160	287	—	—	6,482
Amortization on Bonds	—	—	—	—	(1,121,964)
Interest Expense	—	—	—	—	17,311,755
Interest on Investments	(112)	—	(375)	—	(1,637,574)
Arbitrage Rebate Tax	—	—	—	—	233,589
Change in Assets and Liabilities:					
Decr (Incr) Mortgage Loans Receivable	1,613,548	(140,980)	(46,841)	—	46,263,421
Decr (Incr) Other Assets	(832,250)	(77,742)	(5,764)	—	(1,664,216)
Decr (Incr) Fair Value of Investments	—	—	—	—	1,695,562
Incr (Decr) Accounts Payable	(521,562)	1,214	(13,548)	—	(641,566)
Incr (Decr) Funds Held for Others	(448,110)	—	—	—	(790,230)
Incr (Decr) Pensions Payable	219,832	139,090	—	—	682,449
Incr (Decr) Compensated Absences Payable	14,293	7,226	—	—	803
Incr (Decr) Other Post Employment Benefits	138,569	53,255	—	—	316,086
Increase (Decr) Leases Payable	(2,060)	(1,236)	—	—	(6,180)
Operating Activities	$ 108,086	$ 165,413	$ 200,429	$ —	$ 60,220,714

Noncash Investing, capital, and financing activities: During FY21, the Board investments decreased in fair value by $1,708,027. The fair value increase was not realized in cash during the FY21.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

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, 2021, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated November 2, 2021.

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 as a basis for designing 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 financial statements. 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

November 2, 2021

Montana Board of Housing

Board Response

GREG GIANFORTE
GOVERNOR

MONTANA HOUSING

SCOTT OSTERMAN
DIRECTOR

November 29, 2021

RECEIVED
NOV 29 2021
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, 2021. 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,

Cheryl Cohen
Executive Director

Cc: Sheila Rice