



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

Montana Board of Housing

*For the Fiscal Year Ended
June 30, 2025*

FEBRUARY 2026

LEGISLATIVE AUDIT
DIVISION

25-07

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FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. 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 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, 2023, was issued August 19, 2024. The submission deadline for the Single Audit Report for the two fiscal years ended June 30, 2025, is March 31, 2026.

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

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

February 2026

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our audit report for the Montana Board of Housing (board) for the fiscal year ended June 30, 2025. 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.
- Reviewing and testing selected internal control systems.

The report notes an ongoing significant deficiency in internal control, which is described in the accompanying Report on Internal Control and Compliance. Our audit report contains an unmodified opinion on the board's 2025 financial statements, meaning that the information presented in 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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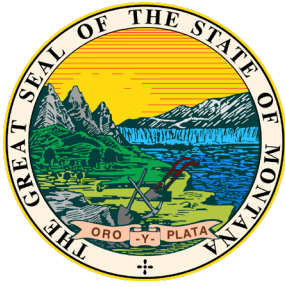
APPOINTED AND ADMINISTRATIVE OFFICIALS

| | <u>Name</u> | <u>Chair</u> | <u>Term Expires</u> |
|-------------------------------------|--------------------------------|---|---------------------|
| Montana Board of Housing | Bruce Posey, Chair | Billings | January 2029 |
| | Sheila Rice, Vice Chair | Great Falls | January 2027 |
| | Amber Parish, Secretary | Billings | January 2029 |
| | Jeanette McKee | Hamilton | January 2027 |
| | Rachel Arthur | Great Falls | January 2029 |
| | Richard Miltenberger | Clancy | January 2027 |
| | John Grant (through June 2025) | Helena | June 2025 |
| | Ryan Aikin (as of June 2025) | Missoula | January 2029 |
| Department of Commerce | Marta Bertoglio | Director (as of June 2025) | |
| | Mandy Rambo | Acting Director, (February 2025 through June 2025) | |
| | Paul Green | Director (through January 2025) | |
| Board of Housing | Cheryl Cohen | Executive Director | |
| | Vicki Bauer | Accounting and Finance Manager | |
| | Jason Hanson | Multifamily Program Manager | |
| | Joe DeFilippis | Operations Manager | |
| | Jessica Michel | Homeownership Program Manager | |
| | Mary Palkovich | Servicing Program Manager (through September 2025) | |
| | Jesse Ennis | Servicing Program Manager (as of November 2025) | |

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

Cheryl Cohen
Executive Director
Montana Board of Housing
P.O. Box 200528
Helena, MT 59620-0528

e-mail: Cheryl.Cohen@mt.gov
Phone: (406) 841-2840



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL AUDIT Montana Board of Housing FOR THE FISCAL YEAR ENDED JUNE 30, 2025

A report to the Montana Legislature

BACKGROUND

The Montana Board of Housing works with community partners across the state to ensure Montana families have access to safe, affordable housing. The board is self-supporting and does not receive any general fund appropriations. The board finances a majority of its operations and programs through the sale of tax-exempt bonds. These tax-exempt bonds provide funds to purchase home mortgages and mortgage-backed securities, make loans for rental housing projects, administer federal housing tax credit programs, and work in partnership with other housing providers throughout the state.

The board uses revenues collected from mortgage loans 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 the seven members of the board. The Governor appoints board members, and the Senate confirms them. The board provides policy direction to agency staff, authorizes bond issuances, and approves multifamily housing development financing.

In fiscal year 2025, the Montana Board of Housing issued \$131.4 million in new bonds to strengthen its Single Family Program. With the proceeds, the board purchased \$82.3 million in home mortgages and invested \$61.8 million in mortgage-backed securities that offer reliable returns through guaranteed principal and interest payments. These securities are tied to the same types of Montana home loans the board once purchased directly. Alongside these investments, the board continues to support homebuyers by funding down payment assistance and other critical loan programs.

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

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

For the full context of the board's financial activity, see the financial statements and notes beginning on page A-5.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the board: 0

To the legislature: 0

In this report, we determined the implementation status of recommendations in the prior audit:

Fully Implemented: 2

Partially Implemented: 1

Not Implemented: 0

(continued on back)

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

legmt.gov/lad

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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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SUMMARY OF AUDIT WORK:

Financial Activity Summary

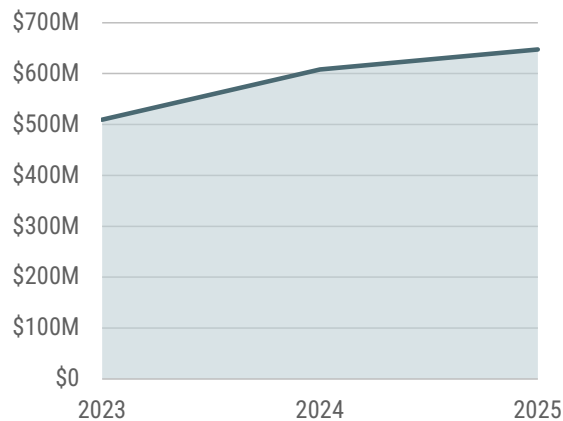
Market interest rates for conventional mortgages remained persistently high in fiscal year 2025. This enabled the board to retain its competitive advantage by offering mortgage rates based on bond rates, not market rates.

During the fiscal year, the board transitioned its Single Family Program business model from purchasing and servicing new whole mortgage loans to purchasing mortgage-backed securities, which offer a guaranteed return of principal and interest. Under an agreement with the Idaho Housing and Finance Association (IHFA), IHFA buys, services, and securitizes new single-family mortgages qualified for purchase under the Single Family Program. The board then purchases the security. The board continues to service existing mortgages and purchase other types of loans, such as down payment assistance.

Because new whole loans were purchased prior to and during the transition, the balance of mortgages receivable rose from \$607.9 million in fiscal year 2024 to \$647.3 million in fiscal year 2025.

Figure 1

Mortgages receivable increased due to continued loan purchasing.

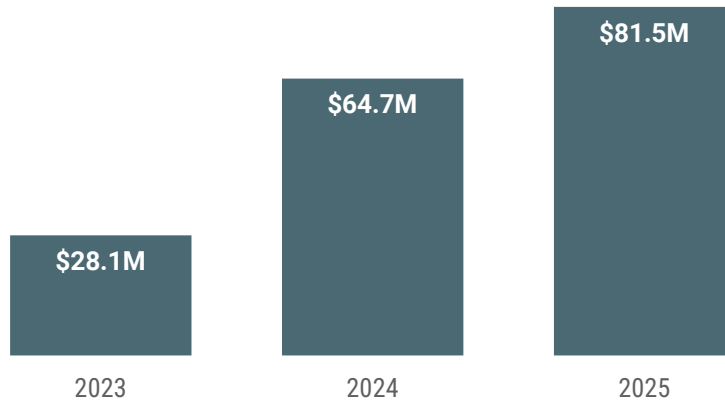


Source: Compiled by the Legislative Audit Division.

Mortgage-backed securities are classified as an investment and appear in the financial statements as such. The board’s balance of investments increased in fiscal year 2025 to \$81.5 million, up 26 percent from fiscal year 2024, largely due to this new investment type.

Figure 2

Investments increased, largely due to mortgage-backed securities.

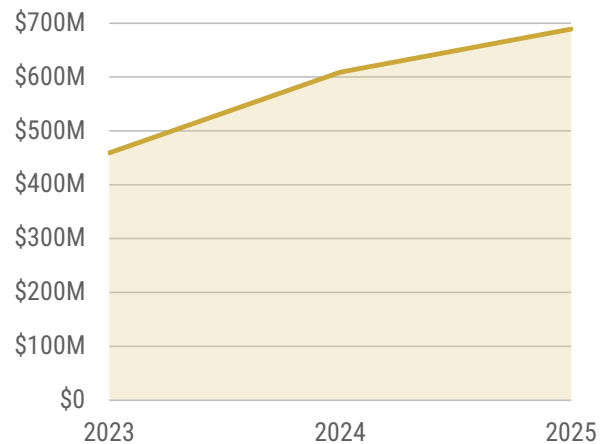


Source: Compiled by the Legislative Audit Division.

The board issued two bond series totaling \$131.4 million during fiscal year 2025. Bond proceeds are used to purchase mortgages for low-income and first-time homebuyers and to buy mortgage-backed securities. The funds also support rental housing projects, administer federal housing tax credit programs, and fund additional activities to further the board’s goal of supporting the development of safe, accessible, and affordable homes for individuals and families in Montana. The proceeds from one bond issue were also used to refund an older bond with a higher interest rate. Overall, the board’s outstanding bond liability increased to \$689.1 million.

Figure 3

Increased bond issuance helps the board put more Montanans in homes.



Source: Compiled by the Legislative Audit Division.

PRIOR AUDIT RECOMMENDATIONS:

Two recommendations were made to strengthen internal controls. The first recommendation called for ensuring that all relevant standards were considered during the preparation of financial statements. The second aimed to prevent, detect, and correct any fiscal year-end misstatements in the board’s accounting system.

The third recommendation concerned controls within the board’s primary accounting system. In the prior two audits, we determined that these controls did not meet state security requirements. In fiscal year 2025, the board continued to make progress toward compliance, but we determined the system still does not align with some state security requirements. Therefore, the prior audit recommendation was partially implemented. Because the board is working to comply with state information security policy, we make no further recommendations in this report.

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: 1

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.

Independent Auditor's Report and Board Financial Statements

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Montana Board of Housing, a component unit of the State of Montana, which are comprised of the Statement of Net Position as of June 30, 2025, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Montana Board of Housing as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Montana Board of Housing and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Because short-term assets are sufficient to meet the board's short-term liability obligations as of June 30, 2025, all Mortgages Receivable, Net, as presented on the Statement of Net Position, are classified as non-current restricted assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montana Board of Housing's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montana Board of Housing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montana Board of Housing's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on page A-7, Other Post-Employment Benefits–Total Board OPEB Liability and Related Ratios on page A-52, Pension Benefits–Schedule of Proportionate Share of the Net Pension Liability on page A-53, and Pension Benefits–Schedule of Contributions on page A-53, and the related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 consist 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 basic 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 are presented for purposes of additional analysis and are 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.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, 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 solely 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 Montana Board of Housing's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

December 5, 2025

**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, 2025**

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, 2025 (FY25). Please read this section in conjunction with the financial statements and accompanying notes.

Summary

- 544 Single Family Mortgages were purchased with the Bond Program for \$82.3 million.
- 28 Mortgage-Backed Securities were purchased with Single Family Bond Program funds totaling \$61.8 million.
- Mortgage Credit Certificates were issued for 18 loans with principal balances totaling \$5.3 million.
- A ten-year allocation of \$37.2 million of 9% Housing Tax Credits, at \$3.72 million per year, was awarded during FY25 providing equity to produce or preserve affordable rental housing.
- 8 Reverse Annuity Mortgage (RAM) loans were originated in FY25. The RAM Program is currently assisting 41 elderly households.
- The Board issued \$131.4 million of Single Family Mortgage Bonds.
- Bond debt retired was \$53.7 million from prepayments and regular debt service.
- Gross bond debt payable increased from \$609.3 million to \$689.1 million.
- Net position increased \$6.5 million during FY25.

Fiscal Year 2025 Update

Single Family Program

On November 1st, 2024, Montana Board of Housing shifted its whole loan mortgage program to a Mortgage Back Security (MBS) business model which provides more flexibility to quickly adjust to changes in the real estate and financial markets. The Board executed a Master Mortgage Pooling and Servicing Agreement with Idaho Housing and Finance Association (IHFA), as its Master Servicer.

An MBS is an investment instrument in which a pool of mortgages serves as security for the investment. The mortgages in the pool share common characteristics such as program, mortgage insurance type, interest rate, amortization type and payment type. The mortgages are still originated by participating lenders and must be in compliance with the requirements of the Board's programs; however, they are purchased by IHFA, as the Master Servicer, and securitized into MBS pools that the Board purchases with bond proceeds.

Board programs have been updated to follow the requirements of Ginnie Mae for FHA, VA, RD and HUD 184 (government-insured) loan types, and the Government Sponsored Enterprises (Fannie Mae and Freddie Mac) for conventional conforming loan types.

**MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Benefits of an MBS program include:

- Potential higher rating on bond issues which could result in improved overall pricing and market acceptance.
- No debt service reserve requirement resulting in more bond proceeds being available for loan programs.
- No loan loss reserves required within the indentures.
- Reduced risk caused by delinquent loans since the Master Servicer is responsible for advancing delinquent principal and interest to the MBS security holders.
- Bond investors look more favorably on MBS than whole loan indentures.
- Different bond structures can be created with MBS pass through bonds, offering alternative methods of financing the Board's single-family loan production.

Montana Board of Housing will continue to purchase whole loans for special programs when interest rates offered do not align within the MBS structure. The Board will continue to purchase and hold all down payment assistance loans, as whole loans, and they will be serviced by IHFA.

The Board offers two down payment assistance programs to assist more borrowers. The 0% Deferred Program, which is funded from agency reserves, offers a deferred 0% second mortgage with a maximum loan amount of \$15,000, due at the time of payoff. The Bond Advantage Program, which is funded from the proceeds of bonds, offers a 15-year amortizing second mortgage that has the same interest rate as the first mortgage. The maximum loan amount of this second mortgage is also \$15,000.

The Board experienced an increase in its overall loan production in FY25, even with the transition to the MBS program. The number of loans processed increased by 5.9% and the overall principal balance of the loans originated increased by 10.3%. Market interest rates were between 6% and 7% and due to favorable bond pricing, the Board was able to offer mortgage rates that were typically 75 to 100 basis points below market rates.

The biggest challenge the Board faced was a lack of affordable inventory for first-time homebuyers to purchase. Sale prices continued to be very high around the state and in several counties prices exceeded the Board's purchase price limits. The Board continues to explore opportunities to expand its programs and offer low-interest rate loans to first-time homebuyers.

Loan Servicing Program

The Board was servicing the majority of its Single-Family and Multifamily loans at the end of FY25. It also serviced Coal Trust Multifamily Home (CTMH) program loans and Veterans' Home Loan Program (VHLP) loans for Montana Board of Investments, and Homeowner Assistance Fund (HAF) loans for the Montana Department of Commerce.

The biggest concern with the Board's in-house servicing portfolio relates to significant increases in hazard insurance and property taxes driving up mortgage payments, which could cause an increase in delinquency.

Additionally, as the Board moves forward and shifts new production to mortgage-backed securities through its Master Servicer, the Board will monitor its in-house legacy portfolio and make decisions about servicing a portfolio that will decline over time.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

Multifamily Program

The Board offers a variety of financing options for the development, rehabilitation and preservation of affordable multifamily rental units, including Federal Low Income Housing Tax Credits and multifamily loan products.

During FY25, the Board allocated \$37.2 million of 9% housing tax credits to be used over ten years to produce 137 rental units in Montana. The Board issued \$73.5 million in conduit bonds to produce 396 additional rental units. When 50% of a project's funding is through the issuance of conduit bonds, the project qualifies for 4% tax credits. In FY25, the Board allocated \$46.2 million of 4% housing credits to be used over ten years.

The Multifamily Program closed three loans utilizing the Coal Trust Multifamily Homes (CTMH) loan program which was funded by Montana Board of Investment and administered by Montana Board of Housing. The three loans totaled \$10,157,031 with rates ranging from 3.83% - 4.08%.

Finance

Investment interest rates were higher in FY25 than in recent years, which allowed the Board to obtain favorable return rates in money market funds. The cash proceeds from mature investments, along with new money the Board obtained from the issuance of tax-exempt bonds, were used to purchase mortgages and mortgage-backed securities, to pay down outstanding bonds and to fund operations.

The Board's Investment Policy indicates that investments are to be made with the expectation that they will be held until maturity ensuring the Board will receive the full face value of investments. GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments are shown on financial statements at fair value, which is frequently less than the face value. This investment depreciation to fair value shows as a \$0.4 million dollar loss in Decrease in Fair Value of Investments on the Statement of Revenues, Expenses, and Changes in Net Position. The Board's net position increased in FY25 compared to FY24 due to increased interest income on mortgages and investments partially offset by increases in operating expenses, particularly interest expense on bonds, as additional bonds were issued during the fiscal year at higher interest rates.

The bonds interest expense was \$5.23 million higher in FY25 than it was in FY24 due to the new issues in FY24 and FY25 carrying higher interest rates.

The Board's bonds payable balance increased by \$79.87 million dollars as two new series totaling \$131.43 million were issued during the year.

**MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Overview of the Financial Statements

The Board is a self-supporting entity and uses no State of Montana government general fund appropriations to operate. The Board is classified as an enterprise fund, which is a fund 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.

See Change in Net Position and Income on the Next Page

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
CONDENSED FINANCIAL INFORMATION
CHANGE IN NET POSITION AND OPERATING INCOME
YEARS ENDED JUNE 30, 2025 and 2024

| | 2025 | | 2024 |
|--|----------------|--------------|----------------|
| Restricted Assets: | | | |
| Current Assets | \$ 38,781,777 | ¹ | \$ 30,075,079 |
| Capital Assets | 2,499,665 | | 2,204,657 |
| Other Non-current Assets | 844,727,579 | ² | 762,410,779 |
| Total Assets | 886,009,021 | | 794,690,515 |
| Deferred Outflows of Resources: | 530,653 | | 558,836 |
| Liabilities: | | | |
| Current Liabilities | 38,557,707 | ³ | 29,868,453 |
| Non-current Liabilities | 671,651,297 | ⁴ | 595,545,349 |
| Total Liabilities | 710,209,004 | | 625,413,802 |
| Deferred Inflows of Resources: | 388,227 | | 395,750 |
| Net Position: | | | |
| Invested in Capital Assets | (75,960) | ⁵ | (114,433) |
| Restricted | 176,018,403 | | 169,554,232 |
| Total Net Position | \$ 175,942,443 | | \$ 169,439,799 |
| Operating Revenue: | | | |
| Interest on Loans | \$ 27,662,079 | ⁶ | \$ 22,420,177 |
| Earnings (Loss) from Investments | 7,502,428 | | 6,947,208 |
| Fees and Charges | 4,269,190 | | 3,267,827 |
| Other Income | 1,480 | | 32,256 |
| Total Operating Revenue | 39,435,177 | | 32,667,468 |
| Operating Expenses: | | | |
| Bond Expenses | 25,130,222 | ⁷ | 20,407,842 |
| Servicing Fees | 2,024,969 | | 1,056,482 |
| General and Administrative | 5,806,116 | | 5,564,559 |
| Total Expenses | 32,961,307 | | 27,028,883 |
| Operating Income (Loss) | 6,473,870 | | 5,638,585 |
| Non-operating Revenue | | | |
| Pensions - Non-employer Contributions | 28,774 | | 55,588 |
| Total Non-operating Income | 28,774 | | 55,588 |
| Income (Loss) Before Transfers | 6,502,644 | | 5,694,173 |
| Increase (Decrease) in Net Position | 6,502,644 | | 5,694,173 |
| Net Position, Beginning of Year | 169,439,799 | | 163,745,626 |
| Net Position, End of Year | \$ 175,942,443 | | \$ 169,439,799 |

¹ Current assets increased by \$8.70 million in FY25 primarily due to the increase in the current liability balance at year-end. See footnote 3 below.

² Non-current assets increased by \$82.32 million in FY25 due to higher loan production, both in the loans receivable the first half of the year and mortgage backed securities in the investments the second half of the year. Interest receivable also increased due to higher mortgage and investment rates.

³ Current liabilities increased by \$8.69 million in FY25 due primarily to the issuance of four bond series in FY24. The current portion of bonds payable now reflects a full year of upcoming debt service in FY25 compared to a partial year in FY24.

⁴ Non-current liabilities increased by \$76.10 million in FY25 due primarily to the issuance of two bond series totaling \$131.40 million offset by the Board's scheduled debt service payments on existing obligations during the year.

⁵ Net Capital Assets is currently negative as the present value of the outstanding lease liability is more than the book value of the right-to-use asset.

⁶ Interest on loans increased by \$5.24 million in FY25 as a result of higher loan volume and payments received on the higher rate mortgages originated in recent years.

⁷ Bond expenses increased by \$4.72 million in FY25 due to payments made on higher rate bonds issued in recent years.

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 NET POSITION
AS OF JUNE 30, 2025

| | |
|---|-------------------------------------|
| ASSETS | |
| Current Assets | |
| Restricted Assets: | |
| Cash and Cash Equivalents | \$ 38,557,707 |
| Prepaid Expense | 224,070 |
| Total Current Assets | <u>38,781,777</u> |
| Non-current Assets | |
| Restricted Assets: | |
| Cash and Cash Equivalents | 106,039,089 |
| Investments | 81,471,936 |
| Mortgage Loans Receivable, Net | 647,264,498 |
| Corporate Advance Receivable | 1,764,470 |
| Accounts Receivable | 9,589 |
| Interest Receivable | 5,633,649 |
| Purchase of Mortgage Servicing Rights | 2,544,348 |
| Intangible Right-To-Use Asset, Net | 2,061,651 |
| Subscription-Based IT Arrangements, Net | 438,014 |
| Total Non-current Assets | <u>847,227,244</u> |
| TOTAL ASSETS | <u>886,009,021</u> |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred Refunding Costs | 1,952 |
| Deferred OPEB Outflows | 244,719 |
| Deferred Pension Outflow | 283,982 |
| TOTAL DEFERRED OUTFLOWS | <u>530,653</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 3,646,094 |
| Funds Held For Others | 8,275,238 |
| Accrued Interest - Bonds Payable | 2,701,155 |
| Bonds Payable, Net | 23,140,000 |
| Arbitrage Rebate Payable to U.S. Treasury Department | 425,282 |
| Accrued Compensated Absences | 176,286 |
| Lease Payable - Current | 117,392 |
| SBITA Payable - Current | 76,260 |
| Total Current Liabilities | <u>38,557,707</u> |
| Non-current Liabilities | |
| Bonds Payable, Net | 665,986,724 |
| Arbitrage Rebate Payable to U.S. Treasury Department | 798,432 |
| Accrued Compensated Absences | 221,865 |
| Net Pension Liability | 2,157,239 |
| Other Postemployment Benefits | 105,064 |
| Leases payable - non current | 2,094,576 |
| SBITA payable - non current | 287,397 |
| Total Non-current Liabilities | <u>671,651,297</u> |
| TOTAL LIABILITIES | <u>710,209,004</u> |
| DEFERRED INFLOW OF RESOURCES | |
| Deferred OPEB Inflow | 304,871 |
| Deferred Pension Inflow | 83,356 |
| TOTAL DEFERRED INFLOWS | <u>388,227</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (75,960) |
| Restricted for Bondholders: | |
| Single Family Programs | 139,683,472 |
| Various Recycled Mortgage Setaside Programs | 5,247,366 |
| Multifamily Programs | 17,531,891 |
| Reverse Annuity Program | 9,713,364 |
| Restricted for Affordable Revolving Loan Program | 3,842,310 |
| TOTAL NET POSITION | <u><u>\$ 175,942,443</u></u> |

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, 2025

| | |
|--|------------------------------|
| OPERATING REVENUES | |
| Interest Income - Mortgage Loans | \$ 27,662,079 |
| Interest Income - Investments | 7,922,318 |
| Net Increase (Decrease) in Fair Value of Investments | (419,890) |
| Fee Income | 4,269,190 |
| Other Income | 1,480 |
| Total Operating Revenues | <u>39,435,177</u> |
| OPERATING EXPENSES | |
| Interest on Bonds | 22,957,850 |
| Servicer Fees | 2,024,969 |
| Contracted Services | 889,072 |
| Amortization of Refunding Costs | 23,536 |
| Bond Issuance Costs | 1,852,097 |
| General and Administrative | 4,761,726 |
| Arbitrage Rebate Expense | 296,739 |
| Pension Expense | 152,633 |
| Other Post-Employment Benefits | 2,685 |
| Total Operating Expenses | <u>32,961,307</u> |
| Operating Income (Loss) | 6,473,870 |
| NONOPERATING REVENUES (EXPENSES) | |
| Pensions - Nonemployer Contribution | 28,774 |
| Nonoperating Income (Loss) | <u>28,774</u> |
| Income (Loss) Before Transfers | 6,502,644 |
| Increase (Decrease) in Net Position | <u>6,502,644</u> |
| Net Position, Beginning of Year | <u>169,439,799</u> |
| Net Position, End of Year | <u><u>\$ 175,942,443</u></u> |

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, 2025

| | |
|---|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts for Sales and Services | \$ 6,561,030 |
| Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans | 72,054,242 |
| Collections (Disbursement) on Loan Escrow Accounts | 658,628 |
| Cash Payments for Loans | (82,826,017) |
| Payments to Suppliers for Goods and Services | (3,512,744) |
| Payments to Employees | (3,197,724) |
| Corporate (Advances) Repayments | (171,979) |
| Other Operating Revenues | 1,479 |
| Net Cash Provided by (Used for) Operating Activities | <u><u>(10,433,085)</u></u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Payment of Principal and Interest on Bonds and Notes | (77,285,859) |
| Proceeds from Issuance of Bonds and Notes | 131,430,000 |
| Payment of Bond Issuance Costs | (1,615,457) |
| Premium Received on Bonds | 3,375,324 |
| Purchase of Mortgage Servicing Rights | (640,142) |
| Net Cash Provided by (Used for) Non-capital Financing Activities | <u><u>55,263,866</u></u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of Fixed Assets (SBITA Implementation Costs) | (27,440) |
| Principal Payments on Leases | (107,122) |
| Interest Payments on Leases | (37,467) |
| Principal Payments on SBITAs | (92,543) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u><u>(264,572)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of Investments | (80,545,582) |
| Proceeds from Sales or Maturities of Investments | 63,876,251 |
| Interests and Dividends on Investments | 7,366,906 |
| Payments for Arbitrage Rebate Tax | (758,453) |
| Net Cash Provided by (Used for) Investing Activities | <u><u>(10,060,878)</u></u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 34,505,331 |
| Restricted Cash and Cash Equivalents, July 1 | 110,091,465 |
| Restricted Cash and Cash Equivalents, June 30 | <u><u>\$ 144,596,796</u></u> |
| Restricted Current Cash and Cash Equivalents | \$ 38,557,707 |
| Restricted Non-Current Cash and Cash Equivalents | <u><u>\$ 106,039,089</u></u> |
| Total Restricted Cash and Cash Equivalents | <u><u>\$ 144,596,796</u></u> |

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, 2025**

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

| | | |
|---|----|---------------------|
| Operating Income | \$ | 6,473,870 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | |
| Amortization | | 576,298 |
| Interest Expense | | 24,483,283 |
| Interest on Investments | | (7,921,315) |
| Decr (Incr) in Fair Value of Investments | | 419,890 |
| Arbitrage Rebate Tax | | 296,739 |
| Change in Assets and Liabilities: | | |
| Decr (Incr) in Mortgage Loans Receivable | | (37,484,387) |
| Decr (Incr) in Other Assets | | (464,607) |
| Incr (Decr) Accounts Payable | | 2,517,372 |
| Incr (Decr) Funds Held for Others | | 664,942 |
| Incr (Decr) Net Pension Liability and Related Accounts | | (20,611) |
| Incr (Decr) in Compensated Absences Payable | | 34,971 |
| Incr (Decr) Total OPEB Liability and Related Accounts | | (9,530) |
| Net Cash Provided by (Used for) Operating Activities | \$ | <u>(10,433,085)</u> |

Noncash Investing, capital, and financing activities: During FY25, the Board's investments decreased in fair value by \$419,890. The fair value decrease was not realized in cash during FY25.

The Board recognized a subscription asset and related liability of \$456,200 for a new subscription-based IT arrangement under GASB 96. The Board incurred \$27,440 in implementation costs related to the new subscription-based IT arrangement. These costs were paid in cash and are reported as capital outflows in the Statement of Cash Flows.

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
JUNE 30, 2025

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 \$1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor the taxing power of the State of Montana (State) 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.

Recent GASB Pronouncements

For the year ended June 30, 2025, the Board adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the Board's financial statement as the result of the implementation of this standard.

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 discretely presented component unit in the State of Montana's Annual Comprehensive Financial Report. 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, recordkeeping, reporting, and related administrative functions of the Board.

Measurement Focus and Basis of Accounting

The Board follows the economic resources measurement focus and accrual basis of accounting. Revenue is recognized in the period in which it is earned, and expenses are recognized when they are incurred.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board's 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 comprise each fund's assets, deferred outflows of resources, liabilities, deferred inflows 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.

The mortgage loans receivable and certain mortgage-backed securities 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

Net investment in capital assets — This component consists of capital assets, net of accumulated amortization, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.

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 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.

The Statement of Net Position reports \$(75,960) of net investment in capital assets and \$176,018,403 of restricted net position.

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:

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

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.

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 Fund. The money in the loan account is allocated to the Board for the purposes of providing loans to eligible applicants. Currently, the account holds resources and loans provided by the Federal Housing and Urban Development Section 8 administrative fee reserve account, the Temporary Assistance to Needy Families (TANF) block grant to the State and the Affordable Housing Program.

Cash and Cash Equivalents

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

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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 to the 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, *Fair Value Measurement and Application*. The changes in value are reported in the Statement of Revenues, Expenses, and Changes in Net Position.

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. During 2025, the Board has shifted away from this model for a majority of loans to the mortgage-backed securities model. This will result in a declining portfolio over time but increase the mortgage-backed security investments.

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. 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. Further detail related to mortgage loans receivable is provided in Note 5.

Mortgage-Backed Securities

Mortgage-Backed Securities reported in the Single Family Programs are pass-through Mortgage-Backed Securities securitized by the Federal National Mortgage Association (FNMA) or the Government National Mortgage Association (GNMA) and purchased by the Board. The securities consist of pools of qualified Montana mortgage loans originated through 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. The changes in value are reported in the Statement of Revenues, Expenses, and Changes in Net Position.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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, total OPEB 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 or up to 50 years for buildings. The capitalization threshold for recording capital assets varies between \$5,000 and \$500,000 for building/land improvements/others depending on the type of asset purchased. The capitalization threshold for intangible right-to-use lease assets is \$100,000. Purchases under these thresholds are recorded as expenses in the current period. As of June 30, 2025, the Board currently has an intangible right-to-use lease asset and right-to-use subscription asset as mentioned below. Further detail related to capital assets is provided in Note 7.

Leases

GASB Statement No. 87, *Leases*, regarding leases requires lessees to recognize a lease liability and a right-to-use lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The right-to-use lease asset is measured at the amount of the initial measurement of the lease liability, plus any payment made to the lessor at or before the commencement of the lease term and certain direct costs. The lease liability will be reduced as payments are made and the lease asset will be amortized in a systematic manner over the shorter of the lease term or the useful life of the underlying asset. The present value of the current building lease was calculated using the Intercap Rate provided by the Montana Board of Investments at the time of inception of GASB Statement 87. The Board currently leases a portion of a building on Park Avenue in Helena, Montana. The portion of the lease associated with the Board is calculated on the basis of square footage. Other information on the Board lease is available in Note 8.

Subscription-Based Information Technology Arrangements (SBITAs)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, requires governments to recognize a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term, unless the arrangement is short-term (12 months or less including any options to extend). The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term (less any incentives). The subscription asset is measured at the amount of the initial subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term and certain implementation costs.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

The subscription liability is reduced as payments are made, and the subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset. The present value of the current SBITA was calculated using the appropriate discount rate, which may be the interest rate implicit in the arrangement or the government's incremental borrowing rate at the time of inception of GASB Statement 96.

The Board currently subscribes to a cloud-based platform used for housing development project management. The portion of the subscription associated with the Board is calculated based on user licenses and service tiers. Additional information on the Board's SBITA is available in Note 9.

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.

OPEB

The Board is a participating employer in the State of Montana OPEB plan. For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the Board's is available via the Montana Department of Administration. Member contributions are recognized in the period in which the contributions are made. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. The State OPEB plan adheres to all applicable GASB statements.

Arbitrage Rebate

The Board is limited in the investment yield which it may retain for its own use on the non-mortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the federal government in accordance with applicable federal tax regulations.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

| Program Funds: | |
|------------------------------------|-----------------------|
| Cash Deposited with State Treasury | \$ 8,416,657 |
| Custodial Cash | 10,301,760 |
| Cash on Hand ⁸ | 37,312 |
| Cash Equivalents - Money Market | 125,841,067 |
| Total Cash and Cash Equivalents | <u>\$ 144,596,796</u> |

NOTE 3. INVESTMENTS

The Board invests the following funds: 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 and 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.

Concentration of Credit Risk

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

⁸ Cash on hand is checks received but not deposited on June 30, 2025.

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investment holding to minimize the risk of loss. The Board's investments are all issued or explicitly guaranteed by the U.S. Government and are excluded from this requirement.

Custodial Credit Risk

Custodial credit risk for investments and deposits is the risk that, in the event of the failure of a depository financial institution or counterparty, 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 deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. As of June 30, 2025, approximately \$1,623,000 of the Board's custodian cash bank balances was insured or collateralized and remaining balance was exposed to custodial credit risk because they were uncollateralized. Subsequent to year end, the Board reviewed accounts held with financial institutions to ensure that they were insured by FDIC or collateralized with securities held by the pledging financial institution. The Board's executed contract with the financial institution that holds the Board's custodian cash bank balances includes requirements to comply with both state policy and FDIC parameters. Specifically, the contract requires the vendor to "maintain mortgage servicing accounts as defined by FDIC 330.7(d)" as well as to "provide pledged securities for all deposits as referenced in 16-6-102, MCA."

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 the repurchase agreement.

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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 N/A (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 | Moody's | S&P | Effective |
|---|-----------------------|------------------|------------------|-------------------|
| | June 30, 2025 | Rating | Rating | Duration |
| FHLMC Bonds ⁹ | \$ 2,522,727 | Aaa | AA+ | 7.04 |
| FNMA Medium Term Notes ¹⁰ | 12,788,534 | Aaa | AA+ | 1.78 |
| Mortgage-Backed Securities | 61,362,904 | NR ¹¹ | NR ¹¹ | 27.01 |
| | <u>\$ 76,674,165</u> | | | |
| U.S. Treasury Bonds | 4,797,771 | Aaa | AA+ | 0.13 |
| Trustee Money Market Accounts (at amortized cost) ¹² | 125,841,067 | NR ¹¹ | NR ¹¹ | N/A ¹³ |
| Total Investments (including Money Market) | <u>\$ 207,313,003</u> | | | |

⁹ Federal Home Loan Mortgage Corporation

¹⁰ Federal National Mortgage Association

¹¹ Not rated

¹² Money Market Accounts are included in Cash Equivalents on the financial statements

¹³ Not applicable

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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.

| | June 30, 2025 | Fair Value Measurement Using | | |
|--|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) ¹⁴ | Significant Other Observable Inputs (Level 2) ¹⁵ | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value | | | | |
| Fixed income investments | | | | |
| U.S. Treasuries | \$ 4,797,771 | \$ 4,797,771 | \$ — | \$ — |
| Agency/Government Related | 15,311,261 | — | \$ 15,311,261 | — |
| Mortgage-Backed Securities | 61,362,904 | — | 61,362,904 | — |
| Total fixed income investments | \$ 81,471,936 | \$ 4,797,771 | \$ 76,674,165 | \$ — |
| Investments Measured at Amortized Cost¹⁶ | | | | |
| Money Market Accounts | 125,841,067 | | | |
| Total investments managed | \$207,313,003 | | | |

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

¹⁴ 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.

¹⁵ Fixed income investments classified in Level 2 of the fair value hierarchy are valued using the matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

¹⁶ 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 and highly liquid investments such as money market.

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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. The loans held for servicing by the Servicing program are not deemed pledged mortgages and are not included in the Net Collateralized Mortgage Loans Receivable amount but are listed separately.

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, are insured by the Federal Housing Administration (FHA), and 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%.

In accordance with GASB Statement No. 48, the pledging of mortgage loans receivable is considered a collateralized borrowing. Collateralized mortgage loans receivable, as of June 30, 2025, consist of the following:

| | |
|--|-----------------------|
| Single Family Program | \$ 629,340,802 |
| Multifamily Program | 9,142,715 |
| Housing Trust Program | 2,720,815 |
| Housing Montana Fund | 2,221,982 |
| | 643,426,314 |
| Net mortgage discounts and premiums | 3,887,375 |
| Allowances for losses and real estate owned (Note 6) | (320,000) |
| Net Collateralized Mortgage Loans Receivable | \$ 646,993,689 |
| Mortgage loans receivable <u>not</u> collateralized. | \$ 270,809 |

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, 2025, allowances for loan losses include \$100,000 for mortgage bad debt and \$220,000 for future estimated losses on real estate owned property. The Board held two (2) real estate owned properties as of June 30, 2025. 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, 2024 | \$ 320,000 |
| Plus: Additional provision | — |
| Less: Net loans charged off | — |
| Balance as of June 30, 2025 | \$ 320,000 |

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NOTE 7. CAPITAL ASSETS

Intangible right-to-use lease building is for a portion of a building based on square foot usage used for business activities of the Board. Intangible right-to-use subscriptions is for a multifamily housing finance software subscription. Capital asset balances as of June 30, 2025, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balances |
|---|----------------------|------------|-----------|--------------------|
| Capital Assets: | | | | |
| Intangible Right-of-Use Building | \$ 2,633,671 | \$ — | \$ — | \$ 2,633,671 |
| Intangible Right-of-Use Subscription | — | 483,641 | — | 483,641 |
| Total Capital Assets | 2,633,671 | 483,641 | — | 3,117,312 |
| Less Accumulated Depreciation/ Amortization for: | | | | |
| Intangible Right-of-Use Building | (429,014) | (143,007) | — | (572,020) |
| Intangible Right-of-Use Subscription | — | (45,628) | — | (45,627) |
| Total Depreciation /amortization | (429,014) | (188,635) | — | (617,647) |
| Capital Assets, Net | \$ 2,204,657 | \$ 295,006 | \$ — | \$ 2,499,665 |

Amortization expense included in general and administrative expense was \$188,635 for the year ended June 30, 2025.

NOTE 8. LEASES

A lease was made between the State of Montana, Department of Commerce and the Helena Montana Associates to lease the premise at 301 South Park Avenue, Helena Montana beginning December 1, 2019, through November 30, 2039. Based on the square footage used by the Board, the Board has 41.4% of the lease allocated to it.

The current net present value of the portion allocated to the Board of Housing as of the remaining duration of the lease is \$2,211,968. Payments are due in monthly installments beginning at \$12,048 increasing three times over the life of the lease to a final payments of \$16,033 at the end of the lease. These calculations are with imputed interest of 1.65% which is derived from the Montana Board of Housing Intercomp Rate at the time of inception of GASB Statement 87.

The following table presents lease principal and interest requirements to maturity:

| | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2026 | \$ 117,392 | \$ 35,641 | \$ 153,033 |
| 2027 | 125,461 | 33,614 | 159,075 |
| 2028 | 127,547 | 31,529 | 159,076 |
| 2029 | 129,667 | 29,408 | 159,075 |
| 2030 | 131,823 | 27,252 | 159,075 |
| 2031-2035 | 768,329 | 99,879 | 868,208 |
| 2036-2040 | 811,749 | 30,736 | 842,485 |
| Totals | \$ 2,211,968 | \$ 288,059 | \$ 2,500,027 |

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NOTE 9. SBITAs

The Board has entered into a subscription-based information technology arrangement (SBITA) for a cloud-based software platform used for housing development project management. The agreement conveys the Board the right to use the software over a noncancelable subscription term of fifty-two months, beginning February 1, 2025, and ending June 30, 2029.

The current net present value as of the remaining duration of the subscription is \$363,657. Payments are due in annual installments beginning at \$92,543 and increasing each year to a final payment of \$112,487 at the end of the term. These calculations are with imputed interest of 5.75% which is derived from the Montana Board of Housing Intercap Rate at the time of the inception of the subscription.

The following table presents subscription principal and interest requirements to maturity:

| | Principal | Interest | Total |
|--------|-------------------|------------------|-------------------|
| 2026 | \$ 76,260 | \$ 20,910 | \$ 97,170 |
| 2027 | 85,504 | 16,525 | 102,029 |
| 2028 | 95,522 | 11,609 | 107,131 |
| 2029 | 106,371 | 6,116 | 112,487 |
| Totals | <u>\$ 363,657</u> | <u>\$ 55,160</u> | <u>\$ 418,817</u> |

NOTE 10. 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, 2025.

| 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 | \$ 9,485,000 |
| 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 | 23,585,000 |
| 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 | 10,255,000 |
| 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 | 13,755,000 |
| 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 | 12,590,000 |
| 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 | 13,050,000 |

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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 | 21,170,000 |
|---|------------|------------|

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 | 18,540,000 |
|--|------------|------------|

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 | 19,060,000 |
|---|------------|------------|

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 | 29,575,000 |
|--|------------|------------|

2021

| | | |
|---|------------|------------|
| Series B serial and term bonds at 0.10% to 3.00% maturing in scheduled semi-annual installments to December 1 2033, December 1, 2036, December 1, 2041, December 1, 2046, June 1, 2051, and December 1, 2051. | 32,000,000 | 25,235,000 |
|---|------------|------------|

2022

| | | |
|---|------------|------------|
| Series A serial and term bonds at 0.30% to 3.00% maturing in scheduled semi-annual installments to December 1 2034, December 1, 2037, December 1, 2042, December 1, 2047, December 1, 2051, and June 1, 2052. | 32,000,000 | 26,630,000 |
|---|------------|------------|

2022

| | | |
|--|------------|------------|
| Series B serial and term bonds at 2.05% to 5.00% maturing in scheduled semi-annual installments to December 1, 2034, December 1, 2037, December 1, 2042, December 1, 2047, and June 1, 2052. | 32,000,000 | 27,350,000 |
|--|------------|------------|

2022

| | | |
|--|------------|------------|
| Series C serial and term bonds at 3.00% to 6.00% maturing in scheduled semi-annual installments to December 1, 2034, December 1, 2037, December 1, 2042, December 1, 2047, December 1, 2052, and June 1, 2053. | 40,000,000 | 37,605,000 |
|--|------------|------------|

2023

| | | |
|--|------------|------------|
| Series A serial and term bonds at 3.20% to 5.75% maturing in scheduled semi-annual installments to December 1, 2035, December 1, 2038, December 1, 2043, December 1, 2048, June 1, 2053, and December 1, 2053. | 41,000,000 | 39,145,000 |
|--|------------|------------|

2023

| | | |
|--|------------|------------|
| Series B serial and term bonds at 3.45% to 6.00% maturing in scheduled semi-annual installments to December 1, 2035, December 1, 2038, December 1, 2043, December 1, 2048, June 1, 2053, and December 1, 2053. | 43,000,000 | 41,590,000 |
|--|------------|------------|

2023

| | | |
|--|------------|------------|
| Series C serial and term bonds at 3.45% to 6.25% maturing in scheduled semi-annual installments to December 1, 2035, December 1, 2038, December 1, 2043, December 1, 2048, December 1, 2053, and June 1, 2054. | 43,000,000 | 42,190,000 |
|--|------------|------------|

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2024

| | | |
|--|------------|------------|
| Series A serial and term bonds at 3.25% to 6.00% maturing in scheduled semi-annual installments to December 1, 2036, December 1, 2039, December 1, 2044, December 1, 2049, June 1, 2054, and December 1, 2054. | 65,000,000 | 64,305,000 |
|--|------------|------------|

2024

| | | |
|--|------------|------------|
| Series B serial and term bonds at 2.95% to 5.75% maturing in scheduled semi-annual installments to December 1, 2036, December 1, 2039, December 1, 2044, December 1, 2049, December 1, 2053, and June 1, 2055. | 56,430,000 | 56,050,000 |
|--|------------|------------|

2025

| | | |
|--|------------|------------|
| Series A serial and term bonds at 3.00% to 5.75% maturing in scheduled semi-annual installments to December 1, 2037, December 1, 2040, December 1, 2045, December 1, 2050, December 1, 2054, and June 1, 2055. | 75,000,000 | 75,000,000 |
|--|------------|------------|

| | | |
|-------------------------------------|--|----------------|
| Bonds outstanding Single Family I | | 606,165,000 |
| Unamortized bond premium (discount) | | 13,261,813 |
| Total Bonds Payable Single Family I | | \$ 619,426,813 |

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 | \$ 13,205,000 |
|--|---------------|---------------|

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 | 20,070,000 |
|---|------------|------------|

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 | 15,000 |
|--|------------|--------|

2018

| | | |
|--|------------|------------|
| Series A serial and term bonds at 1.65% to 4.00% maturing in semi-annual installments to December 1, 2030, December 1, 2033, December 1, 2038, December 1, 2043, December 1, 2048, and June 1, 2049. | 38,450,000 | 13,705,000 |
|--|------------|------------|

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 | 13,995,000 |
|--|------------|------------|

| | | |
|--------------------------------------|--|---------------|
| Bonds outstanding Single Family II | | 60,990,000 |
| Unamortized bond premium (discount) | | 605,599 |
| Total Bonds Payable Single Family II | | \$ 61,595,599 |

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| 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 | \$ 4,085,000 |
| 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 | 3,805,000 |
| Bonds outstanding Single Family XI | | 7,890,000 |
| Unamortized bond premium (discount) | | 32,946 |
| Total Bonds Payable Single Family XI | | \$ 7,922,946 |

| Single Family General Obligation Bonds: | Original Amount | Balance |
|--|-----------------|----------------|
| 2008 | | |
| Series A general obligation private placement bonds, variable rate, maturing June 1, 2038. ¹⁷ | \$ 497,942 | \$ 86,366 |
| Total Single Family Mortgage Bonds Payable, Net | | \$ 689,031,724 |

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 within the individual bond indentures.

| Multifamily Mortgage Bonds: | Original Amount | Balance |
|---|-----------------|-----------|
| 1998 | | |
| Series A serial and term bonds at 3.5% to 4.70% interest, maturing in scheduled annual installments to August 1, 2014, and on August 1, 2029. | \$ 1,625,000 | \$ 95,000 |
| Total Multifamily Mortgage Bonds Payable, Net | | \$ 95,000 |

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 | \$ 689,126,724 |
|---|-----------------------|

¹⁷ 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, 2025, \$497,942 of bonds have been issued.

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The following is a summary of bond principal and interest requirements as of June 30, 2025:

| 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 |
|--------------------------------|--|--|---|--|
| 2026 | \$ 50,406,766 | \$ 24,420 | \$ 23,140,000 | \$ 27,291,186 |
| 2027 | 48,731,401 | 23,380 | 22,550,000 | 26,204,781 |
| 2028 | 48,945,324 | 27,210 | 23,410,000 | 25,562,534 |
| 2029 | 48,180,629 | 21,040 | 23,325,000 | 24,876,669 |
| 2030 | 47,918,759 | 10,260 | 23,790,000 | 24,139,019 |
| 2031-2035 | 225,440,411 | — | 117,035,000 | 108,405,411 |
| 2036-2040 | 198,889,464 | — | 111,996,366 | 86,893,098 |
| 2041-2045 | 177,206,217 | — | 112,680,000 | 64,526,217 |
| 2046-2050 | 163,004,265 | — | 124,005,000 | 38,999,265 |
| 2051-2055 | 104,426,231 | — | 93,295,000 | 11,131,231 |
| Total | \$ 1,113,149,467 | \$ 106,310 | \$ 675,226,366 | \$ 438,029,411 |

Cash paid for interest expenses during the year ended June 30, 2025 was \$23,600,859.

Summary of Changes in Long-term Liabilities:

| | Beginning Balance July 1, 2024 | Additions | Reductions | Ending Balance June 30, 2025 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|--|--------------------------------------|---------------|---------------|---------------------------------------|-----------------------------------|--|
| Bonds payable | | | | | | |
| Single Family, net | 609,142,729 | \$134,805,324 | \$ 54,916,329 | 689,031,724 | \$ 23,120,000 | \$ 665,911,724 |
| Multifamily, net | 115,000 | — | 20,000 | 95,000 | 20,000 | 75,000 |
| Total Bonds/Notes Payable, net | 609,257,729 | 134,805,324 | 54,936,329 | 689,126,724 | 23,140,000 | 665,986,724 |
| Arbitrage Payable ¹⁸ | 1,685,428 | 296,739 | 758,453 | 1,223,714 | 425,282 | 798,432 |
| Compensated Absences Payable ¹⁸ | 363,180 | 34,971 | — | 398,151 | 176,286 | 221,865 |
| Net Pension Liability ¹⁸ | 2,234,466 | — | 77,227 | 2,157,239 | — | 2,157,239 |
| Total OPEB Liability ¹⁹ | 83,876 | 257,656 | 236,468 | 105,064 | — | 105,064 |
| Lease Payable | 2,319,090 | — | 107,122 | 2,211,968 | 117,392 | 2,094,576 |
| SBITA Payable | — | 456,200 | 92,543 | 363,657 | 76,260 | 287,397 |
| Total other liabilities | 6,686,040 | 1,045,566 | 1,271,813 | 6,459,793 | 795,220 | 5,664,573 |
| Total Business-type activities long-term liabilities | \$615,943,769 | \$135,850,890 | \$ 56,208,142 | \$695,586,517 | \$ 23,935,220 | \$ 671,651,297 |

¹⁸ 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. The change in the Compensated Absences liability is presented as a net change.

¹⁹ 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.

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NOTE 11. BOND REDEMPTIONS

During the year ended June 30, 2025, the Board redeemed Single Family and Multi-Family Mortgage Program bonds prior to scheduled maturity as follows:

| | |
|-------------------------|---------------|
| Single Family I | |
| December 1 | \$ 10,050,000 |
| June 1 | 12,610,000 |
| | 22,660,000 |
| | |
| Single Family II | |
| December 1 | 3,750,000 |
| June 1 | 1,525,000 |
| | 5,275,000 |
| | |
| Single Family XI | |
| December 1 | 245,000 |
| June 1 | 290,000 |
| | 535,000 |
| | |
| Total | \$ 28,470,000 |

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

NOTE 12. COMMITMENTS

Single Family Indentures — The Board has bond proceeds available for the purchase and reservation of single-family mortgages and Mortgage Backed Securities of approximately \$42,553,344 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 |
| Down Payment Assistance | 1,016,365 |
| Habitat for Humanity | 3,966,000 |
| Total Single Family Commitments | \$ 5,032,365 |

Single Family I — Reverse Annuity Mortgage Program Future Loan Amounts: \$3,547,257

Single Family I & II — funding for Homebuyer Education for fiscal year 2026: \$215,000

Housing Trust Fund Program — Reverse Annuity Mortgage Program Funds: \$249,938

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NOTE 13. EMPLOYEE BENEFIT PLANS

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

Montana Public Employee Retirement Administration (MPERA) prepares 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 in which they are 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 accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

General Information about the Pension Plan

Plan Description — The PERS-DBRP, administered by MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 and 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 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. 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 service; or Any age, 30 years of membership service.
- Hired on or after July 1, 2011: Age 65, 5 years of membership service; or Age 70, regardless of membership service.

Early Retirement:

- 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.

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

- Retired before January 1, 2016, and accumulate less than 2 years additional service credit or retired 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.
- Retired 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.
- Retired 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.

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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 and universities, 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 | |
| 2025 | 7.900% | 7.900% | 9.170% |
| 2024 | 7.900% | 7.900% | 9.170% |
| 2023 | 7.900% | 7.900% | 9.070% |
| 2022 | 7.900% | 7.900% | 8.970% |
| 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.

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- 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. For fiscal years beginning after June 30, 2024, the additional contribution amounts stay at 2.27%. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional 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 from the General Fund of \$35,329,705.

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, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The 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 dates for June 30, 2024, and June 30, 2023, are displayed below. The measurement date used throughout has a one-year delay to the reporting date for pension information. 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 \$2,157,239 and the employers proportionate share of the collective NPL was 0.088% percent.

| As of measurement date | Net Pension Liability as of June 30, 2024 | Net Pension Liability as of June 30, 2023 | Percent of Collective NPL as of June 30, 2024 | Percent of Collective NPL as of June 30, 2023 | Change in Percent of Collective NPL |
|--|---|---|---|---|-------------------------------------|
| Board of Housing Proportionate Share | \$ 2,157,239 | \$ 2,234,466 | 0.088 % | 0.092 % | (0.004)% |
| State of Montana Proportionate Share associated with the Board | 536,913 | 592,527 | 0.022 % | 0.024 % | (0.002)% |
| Total | \$ 2,694,152 | \$ 2,826,993 | 0.110 % | 0.116 % | (0.006)% |

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Changes in actuarial assumptions and methods — There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

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 to the Plan 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, 2025, the Board recognized the total pension expense of \$152,633, including \$123,859 for its proportionate share of the Plan's pension expense. Additionally, the Board recognized grant revenue of \$28,774 for the support provided by the State for its proportionate share of the pension expense associated with the Board.

Recognition of deferred inflows and outflows - At June 30, 2025, 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 | \$ 109,017 | \$ — |
| Projected Investment Earning vs. Actual Investment Earnings | — | 47,971 |
| Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions | — | 35,385 |
| Employer Contributions Subsequent to the Measurement Date | 174,965 | — |
| Total | <u>\$ 283,982</u> | <u>\$ 83,356</u> |

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 |
|--|--|
| 2025 | \$ (40,762) |
| 2026 | \$ 120,805 |
| 2027 | \$ (33,724) |
| 2028 | \$ (20,658) |
| Thereafter | \$ — |

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-------------|
| Investment Return (net of admin expense, including inflation) | 7.30% |
| General Wage Growth (including inflation) | 3.50% |
| Inflation | 2.75% |
| Merit Increases | 0% to 4.80% |

Postretirement Benefit Increases

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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 the member's benefit.
 - Members hired prior to July 1, 2007 3.0%
 - Members hired between July 1, 2007 and 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

- Active Participants PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021 with ages set forward one year for both males and females.
- Contingent Survivors PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using PM-2021.

The actuarial assumptions and methods utilized in the June 30, 2024 valuation were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.30%. 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. Based on those assumptions, the System's fiduciary net position was projected to be

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adequate to make all the projected future benefit payments of current plan members through the year 2128. 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.

Target Allocations

The long-term rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------------|--|
| Cash | 3.00 % | -0.33% |
| Domestic Equity | 30.00 % | 5.90% |
| International Equity | 17.00 % | 7.14% |
| Private Investments | 15.00 % | 9.13% |
| Real Assets | 5.00 % | 4.03% |
| Real Estate | 9.00 % | 5.41% |
| Core Fixed Income | 15.00 % | 1.14% |
| Non-Core Fixed Income | 6.00 % | 3.02% |
| Total | 100.0 % | |

Sensitivity Analysis

The following presents the Board's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in liability. The NPL was calculated using the discount rate of 7.30%, 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 (6.30%) | Current Discount Rate (7.30%) | 1.0% Increase (8.30%) |
|-------------------------|----------------------------------|--|----------------------------------|
| Board of Housing | \$ 3,144,788 | \$ 2,157,239 | \$ 1,329,132 |

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Disclosure for the Defined Contribution Plan

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

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

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

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's 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 measurement period ended June 30, 2024, 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 363 employers that have participants in the PERS-DCRP totaled \$1,868,819.

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, Montana 59620-0131, (460) 444-3154 or both are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>

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.

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.

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NOTE 14. 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 \$758,453 in arbitrage rebate cash payments, from the arbitrage rebate and yield liability accounts, to the United States Treasury Department in FY25. The related liability was \$1,223,714 as of June 30, 2025.

| | |
|-----------------------------|-------------|
| Balance as of June 30, 2024 | \$1,685,428 |
| Plus: Increases | 296,739 |
| Less: Reductions | 758,453 |
| Balance as of June 30, 2025 | \$1,223,714 |

NOTE 15. 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 and no additional or voluntary commitments of its resources have been extended by the Board. 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 and 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, 2025, are as follows:

| Bond Series | Original Amount | Balance |
|--|-----------------|--------------|
| Multifamily Housing Revenue Bond Series 2012 A-1 (Rainbow/Silver Bow Apartments) | \$ 5,739,713 | \$ 4,567,545 |
| Multifamily Housing Revenue Bond Series 2015 A (Larkspur Commons Apartments) | 15,500,000 | 10,735,701 |
| Multifamily Housing Revenue Bond Series 2017 (Big Sky Manor Apartments) | 4,500,000 | 3,509,838 |
| Multifamily Housing Revenue Bond Series 2018 (Rockcross Commons Apartments) | 15,000,000 | 8,260,676 |
| Multifamily Housing Revenue Bond Series 2018 (Starner Gardens Apartments) | 15,000,000 | 8,875,604 |
| Multifamily Housing Revenue Bond Series 2020 (Emporda Apartments) | 3,600,000 | 3,067,665 |
| Multifamily Housing Revenue Bond Series 2020 (Ponderosa Acres) | 20,915,000 | 16,550,000 |

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| Bond Series | Original Amount | Balance |
|---|-----------------|--------------------|
| Multifamily Housing Revenue Bond Series 2020 (Butte I Affordable Owner I) | 13,200,000 | 6,535,000 |
| Multifamily Housing Revenue Bond Series 2020 (Butte Affordable Owner II) | 29,300,000 | 19,585,000 |
| Multifamily Housing Revenue Bond Series 2020 (Arrowleaf Park Apartments) | 26,000,000 | 19,887,898 |
| Multifamily Housing Revenue Bond Series 2020 (Perennial Park Apartments) | 19,000,000 | 12,386,438 |
| Multifamily Housing Revenue Bond Series 2021 (Trinity Apartments) | 36,000,000 | 22,419,395 |
| Multifamily Housing Revenue Bond Series 2021 (DMS Portfolio Project) | 28,500,000 | 19,215,000 |
| Multifamily Housing Revenue Bond Series 2021 (Boulevard Apartments) | 7,000,000 | 4,120,000 |
| Multifamily Housing Revenue Bond Series 2021 (Castlebar Apartments) | 13,525,000 | 10,450,824 |
| Multifamily Housing Revenue Bond Series 2022 (Junegrass) | 22,500,000 | 14,600,000 |
| Multifamily Housing Revenue Bond Series 2023 (Great Falls Project) | 15,381,160 | 10,893,310 |
| Multifamily Housing Revenue Bond Series 2023 (14th & Patrick Apts Project) | 35,000,000 | 35,000,000 |
| Multifamily Housing Revenue Bond Series 2023 (North 3rd Apartments Project) | 49,000,000 | 37,208,586 |
| Multifamily Housing Revenue Bond Series 2023B (Baxter Apartments Project) | 3,000,000 | 3,000,000 |
| Multifamily Housing Revenue Bond Series 2023 (Highland Manor Project) | 4,000,000 | 3,158,124 |
| Multifamily Housing Revenue Bond Series 2023 (Parkview Apartments Project) | 11,500,000 | 11,500,000 |
| Multifamily Housing Revenue Bond Series 2023 (Union Place Apartments Project) | 8,860,000 | 7,638,490 |
| Multifamily Housing Revenue Bonds (Aurora Apartments) Series 2024 | 27,155,000 | 27,155,000 |
| Multifamily Housing Revenue Bonds Series 2024 (Twin Creek 4 Apartments Project) | 8,537,000 | 8,537,000 |
| Multifamily Housing Revenue Obligation Series 2024 (Bigfork Senior Housing) | 3,600,000 | 2,567,206 |
| Multifamily Housing Revenue Obligation Series 2024 (The Manor Apartments Project) | 6,500,000 | 3,641,065 |
| Multifamily Housing Revenue Obligation Series 2025 (Midtown Aspen Project) | 4,070,000 | 413,515 |
| Multifamily Housing Revenue Bonds Series 2025 (Creekside Apartments Project) | 18,000,000 | 9,413,855 |
| Multifamily Housing Revenue Bonds Series 2025A (Franklin School Apartments Project) | 3,100,000 | 3,100,000 |
| Multifamily Housing Revenue Bonds Series 2025B (Franklin School Apartments Project) | 2,500,000 | 2,500,000 |
| Total No-Commitment Bonds Outstanding | \$ | <u>350,492,735</u> |

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NOTE 16. 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. During the fiscal year ending June 30, 2025, the Board's Series 2013B bonds were refunded with a portion of the Series 2024B bonds.

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, 2025, there were \$1,952 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.

NOTE 17 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 13.

Plan Description

The OPEB plan is reported as a single-employer plan for the State of Montana. The Board is a participating employer under the State OPEB plan. The Board pays for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, 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 result of direct funding to the plan or for associated liabilities, but are a measure of the difference in retiree payments into the plan and actual medical costs associated with those individuals paid for by the plan.

As listed in the Montana State 2025 Retirement Health Benefits Planning Book, the retiree medical premiums varied between \$504.00 and \$2,456.00 per month, depending on coverage selected and Medicare eligibility. Administratively established dental contributions vary between \$42.37 and \$71.27, 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 participating or non-

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participating providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

Benefits Provided

Non-Medicare retirees may continue the core plan, which includes medical, dental, and basic life insurance. Vision coverage is optional.

Medicare-eligible retirees may continue medical coverage. Dental and vision coverage is optional, and no life insurance is available. Medicare eligible retirees must enroll in both Part A and Part B Medicare coverage.

Medical, dental and/or vision coverage is optional for dependents.

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.

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 the 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 to continue post-retirement coverage with the benefit office within 60 days of the date active employee coverage ends, 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, 2025.

As of December 31, 2024, there are 35 active employees and 2 retired employees, spouses and surviving spouses for a total of 37 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:

| | | | |
|--|----|---------|--|
| Balances at | | | |
| June 30, 2024 | \$ | 83,876 | |
| Service Cost | | 1,824 | |
| Interest | | 3,516 | |
| Differences in Experience | | (6,839) | |
| Changes of Assumptions or Other Inputs | | 23,421 | |
| Benefit Payments | | (734) | |
| Net Changes in TOL | | 21,188 | |
| Balances at | | | |
| June 30, 2025 | \$ | 105,064 | |

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Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. For 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, meaning 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, 2024, rolled forward to the measurement date March 31, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | Retiree/Surviving Spouse | Spouse |
|-----------------------------------|--|---------|
| Contributions (weighted average): | | |
| Before Medicare eligibility | \$16,620 | \$7,610 |
| After Medicare eligibility | \$6,048 | \$5,379 |
| | | |
| Actuarial valuation date | December 31, 2024 | |
| | | |
| Measurement date | March 31, 2025 | |
| Actuarial funding method | Entry age normal | |
| Amortization method | Level percent of payroll, open basis | |
| Asset valuation method | Not applicable since no assets meet the definition of plan assets under GASB 75 | |
| | | |
| Actuarial assumptions: | | |
| Interest/discount rate | 4.57% | |
| Projected payroll increases | 3.50% | |
| Average retirement age | | |
| Active Employees | 61.16 | |
| Inactive Employees | 70.11 | |
| 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 7.6%. Annual decreases begin in 2026 with an ultimate rate of 4.0%. The current prescription health care cost trend rate is 9.6%. Annual decreases start in 2026, with an ultimate rate of 4.0%. | |
| | | |
| Retiree Contribution Increases | Current year was based on actual trend. For pre-65 contributions, it starts with 4.0% in 2025, increases to 6.8% in 2026 and then matches the Health Care Cost Trend Rate blended 80% medical / 20% Rx from 2027 onward. For post-65 contributions, it starts with 4.0% in 2025, increases to 4.2% in 2026 and then matches the Health Care Cost Trend Rate blended 50% medical / 50% Rx from 2027 onward. | |

Mortality - Contributing Members: For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021.

Mortality - Retired: For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.

Mortality - Surviving Beneficiaries: For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021.

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Mortality - Disabled: For general MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021.

Changes in actuarial assumptions and methods since last measurement date:

1. An inflow of \$18,461 due to an increase in the interest rate from 4.12% to 4.57%.
2. An outflow of \$41,882 due to updated healthcare trend assumptions.

Changes Since Prior Valuation: The discount rate increased from 4.12% to 4.57%. Projected Payroll increase based on 2024 MPERA pension report assumptions. Decrement tables updated per the October 2024 MPERA actuarial reports. Updated trend projections based short-term on industry expectations and long-term on the 2025 Getzen model. Due to Inflation Reduction Act, applied separate healthcare and contribution trend rates for Medical, Pre-65 Med/Rx, and Post-65 Med/Rx.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Board, as well as what the Board's total 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 Total OPEB Liability |
|------------------------------|-------|---------------------------------------|-------------------------------------|
| 1.0% Decrease | 3.57% | \$ 64,567,821 | \$ 161,757 |
| Current Discount Rate | 4.57% | \$ 46,687,155 | \$ 105,064 |
| 1.0% Increase | 5.57% | \$ 33,895,299 | \$ 66,079 |

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Board, as well as what the Board's total 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:

| | Trend Rate for medical | Trend Rate for pharmacy | State Total OPEB Liability | BOH Total OPEB Liability |
|------------------------------|-----------------------------------|------------------------------------|---------------------------------------|-------------------------------------|
| 1.0% Decrease | 6.60% | 8.60% | \$ 34,209,746 | \$ 66,725 |
| Current Discount Rate | 7.60% | 9.60% | \$ 46,687,155 | \$ 105,064 |
| 1.0% Increase | 8.60% | 10.60% | \$ 64,468,430 | \$ 162,052 |

The Board's total OPEB liability of \$105,064 is approximately 0.23% of the total State's total OPEB liability of \$46,687,155 as measured on March 31, 2025, as a basis of the total group insurance premiums paid.

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

For the year ended June 30, 2025, the Board had an OPEB expense of \$2,684. At June 30, 2025, 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 |
|--|---|--|
| Difference between expected and actual experience | \$ 118,150 | \$ 121,981 |
| Changes of assumptions or other inputs | 126,569 | 181,169 |
| Contributions subsequent to the measurement date | — | 1,721 |
| Total | <u>\$ 244,719</u> | <u>\$ 304,871</u> |

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The Board's employer contributions and benefit expenses between April 1, 2025, and June 30, 2025, were \$2,848 and \$1,128, respectively, resulting a net benefit payment amount of \$(1,720) to be recognized as deferred inflows.

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 |
|-----------------------|--|
| 2026 | \$ (2,656) |
| 2027 | \$ (2,656) |
| 2028 | \$ (2,656) |
| 2029 | \$ (2,656) |
| 2030 | \$ (1,809) |
| Thereafter | \$ (45,998) |

General Information About the DCRP OPEB Plan

General Information — Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee's Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee's Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

Plan Description — The PERS-DCRP Disability is a multiple-employer, cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP 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 PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues a publicly available annual report, which includes financial statements and required supplemental information for the plan. Those reports may be obtained online (<http://mpera.mt.gov>) or by contacting the following:

Public Employees' Retirement Board
 100 North Park, Suite 200
 PO Box 200131
 Helena, MT 59620-0131

NOTE 18. 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, 2025:

Fee Income and Servicers Fees related to in-house loan servicing \$ 2,291,840

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NOTE 19. OPERATION DISRUPTION RISK

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 to 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.

The Board is dependent on electronic information technology systems to deliver high quality, coordinated, and cost efficient services. These systems may contain sensitive information or support critical operational functions which may be valued for unauthorized purposes. As a result, the electronic systems and networks of the Board may be targets of cyberattack. Because the Board operates within the State of Montana Department of Commerce, the State has taken, and continues to take, measures to protect its information technology systems, and the private, confidential information that those systems may contain, against cyberattack. While the State employs information technology professionals and utilizes operational safeguards that are tested periodically, no assurance can be given that such measures will protect the Board against all cybersecurity threats and attacks.

NOTE 20. CONTINGENCIES

The Board could be involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect upon the financial position of the Board.

NOTE 21. RELATED PARTIES

The Board uses an attorney for general legal services throughout the year who is employed with a firm that is partially owned by a Board member who served on the Board during the current fiscal year. The total paid for legal services was \$84,582 for the year ended June 30, 2025. The State of Montana approves the attorney contract for the Board and the transactions are in the ordinary course of operations and handled in the same manner as all other transactions of the Board. The Board member's term ended in June 2025.

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NOTE 22. SUBSEQUENT EVENTS

On July 7, 2025, the Centennial Village Housing Partners, LP Multifamily Housing Revenue Obligation closed for an amount not to exceed \$5,986,000.

On July 14, 2025, the Board approved a resolution Multifamily Housing Revenue Bonds for Rocky Mountain Flats in an aggregate principal amount not to exceed \$73,000,000.

On August 27, 2025, the Aspen Village Housing Partners Multifamily Housing Revenue Obligation closed for an amount not to exceed \$9,500,000.

On August 28, 2025, the Board issued Single Family Mortgage Bonds, 2025 Series B (tax exempt) bonds in the aggregate principal amount of \$75,000,000 based on the approved Bond Resolution 25-0609 SF02_2025B. The 2025 Series B bonds were issued and secured by the Trust Indenture dated March 10, 1977, as amended and restated as of May 1, 1997, between the Board and Wilmington Trust, National Association, as amended and supplemented, and a 2025 Series B Supplemental Trust Indenture, dated as of August 1, 2025. The 2025 Series B Bonds were issued to finance the purchase of Mortgage-Backed Securities and Down Payment Assistance Loans and to fund costs of issuance for the bonds.

On August 28, 2025, the BHMT Property LLC and NWMT Property LLC Multifamily Housing Revenue Obligation closed for an amount not to exceed \$36,000,000.

On September 8, 2025, the Board approved a resolution for Multifamily Housing Revenue Bonds for Hidden Creek 4 Housing Associates LLLP in an aggregate principal amount not to exceed \$40,000,000.

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Other Post-Employment Benefits (Financial Statements Note 17):

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 Years²⁰

| For the Fiscal Year Ended June 30 | Board Total OPEB Liability | Proportionate Share of the Collective Total OPEB Liability as 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 % |
| 2022 | \$ 318,672 | 0.27 % | \$ 1,952,120 | 16.32 % |
| 2023 | \$ 82,204 | 0.27 % | \$ 1,839,557 | 4.51 % |
| 2024 | \$ 83,876 | 0.27 % | \$ 1,903,941 | 4.60 % |
| 2025 | \$ 105,064 | 0.23 % | \$ 2,424,849 | 4.33 % |

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 Total OPEB Liabilities:

2025 Changes in Assumptions include:

1. An outflow of \$41,882 due to updated healthcare trend assumptions.
2. An inflow of \$18,461 due to an increase in the interest rate from 4.12% to 4.57%.

²⁰ 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 13):

Schedule of Proportionate Share of the Net Pension Liability

For the Last Ten Fiscal Years

(Dollar amounts in thousands)

| As of Measurement Date June 30, | Board's Proportion of Net Pension Liability (NPL) as a Percentage | Board's NPL | State's NPL | Total Board's NPL | Covered Payroll | Board's NPL as a Percent of Covered Payroll | Plan Fiduciary Net Position as a Percent of Total Pension Liability |
|---------------------------------------|---|-------------|-------------|----------------------|--------------------|--|--|
| 2015 | 0.10 % | \$ 1,452 | \$ — | \$ 1,452 | \$ 1,174 | 123.65 % | 78.40 % |
| 2016 | 0.12 % | \$ 2,047 | \$ — | \$ 2,047 | \$ 1,208 | 169.52 % | 74.71 % |
| 2017 | 0.12 % | \$ 2,279 | \$ — | \$ 2,279 | \$ 1,399 | 162.82 % | 73.75 % |
| 2018 | 0.09 % | \$ 1,836 | \$ 590 | \$ 2,426 | \$ 1,445 | 127.05 % | 73.47 % |
| 2019 | 0.09 % | \$ 1,871 | \$ 586 | \$ 2,457 | \$ 1,443 | 129.66 % | 73.85 % |
| 2020 | 0.10 % | \$ 2,554 | \$ 774 | \$ 3,328 | \$ 1,498 | 170.50 % | 68.90 % |
| 2021 | 0.08 % | \$ 1,536 | \$ 435 | \$ 1,971 | \$ 1,828 | 84.01 % | 79.91 % |
| 2022 | 0.09 % | \$ 2,114 | \$ 607 | \$ 2,721 | \$ 1,512 | 139.76 % | 73.66 % |
| 2023 | 0.09 % | \$ 2,234 | \$ 593 | \$ 2,827 | \$ 1,646 | 135.78 % | 73.93 % |
| 2024 | 0.09 % | \$ 2,157 | \$ 537 | \$ 2,694 | \$ 1,715 | 125.77 % | 74.77 % |

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

| As of June 30, | Contractually Required Contributions | Contributions Made | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percent of Covered Payroll |
|----------------|--|-----------------------|--|--------------------|---|
| 2016 | \$ 106 | \$ 106 | \$ — | \$ 1,208 | 8.77 % |
| 2017 | \$ 119 | \$ 119 | \$ — | \$ 1,399 | 8.51 % |
| 2018 | \$ 124 | \$ 124 | \$ — | \$ 1,445 | 8.58 % |
| 2019 | \$ 126 | \$ 126 | \$ — | \$ 1,443 | 8.73 % |
| 2020 | \$ 133 | \$ 133 | \$ — | \$ 1,498 | 8.88 % |
| 2021 | \$ 165 | \$ 165 | \$ — | \$ 1,828 | 9.03 % |
| 2022 | \$ 137 | \$ 137 | \$ — | \$ 1,512 | 9.06 % |
| 2023 | \$ 150 | \$ 150 | \$ — | \$ 1,646 | 9.11 % |
| 2024 | \$ 158 | \$ 158 | \$ — | \$ 1,715 | 9.21 % |
| 2025 | \$ 175 | \$ 175 | \$ — | \$ 1,903 | 9.20 % |

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Factors that Significantly Affect Trends in the Amounts Reported for Pension Liabilities:

Changes in Benefit Terms

The following changes to the Plan provisions 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 rather 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 age 70, thus 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

- Methods and assumptions used in calculations of actuarially determined contributions.
 - Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2024, which were based on the results of the June 30, 2023 actuarial valuation:

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| | |
|----------------------------------|--|
| General Wage Growth * | 3.50% |
| Investment Rate of Return * | 7.30%, net of pension plan investment and administrative expenses |
| * Includes inflation at | 2.75% |
| Merit Salary Increase | 0% to 4.80% |
| 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 (Active Participants) | PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021. |
| Mortality (Disabled Retirees) | PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females. |
| Mortality (Contingent Survivors) | PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021. |
| Mortality (Health Retirees) | PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021. |

The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

| | Single Family Indenture I | Single Family Indenture II | Single Family Indenture XI | Single Family Program Totals | Multifamily Program Fund |
|--|------------------------------|-------------------------------|-------------------------------|---------------------------------|-----------------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Restricted assets: | | | | | |
| Cash and Cash Equivalents | \$ 21,847,429 | \$ 4,064,240 | \$ 989,883 | \$ 26,901,552 | \$ 1,530,406 |
| Prepaid Expense | 86,285 | 56,673 | — | 142,958 | 4,313 |
| Total Current Assets | 21,933,714 | 4,120,913 | 989,883 | 27,044,510 | 1,534,719 |
| Non-current Assets | | | | | |
| Restricted assets: | | | | | |
| Cash and Cash Equivalents | 71,406,165 | 18,749,980 | 218,786 | 90,374,931 | 8,070,621 |
| Investments | 70,407,853 | 6,084,475 | 4,979,608 | 81,471,936 | — |
| Mortgage Loans Receivable, Net | 534,973,705 | 88,164,428 | 9,794,126 | 632,932,259 | 9,142,715 |
| Corporate Advance Receivable | 4,427 | — | — | 4,427 | — |
| Accounts Receivable | 9,589 | — | — | 9,589 | — |
| Interest Receivable | 3,053,329 | 464,521 | 210,637 | 3,728,487 | 47,383 |
| Purchase of Mortgage Servicing Rights | — | — | — | — | — |
| Intangible Right-To-Use Asset, net | 319,556 | 319,556 | — | 639,112 | 106,518 |
| Subscription-Based IT Arrangements, net | — | — | — | — | — |
| Total Non-current Assets | 680,174,624 | 113,782,960 | 15,203,157 | 809,160,741 | 17,367,237 |
| Total Assets | 702,108,338 | 117,903,873 | 16,193,040 | 836,205,251 | 18,901,956 |
| Deferred Outflow of Resources | | | | | |
| Deferred Refunding Costs | — | — | 1,952 | 1,952 | — |
| Deferred OPEB Outflow | 40,068 | 40,068 | — | 80,136 | 13,356 |
| Deferred Pension Outflow | 50,224 | 50,224 | — | 100,448 | 16,741 |
| Total Deferred Outflows | 90,292 | 90,292 | 1,952 | 182,536 | 30,097 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 418,406 | 141,204 | 4,382 | 563,992 | 6,018 |
| Funds Held For Others | — | — | — | — | 1,486,024 |
| Accrued Interest - Bonds Payable | 2,487,150 | 191,446 | 20,501 | 2,699,097 | 2,058 |
| Bonds Payable, Net | 18,470,000 | 3,685,000 | 965,000 | 23,120,000 | 20,000 |
| Arbitrage Rebate Payable to U.S. Treasury Department | 425,282 | — | — | 425,282 | — |
| Accrued Compensated Absences | 28,395 | 28,395 | — | 56,790 | 10,241 |
| Leases Payable - Current | 18,196 | 18,195 | — | 36,391 | 6,065 |
| SBITA Payable - Current | — | — | — | — | — |
| Total Current Liabilities | 21,847,429 | 4,064,240 | 989,883 | 26,901,552 | 1,530,406 |
| Non-current Liabilities | | | | | |
| Bonds Payable, Net | 600,956,813 | 57,996,965 | 6,957,946 | 665,911,724 | 75,000 |
| Arbitrage Rebate Payable to U.S. Treasury Department | 360,409 | 150,525 | 287,498 | 798,432 | — |
| Accrued Compensated Absences | 80,066 | 43,913 | — | 123,979 | 15,004 |
| Net Pension Liability | 381,520 | 381,520 | — | 763,040 | 127,173 |
| OPEB Liability | 17,359 | 17,359 | — | 34,718 | 5,786 |
| Leases Payable - Non-current | 324,659 | 324,660 | — | 649,319 | 108,220 |
| SBITA Payable - Non-current | — | — | — | — | — |
| Total Non-current Liabilities | 602,120,826 | 58,914,942 | 7,245,444 | 668,281,212 | 331,183 |
| Total Liabilities | 623,968,255 | 62,979,182 | 8,235,327 | 695,182,764 | 1,861,589 |
| Deferred Inflow of Resources | | | | | |
| Deferred OPEB Inflow | 49,755 | 49,755 | — | 99,510 | 16,585 |
| Deferred Pension Inflow | 14,742 | 14,742 | — | 29,484 | 4,914 |
| Total Deferred Inflows | 64,497 | 64,497 | — | 128,994 | 21,499 |
| Net Position | | | | | |
| Net Investment in Capital Assets | (23,299) | (23,299) | — | (46,598) | (7,767) |
| Restricted for Bondholders: | | | | | |
| Single Family Programs | 72,018,237 | 52,350,102 | 7,959,665 | 132,328,004 | — |
| Various Recycled Mortgage Setaside Programs | 2,623,683 | 2,623,683 | — | 5,247,366 | — |
| Multifamily Programs | — | — | — | — | 17,056,732 |
| Reverse Annuity Program | 3,547,257 | — | — | 3,547,257 | — |
| Restricted for Affordable Housing Loan Program | — | — | — | — | — |
| Total Net Position | \$ 78,165,878 | \$ 54,950,486 | \$ 7,959,665 | \$ 141,076,029 | \$ 17,048,965 |

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, 2025

| (continued) | Mortgage Loan | Housing Trust Fund | Housing Montana Fund | TOTAL |
|--|---------------------|-----------------------|-------------------------|-----------------------|
| Assets | | | | |
| Current Assets | | | | |
| Restricted assets: | | | | |
| Cash and Cash Equivalents | \$ 9,962,503 | \$ 163,213 | \$ 33 | \$ 38,557,707 |
| Prepaid Expense | 39,670 | 37,129 | — | 224,070 |
| Total Current Assets | 10,002,173 | 200,342 | 33 | 38,781,777 |
| Non-current Assets | | | | |
| Restricted assets: | | | | |
| Cash and Cash Equivalents | 3,128,670 | 3,044,776 | 1,420,091 | 106,039,089 |
| Investments | — | — | — | 81,471,936 |
| Mortgage Loans Receivable, Net | 256,727 | 2,710,815 | 2,221,982 | 647,264,498 |
| Corporate Advance Receivable | 1,760,043 | — | — | 1,764,470 |
| Accounts Receivable | — | — | — | 9,589 |
| Interest Receivable | 495,040 | 1,162,502 | 200,237 | 5,633,649 |
| Purchase of Mortgage Servicing Rights | 2,544,348 | — | — | 2,544,348 |
| Intangible Right-To-Use Asset, net | 996,465 | 319,556 | — | 2,061,651 |
| Subscription-Based IT Arrangements, net | — | 438,014 | — | 438,014 |
| Total Non-current Assets | 9,181,293 | 7,675,663 | 3,842,310 | 847,227,244 |
| Total Assets | 19,183,466 | 7,876,005 | 3,842,343 | 886,009,021 |
| Deferred Outflow of Resources | | | | |
| Deferred Refunding Costs | — | — | — | 1,952 |
| Deferred OPEB Outflow | 111,159 | 40,068 | — | 244,719 |
| Deferred Pension Outflow | 116,569 | 50,224 | — | 283,982 |
| Total Deferred Outflows | 227,728 | 90,292 | — | 530,653 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 3,054,601 | 21,450 | 33 | 3,646,094 |
| Funds Held For Others | 6,782,900 | 6,314 | — | 8,275,238 |
| Accrued Interest - Bonds Payable | — | — | — | 2,701,155 |
| Bonds Payable, Net | — | — | — | 23,140,000 |
| Arbitrage Rebate Payable to U.S. Treasury Department | — | — | — | 425,282 |
| Accrued Compensated Absences | 68,262 | 40,993 | — | 176,286 |
| Leases Payable - Current | 56,740 | 18,196 | — | 117,392 |
| SBITA Payable - Current | — | 76,260 | — | 76,260 |
| Total Current Liabilities | 9,962,503 | 163,213 | 33 | 38,557,707 |
| Non-current Liabilities | | | | |
| Bonds Payable, Net | — | — | — | 665,986,724 |
| Arbitrage Rebate Payable to U.S. Treasury Department | — | — | — | 798,432 |
| Accrued Compensated Absences | 47,554 | 35,328 | — | 221,865 |
| Net Pension Liability | 885,506 | 381,520 | — | 2,157,239 |
| OPEB Liability | 47,201 | 17,359 | — | 105,064 |
| Leases Payable - Non-current | 1,012,378 | 324,659 | — | 2,094,576 |
| SBITA Payable - Non-current | — | 287,397 | — | 287,397 |
| Total Non-current Liabilities | 1,992,639 | 1,046,263 | — | 671,651,297 |
| Total Liabilities | 11,955,142 | 1,209,476 | 33 | 710,209,004 |
| Deferred Inflow of Resources | | | | |
| Deferred OPEB Inflow | 139,021 | 49,755 | — | 304,871 |
| Deferred Pension Inflow | 34,216 | 14,742 | — | 83,356 |
| Total Deferred Inflows | 173,237 | 64,497 | — | 388,227 |
| Net Position | | | | |
| Net Investment in Capital Assets | (72,653) | 51,058 | — | (75,960) |
| Restricted for Bondholders: | | | | |
| Single Family Programs | 7,355,468 | — | — | 139,683,472 |
| Various Recycled Mortgage | | | | |
| Setaside Programs | — | — | — | 5,247,366 |
| Multifamily Programs | — | 475,159 | — | 17,531,891 |
| Reverse Annuity Program | — | 6,166,107 | — | 9,713,364 |
| Restricted for Affordable Housing | | | | |
| Loan Program | — | — | 3,842,310 | 3,842,310 |
| Total Net Position | \$ 7,282,815 | \$ 6,692,324 | \$ 3,842,310 | \$ 175,942,443 |

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

| | 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 | \$ 23,100,608 | \$ 3,573,620 | \$ 478,340 | \$ 27,152,568 | \$ 293,885 |
| Interest Income Investments | 5,531,229 | 1,556,275 | 354,613 | 7,442,117 | 371,692 |
| Net Increase (Decrease) in Fair Value of Investments | (430,856) | (28,375) | 39,352 | (419,879) | (11) |
| Fee Income | 946,076 | 5,692 | — | 951,768 | 1,161,145 |
| Other Income | 7 | 2 | — | 9 | 3 |
| Total Operating Revenues | <u>29,147,064</u> | <u>5,107,214</u> | <u>872,305</u> | <u>35,126,583</u> | <u>1,826,714</u> |
| OPERATING EXPENSES | | | | | |
| Interest on Bonds | 20,267,973 | 2,416,112 | 268,738 | 22,952,823 | 5,027 |
| Servicer Fees | 3,183,051 | 343,765 | 39,939 | 3,566,755 | 4,612 |
| Contracted Services | 337,568 | 206,125 | — | 543,693 | 68,263 |
| Amortization of Deferred Refunding | 19,631 | — | 3,905 | 23,536 | — |
| Bond Issuance Costs | 1,852,097 | — | — | 1,852,097 | — |
| General and Administrative | 1,000,826 | 607,499 | — | 1,608,325 | 392,419 |
| Arbitrage Rebate Expense | 130,210 | 87,749 | 78,780 | 296,739 | — |
| Pension Expense | 26,994 | 26,994 | — | 53,988 | 8,998 |
| Other Post-Employment Benefits | 462 | 462 | — | 924 | 154 |
| Total Operating Expenses | <u>26,818,812</u> | <u>3,688,706</u> | <u>391,362</u> | <u>30,898,880</u> | <u>479,473</u> |
| Operating Income (Loss) | <u>2,328,252</u> | <u>1,418,508</u> | <u>480,943</u> | <u>4,227,703</u> | <u>1,347,241</u> |
| Nonoperating Revenue (Expenses) | | | | | |
| Pensions - Non-employer Contributions | 5,089 | 5,089 | — | 10,178 | 1,696 |
| Nonoperating Income (Loss) | <u>5,089</u> | <u>5,089</u> | <u>—</u> | <u>10,178</u> | <u>1,696</u> |
| Income (Loss) Before Transfers | 2,333,341 | 1,423,597 | 480,943 | 4,237,881 | 1,348,937 |
| Transfers From (To) Other Fund | 4,181,659 | (4,162,659) | (619,000) | (600,000) | — |
| Increase (Decrease) in Net Position | 6,515,000 | (2,739,062) | (138,057) | 3,637,881 | 1,348,937 |
| Net Position, July 1 | 71,650,878 | 57,689,548 | 8,097,722 | 137,438,148 | 15,700,028 |
| Net Position, June 30 | <u>\$ 78,165,878</u> | <u>\$ 54,950,486</u> | <u>\$ 7,959,665</u> | <u>\$ 141,076,029</u> | <u>\$ 17,048,965</u> |

Continued on next page

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

| (continued) | Mortgage Loan Servicing | HOUSING TRUST FUND | HOUSING MONTANA FUND | ELIMINATION ²¹ | TOTAL |
|---|-------------------------------|-----------------------|----------------------------|---------------------------|-----------------------|
| OPERATING REVENUES | | | | | |
| Interest Income - Mortgage Loans | \$ — | \$ 163,356 | \$ 52,270 | \$ — | \$ 27,662,079 |
| Interest Income Investments | 6,702 | 66,944 | 34,863 | — | 7,922,318 |
| Net Increase (Decrease) in Fair Value of Investments | — | — | — | — | (419,890) |
| Fee Income | 3,164,263 | 1,283,854 | — | (2,291,840) | 4,269,190 |
| Other Income | 7 | 1,461 | — | — | 1,480 |
| Total Operating Revenues | 3,170,972 | 1,515,615 | 87,133 | (2,291,840) | 39,435,177 |
| OPERATING EXPENSES | | | | | |
| Interest on Bonds | — | — | — | — | 22,957,850 |
| Servicer Fees | 745,029 | — | 413 | (2,291,840) | 2,024,969 |
| Contracted Services | 204,591 | 72,585 | (60) | — | 889,072 |
| Amortization of Deferred Refunding | — | — | — | — | 23,536 |
| Bond Issuance Costs | — | — | — | — | 1,852,097 |
| General and Administrative | 1,783,919 | 977,063 | — | — | 4,761,726 |
| Arbitrage Rebate Expense | — | — | — | — | 296,739 |
| Pension Expenses | 62,653 | 26,994 | — | — | 152,633 |
| Other Post-Employment Benefits | 1,145 | 462 | — | — | 2,685 |
| Total Operating Expenses | 2,797,337 | 1,077,104 | 353 | (2,291,840) | 32,961,307 |
| Operating Income (Loss) | 373,635 | 438,511 | 86,780 | — | 6,473,870 |
| Nonoperating Revenue (Expenses) | | | | | |
| Pensions - Non-employer Contributions | 11,811 | 5,089 | — | — | 28,774 |
| Nonoperating Income (Loss) | 11,811 | 5,089 | — | — | 28,774 |
| Income (Loss) Before Transfers | 385,446 | 443,600 | 86,780 | — | 6,502,644 |
| Transfers From (To) Other Fund | 600,000 | — | — | — | — |
| Increase (Decrease) to Net Position | 985,446 | 443,600 | 86,780 | — | 6,502,644 |
| Net Position, July 1 | 6,297,369 | 6,248,724 | 3,755,530 | — | 169,439,799 |
| Net Position, June 30 | \$ 7,282,815 | \$ 6,692,324 | \$ 3,842,310 | \$ — | \$ 175,942,443 |

²¹ Interfund transactions are eliminated in order to tie to the Statement of Revenues, Expense and Changes in Net Position, see Note 18.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

| | 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 | \$ 946,076 | \$ 5,692 | \$ — | \$ 951,768 | \$ 1,161,145 |
| Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans | 49,469,255 | 21,045,460 | 1,837,003 | 72,351,718 | (2,284,270) |
| Collections (Disbursements) for Loan Escrow Accounts | (503) | — | — | (503) | 113,559 |
| Cash Payments for Loans | \$ (80,417,455) | (1,925,000) | — | (82,342,455) | — |
| Payments to Suppliers for Goods and Services | (3,916,742) | (840,545) | (40,185) | (4,797,472) | (180,636) |
| Payments to Employees | (626,354) | (396,414) | — | (1,022,768) | (245,361) |
| Corporate (Advances) Repayments | 44,716 | — | — | 44,716 | — |
| Other Operating Revenues | 9 | 3 | — | 12 | 2 |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | (34,500,998) | 17,889,196 | 1,796,818 | (14,814,984) | (1,435,561) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | |
| Payment of Principal and Interest on Bonds and Notes | (57,902,838) | (17,554,409) | (1,803,152) | (77,260,399) | (25,460) |
| Proceeds from Issuance of Bonds and Notes | 131,430,000 | — | — | 131,430,000 | — |
| Payment of Bond Issuance Costs | (1,615,457) | — | — | (1,615,457) | — |
| Premium Received on Bonds | 3,375,324 | — | — | 3,375,324 | — |
| Transfers from (to) Other Funds | 4,181,659 | (4,162,659) | (619,000) | (600,000) | — |
| Purchase of Mortgage Servicing Rights | — | — | — | — | — |
| Net Cash Provided by (Used for) | | | | | |
| Non-capital Financing Activities | 79,468,688 | (21,717,068) | (2,422,152) | 55,329,468 | (25,460) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Purchase of Fixed Assets (SBITA Implementation Costs) | — | — | — | — | — |
| Principal Payments on Leases | (16,604) | (16,604) | — | (33,208) | (5,535) |
| Interest Payments on Leases | (5,808) | (5,808) | — | (11,616) | (1,934) |
| Principal Payments on SBITAs | — | — | — | — | — |
| Net Cash Provided by (Used for) | | | | | |
| Capital and Related Financing Activities | (22,412) | (22,412) | — | (44,824) | (7,469) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchase of Investments | (80,545,582) | — | — | (80,545,582) | — |
| Proceeds from Sales or Maturities of Investments | 41,213,262 | 15,308,441 | 313,711 | 56,835,414 | 7,040,837 |
| Interests and Dividends on Investments | 5,290,341 | 1,266,323 | 344,670 | 6,901,334 | 358,069 |
| Payments for Arbitrage Rebate Tax | (758,453) | — | — | (758,453) | — |
| Net Cash Provided by (Used for) | | | | | |
| Investing Activities | (34,800,432) | 16,574,764 | 658,381 | (17,567,287) | 7,398,906 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 10,144,846 | 12,724,480 | 33,047 | 22,902,373 | 5,930,416 |
| Restricted Cash and Cash Equivalents, July 1 | 83,108,748 | 10,089,740 | 1,175,622 | 94,374,110 | 3,670,611 |
| Restricted Cash and Cash Equivalents, June 30 | \$ 93,253,594 | \$ 22,814,220 | \$ 1,208,669 | \$ 117,276,483 | \$ 9,601,027 |

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, 2025

| (continued) | MORTGAGE LOAN SERVICING | HOUSING TRUST FUND | HOUSING MONTANA FUND | TOTAL |
|--|-------------------------------|-----------------------|----------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts for Sales and Services | \$ 3,164,263 | \$ 1,283,854 | \$ — | \$ 6,561,030 |
| Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans | 1,219,240 | 631,814 | 135,740 | 72,054,242 |
| Collections (Disbursements) for Loan Escrow Accounts | 545,572 | — | — | 658,628 |
| Cash Payments for Loans | — | (483,562) | — | (82,826,017) |
| Payments to Suppliers for Goods and Services | 1,852,900 | (386,703) | (833) | (3,512,744) |
| Payments to Employees | (1,313,142) | (616,453) | — | (3,197,724) |
| Corporate (Advances) Repayments | (216,695) | — | — | (171,979) |
| Other Operating Revenues | 5 | 1,460 | — | 1,479 |
| Net Cash Provided by (Used for) | | | | |
| Operating Activities | 5,252,143 | 430,410 | 134,907 | (10,433,085) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Payment of Principal and Interest on Bonds and Notes | — | — | — | (77,285,859) |
| Proceeds from Issuance of Bonds and Notes | — | — | — | 131,430,000 |
| Payment of Bond Issuance Costs | — | — | — | (1,615,457) |
| Premium Received on Bonds | — | — | — | 3,375,324 |
| Transfers from (to) Other Funds | 600,000 | — | — | — |
| Purchase of Mortgage Servicing Rights | (640,142) | — | — | (640,142) |
| Net Cash Provided by (Used for) | | | | |
| Non-capital Financing Activities | (40,142) | — | — | 55,263,866 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Purchase of Fixed Assets (SBITA Implementation Costs) | — | (27,440) | — | (27,440) |
| Principal Payments on Leases | (51,775) | (16,604) | — | (107,122) |
| Interest Payments on Leases | (18,109) | (5,808) | — | (37,467) |
| Principal Payments on SBITAs | — | (92,543) | — | (92,543) |
| Net Cash Provided by (Used for) | | | | |
| Capital and Related Financing Activities | (69,884) | (142,395) | — | (264,572) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of Investments | — | — | — | (80,545,582) |
| Proceeds from Sales or Maturities of Investments | — | — | — | 63,876,251 |
| Interests and Dividends on Investments | 6,879 | 66,634 | 33,990 | 7,366,906 |
| Payments for Arbitrage Rebate Tax | — | — | — | (758,453) |
| Net Cash Provided by (Used for) | | | | |
| Investing Activities | 6,879 | 66,634 | 33,990 | (10,060,878) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 5,148,996 | 354,649 | 168,897 | 34,505,331 |
| Restricted Cash and Cash Equivalents, July 1 | 7,942,177 | 2,853,340 | 1,251,227 | 110,091,465 |
| Restricted Cash and Cash Equivalents, June 30 | \$ 13,091,173 | \$ 3,207,989 | \$ 1,420,124 | \$ 144,596,796 |

**MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

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) | \$ 2,328,252 | \$ 1,418,508 | \$ 480,943 | \$ 4,227,703 | \$ 1,347,241 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY(USED FOR) OPERATING ACTIVITIES | | | | | |
| Amortization | 588,172 | (149,674) | (6,500) | 431,998 | 7,389 |
| Interest Expense | 21,579,503 | 2,593,759 | 279,143 | 24,452,405 | 6,961 |
| Interest on Investments | (5,531,229) | (1,556,275) | (354,613) | (7,442,117) | (371,692) |
| Decr (Incr) Fair Value of Investments | 430,856 | 28,375 | (39,352) | 419,879 | 11 |
| Arbitrage Rebate Tax | 130,210 | 87,749 | 78,780 | 296,739 | — |
| Change in Assets and Liabilities: | | | | | |
| Decr (Incr) Mortgage Loans | | | | | |
| Receivable | (53,697,323) | 15,464,961 | 1,342,218 | (36,890,144) | (2,579,140) |
| Decr (Incr) Other Assets | (313,033) | 77,676 | 16,445 | (218,912) | 224 |
| Incr (Decr) Accounts Payable | (23,069) | (46,895) | (246) | (70,210) | 1,848 |
| Incr (Decr) Funds Held for | | | | | |
| Others | (503) | — | — | (503) | 113,559 |
| Incr (Decr) Net Pension Liability and Related Accounts | (182,403) | (182,403) | — | (364,806) | 95,984 |
| Incr (Decr) Compensated | | | | | |
| Absences Payable | 30,991 | (5,162) | — | 25,829 | 3,435 |
| Incr (Decr) Total OPEB Liability and Related Accounts | 158,578 | 158,577 | — | 317,155 | (61,381) |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | \$ (34,500,998) | \$ 17,889,196 | \$ 1,796,818 | \$ (14,814,984) | \$ (1,435,561) |

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, 2025**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| (continued) | MORTGAGE LOAN SERVICING | HOUSING TRUST FUND | HOUSING MONTANA FUND | TOTAL |
|--|-------------------------------|-----------------------|----------------------------|------------------------|
| Operating Income (Loss) | \$ 373,635 | \$ 438,511 | \$ 86,780 | \$ 6,473,870 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | |
| Amortization | 69,119 | 67,792 | — | 576,298 |
| Interest Expense | 18,109 | 5,808 | — | 24,483,283 |
| Interest on Investments | (6,700) | (66,944) | (33,862) | (7,921,315) |
| Decr (Incr) Fair Value of Investments | — | — | — | 419,890 |
| Arbitrage Rebate Tax | — | — | — | 296,739 |
| Change in Assets and Liabilities: | | | | |
| Decr (Incr) Mortgage Loans | | | | |
| Receivable | 1,982,707 | (83,408) | 85,598 | (37,484,387) |
| Decr (Incr) Other Assets | (308,350) | 65,560 | (3,129) | (464,607) |
| Incr (Decr) Accounts Payable | 2,614,706 | (28,492) | (480) | 2,517,372 |
| Incr (Decr) Funds Held for | | | | |
| Others | 545,572 | 6,314 | — | 664,942 |
| Incr (Decr) Net Pension Liability and Related Accounts | (39,741) | 287,952 | — | (20,611) |
| Incr (Decr) Compensated | | | | |
| Absences Payable | (1,038) | 6,745 | — | 34,971 |
| Incr (Decr) Total OPEB Liability and Related Accounts | 4,124 | (269,428) | — | (9,530) |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 5,252,143</u> | <u>\$ 430,410</u> | <u>\$ 134,907</u> | <u>\$ (10,433,085)</u> |

Noncash Investing, Capital, and Financing Activities: During FY25, the Board investments decreased in fair value by \$419,890. The fair value decrease was not realized in cash during FY25.

The Board recognized a subscription asset and related liability of \$456,200 for a new subscription-based IT arrangement under GASB 96. The Board incurred \$27,440 in implementation costs related to the new subscription-based IT arrangement. These costs were paid in cash and are reported as capital outflows in the Statement of Cash Flows.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

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, 2025, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on 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 opinion 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

- In the prior audit (#24-07), we determined certain business processes within the board's information system do not allow for adequate segregation of duties. These circumstances continued to exist in fiscal year 2025.

Report on 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/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

December 5, 2025

MONTANA BOARD
OF HOUSING

BOARD RESPONSE



MONTANA BOARD OF HOUSING

February 2, 2026

Angus Maciver
 Legislative Audit Division
 Room 160, State Capitol
 PO Box 201705
 Helena MT 59620-1705

RECEIVED

FEB 02 2026

LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

Thank you for your letter dated January 22, 2026, providing an electronic copy of the final report on the audit of the Montana Board of Housing's financial statements for fiscal year ended June 30, 2025 (25-07). Please find our response to prior audit recommendation included in the letter:

Prior Audit Recommendation #3 from FY24-07:

We recommend the Montana Board of Housing:

- A. Complete documentation of the board's information systems in the state's IT risk assessment tool and develop and appropriate action plan with the State Information Technology Services Division.
- B. Make appropriate changes to the board's information system to meet baseline security controls and allow for adequate separation of duties.

Board Corrective Action Response:

In the Board's original response to the FY24-07 audit recommendation #3 dated January 13, 2025 (included below in italics), the Board *concurred* with recommendation 3A and *partially concurred* with recommendation 3B.

Corrective Action:

- A. *The Board has and continues to work with our information system vendor to make changes as needed to meet baseline security controls and to allow for adequate separation of duties. Password configuration requirements were implemented on system modules that are outside of SmartNetwork; additionally, the Board's transition to our information system's SmartNetwork system is nearly complete. The shift to SmartNetwork will increase overall security of the system and support MT-BASE requirements for password configurations. Final user acceptance testing is underway on various modules. Commerce IT continues to collaborate with SITSD to troubleshoot various issues.*



Montana Department of Commerce | commerce.mt.gov | Montana Board of Housing
 P.O. Box 200528 | Helena, MT 59620-0528 | Phone: 406-841-2840 | Fax: 406-841-2841
 Montana Relay 711: dphhs.mt.gov/detd/mtap/traditionalrelayservice



MONTANA BOARD OF HOUSING

B. To address known deviations from MT-BASE due to functional limitations in the Board's information system, the Board has executed "Decision Briefs" outlining the nature of the MT-BASE requirement, the information system's functional capabilities and limitations, and the Board's business decisions with respect to how we are mitigating the risk of known deviations from MT-BASE. Additionally, the Board, in partnership with Commerce IT and the Commerce legal team, sent official correspondence to its vendor on January 6, 2025, outlining outstanding tickets and system enhancements and our expectation for the vendor to respond and resolve matters in accordance with the Board and vendor's executed contract.

After completion of the FY25 audit, the Board finalized and submitted a Request for Proposals to state procurement to seek new software solution(s) that will align with all state of Montana baseline security controls and to allow for adequate separation of duties. To prepare for this RFP, the Board engaged a qualified business analyst to support our team in documenting 280-line-item business requirements, over 100 as-is business processes as well as a dozen aspiration business processes. The RFP includes the state of Montana's new IT Terms and Conditions and applicable references to the National Institute of Standards and Technology. The Office of Budget and Program Planning approved the Board's software solution(s) RFP on January 26, 2026, and we are now pending assignment of a procurement officer for final review before release.

In closing, we would like to thank the Legislative Audit Division staff for their work and professionalism. My team and I view these engagements as collaborative opportunities to assess and improve the administration and compliance of our various programs.

Regards,

DocuSigned by:

88AED198932F4A9...
Cheryl Cohen
Executive Director

DocuSigned by:

921DBBE68EB740F...
Bruce Posey
Board Chair

cc: Marta Bertoglio, Commerce Director
Mandy Rambo, Commerce Deputy Director
Vicki Bauer, MBOH Accounting & Finance Manager



Montana Department of Commerce | commerce.mt.gov | Montana Board of Housing
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