

**Montana Board of Housing**  
**Financial Compliance Audit**  
**Fiscal Year 2022**



**MONTANA**  
**HOUSING**

**Presented by:**  
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**Financial Compliance Auditor**

# Montana Board of Housing

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**Cheryl Cohen**  
Executive Director

**Ginger Pfankuch, CPA**  
Outgoing Accounting and Finance Manager

**Catherine Koch, CPA**  
Incoming Accounting and Finance Manager

# BRIEF INTRODUCTION

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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 the majority of their operations and programs through the sale of tax-exempt bonds in the private sector.

# AREAS OF AUDIT FOCUS

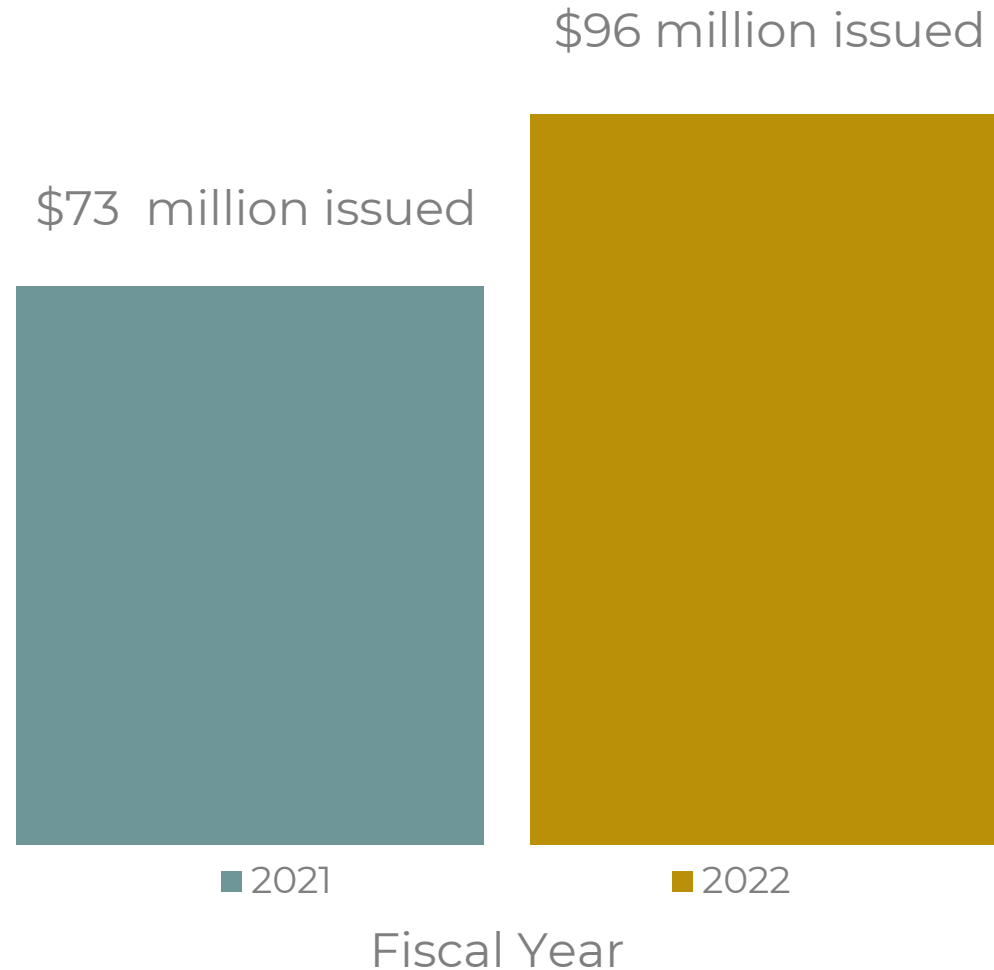
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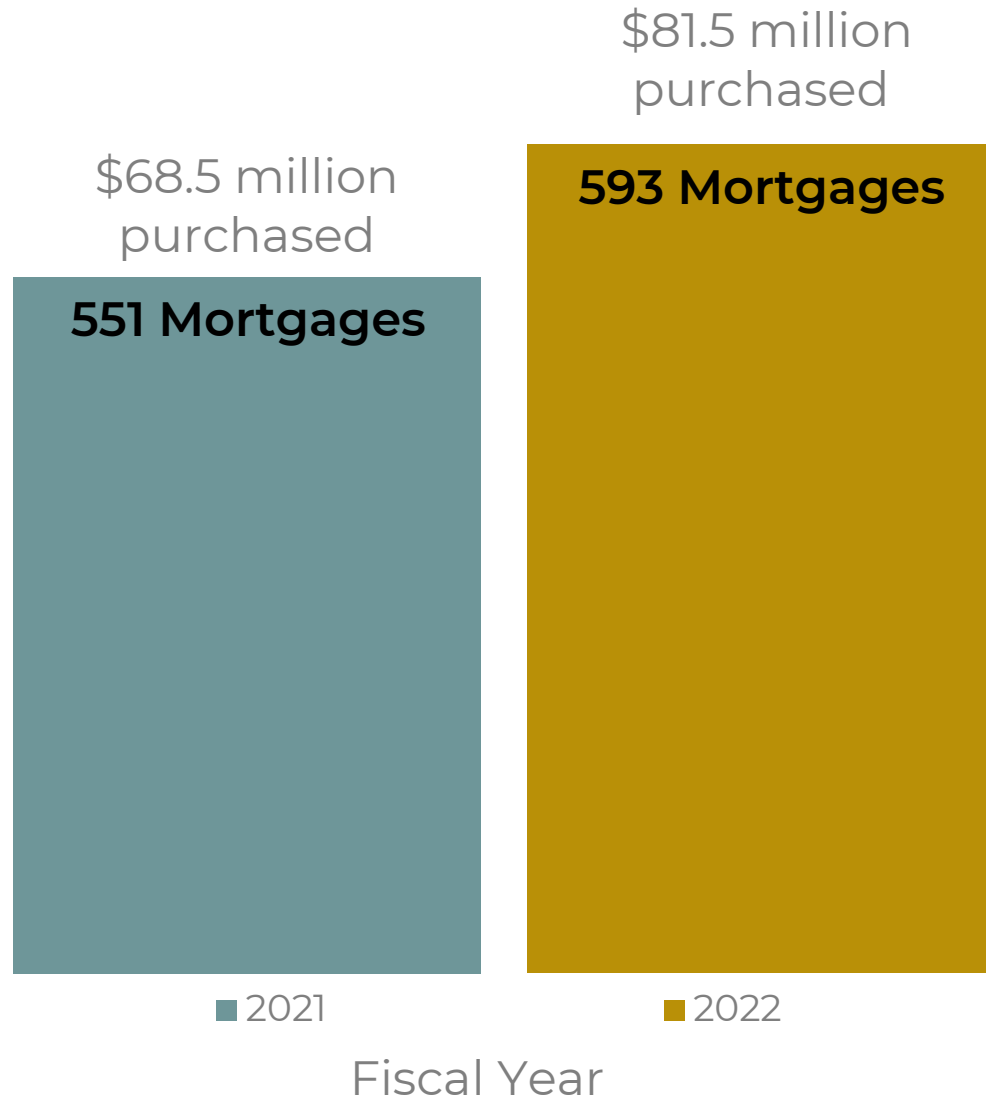
- Mortgage Loans Receivable & Interest Income
  - Bonds Payable & Interest Expense
    - Cash & Investments
      - Net Position
- Related Cash Flows & Note Disclosures

# Bond Issuances

Tax exempt bonds issued by the Board of Housing provide funds to:

- Purchase home mortgages
- Make loans for rental housing projects
- Administer federal housing tax credit programs
- Work in partnership with other housing providers throughout the state





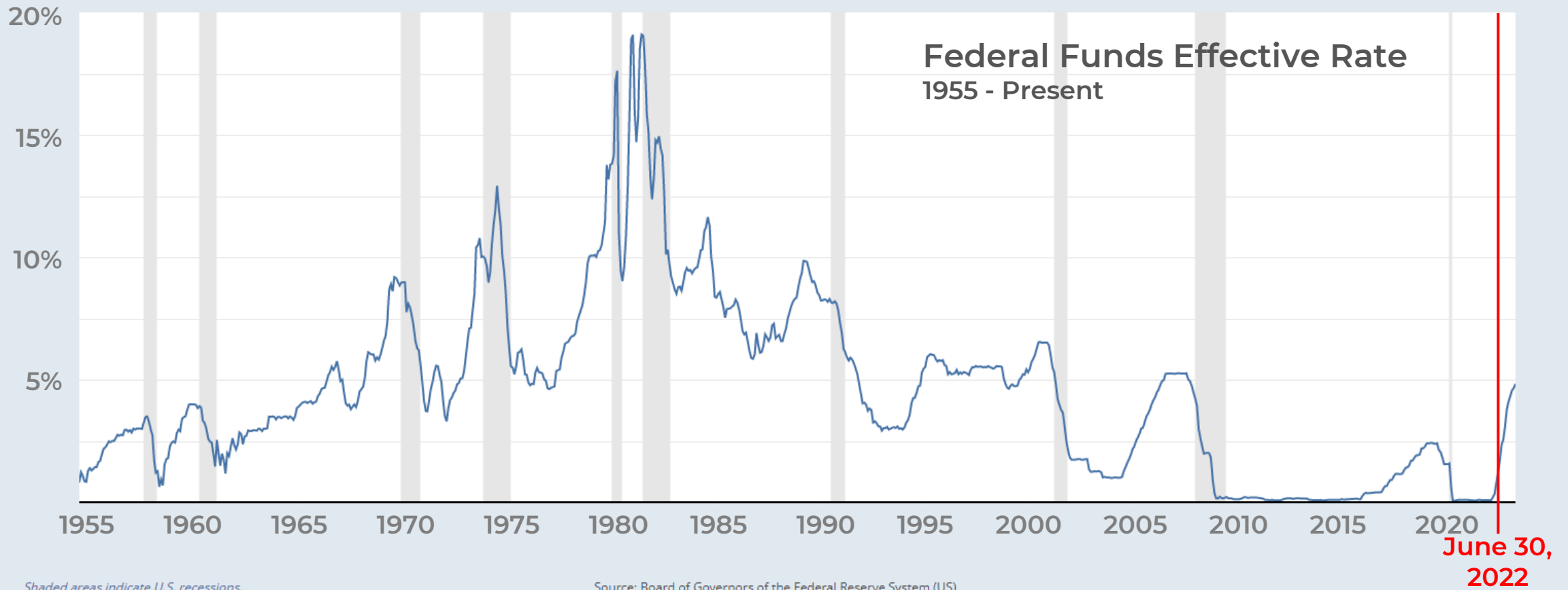
# Single Family Mortgages

The Board's largest program is the Single-Family Program, which helps make home ownership affordable for eligible Montana homebuyers through:

- Low-interest mortgages
- Down payment assistance
- Other various loan programs

# Economic Conditions

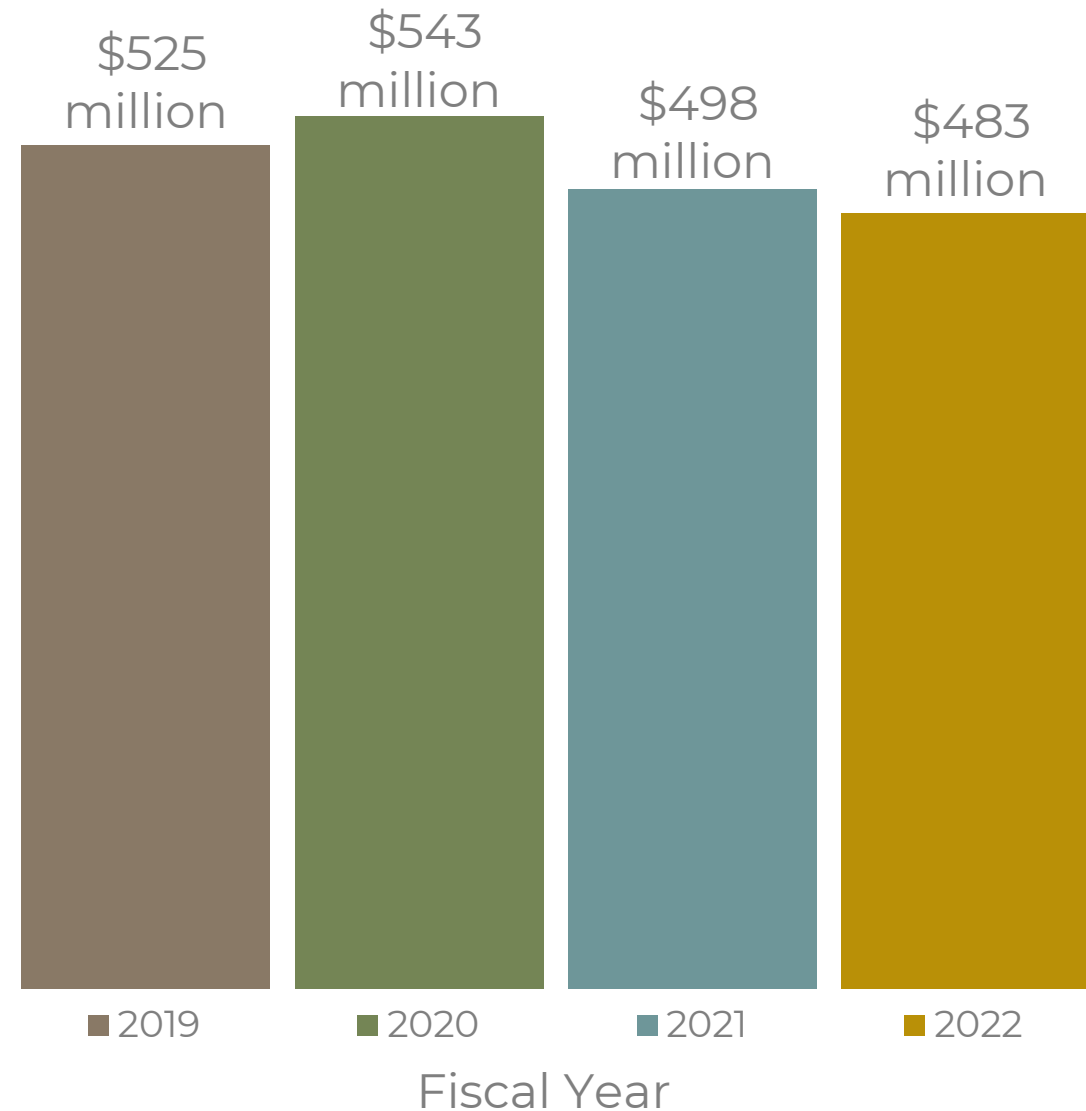
The COVID public health emergency resulted in historic low conventional mortgage rates. For many borrowers, these private mortgage rates were lower than the rates the Board could offer since the Board's mortgage rates are determined by the market price of bonds.



# Mortgage Loan Receivables

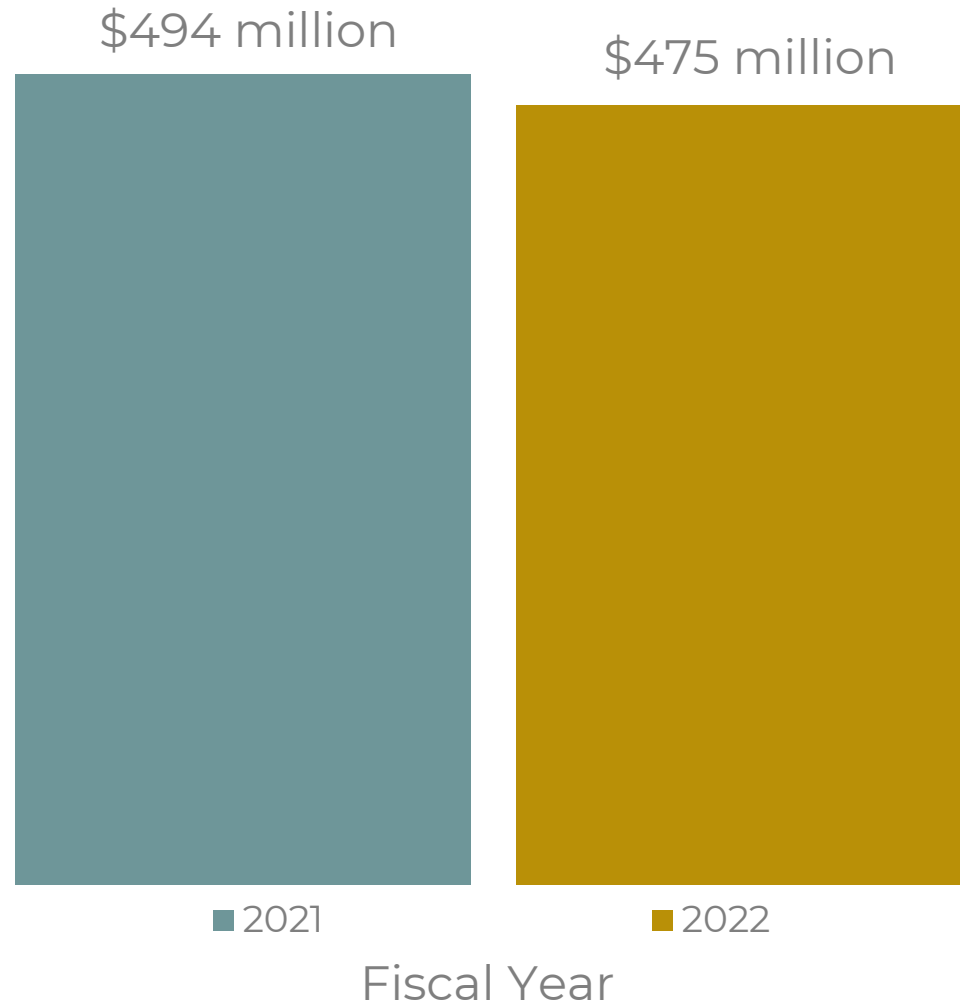
As a result of economic conditions, the mortgage rates that could be offered by the Board of Housing became less attractive to borrowers.

Existing borrowers with the Board were incentivized to refinance their mortgage with private lenders, paying off their Board owned mortgages.





# Bonds Payable



The increased number of mortgage payoffs and reduction in mortgage loans receivable corresponded to a decrease in outstanding bond payable.

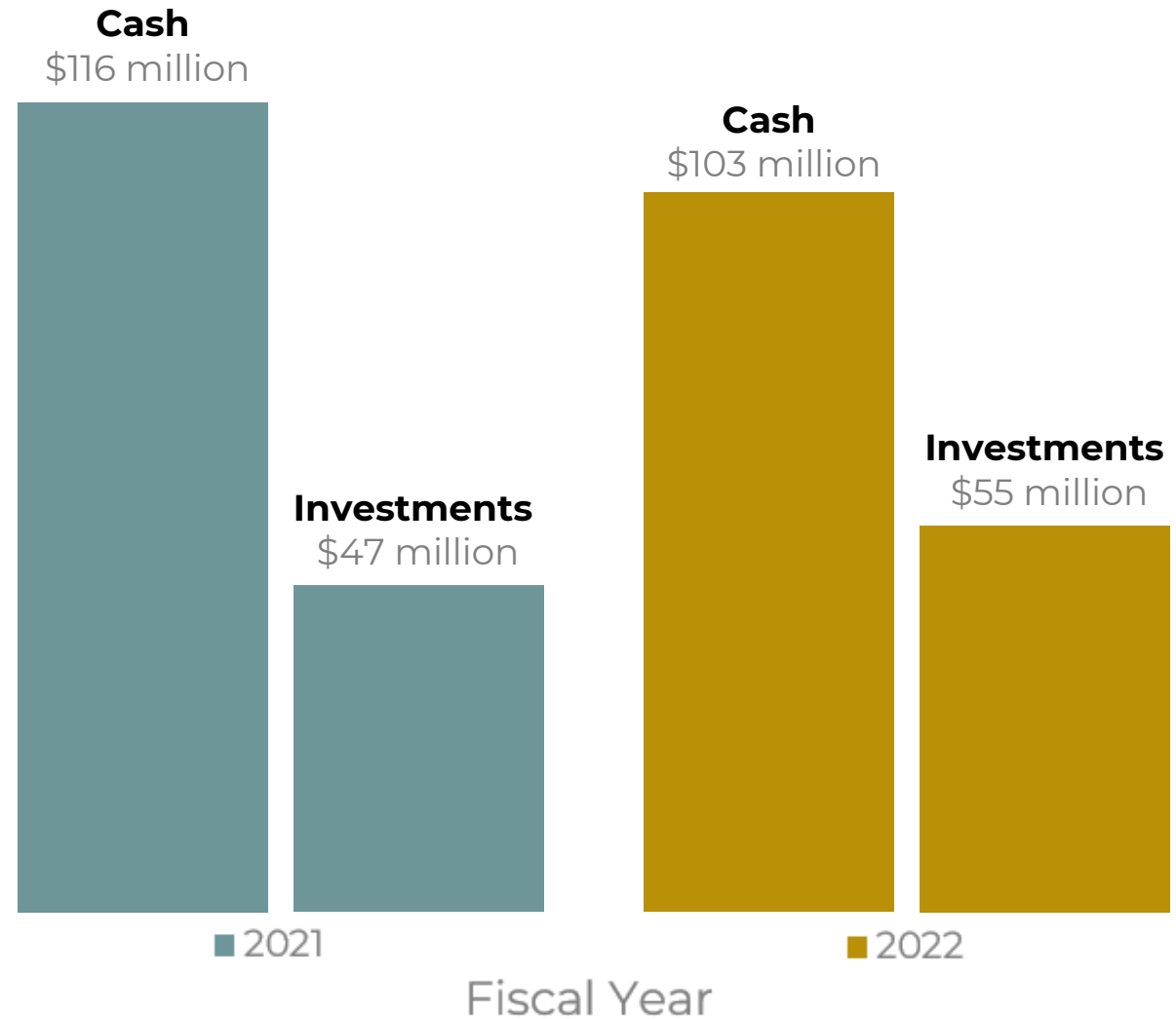
# Cash & Investments

The use of cash & investments are restricted by:

- Bond provisions
- Federal tax law

Funds are restricted in:

- Where they are held
- How they can be spent
- Minimum reserve balances



# Net Investment in Capital Assets

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## GASB Statement 87 – Accounting for Leases

- The Board of Housing's only capital asset lease is their office space.
- GASB 87 requires a Right-to-Use asset and a lease liability to be recorded.
- The amounts are discounted over the life of the lease.
- The negative net investment is an artifact of the discounting method.
- It is not an indication that more is owed than the office space is worth.

# CONCLUSION

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## **Recommendations:**

No audit recommendations

## **Opinion:**

We issued an **unmodified** opinion

## **Internal Control & Compliance:**

No Significant Deficiencies, Material Weaknesses, or Material  
Noncompliance noted



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**Questions?**