A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

Montana Board of Housing

For the Fiscal Year Ended June 30, 2024

JANUARY 2025

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DIVISION

24-07

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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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January 2025

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, 2024. Our audit work included:

- Analyzing the financial statements and note disclosures,
- Examining the underlying financial activity of the board, which includes bonds, investments, and mortgages, and
- Reviewing and testing selected control systems.

This report includes three recommendations related to internal controls over the preparation of the financial statements, detecting and correcting fiscal year-end misstatements timely, and the board's information system. The report contains an unmodified opinion on the board's 2024 financial statements, which means that the information presented within the statements can be relied upon for decision-making purposes.

The board's written response to these recommendations is included in the audit report on page C-1. 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

	Name	Chair	Term Expires January
Montana Board of Housing	Bruce Posey, Chair	Billings	2025
	Sheila Rice, Vice Chair	Great Falls	2027
	Amber Parish, Secretary	Billings	2025
	John Grant	Helena	2025
	Jeanette McKee	Hamilton	2027
	Cari Yturri	Great Falls	2025
	Tonya Plummer (through September 2024)	Kalispell	

Department of Commerce	Paul Green	Director (as of January 2024)
	Mandy Rambo	Acting Director (December 2023 through January 2024)
	Scott Osterman	Director (through December 2023)

Board of Housing	Cheryl Cohen	Executive Director
	Vicki Bauer	Accounting and Finance Manager (as of October 2023) Homeownership Program Manager (through October 2023)
	Virginia Pfankuch	Accounting and Finance Manager (through October 2023)
	Catherine Koch	Accounting and Finance Manager (through October 2023)
	Jason Hanson	Multifamily Program Manager

Joe DeFilippis	Operations Manager
Jessica Michel	Homeownership Program Manager (as of April 2024)
Charles Brown	Acting Homeownership Program Manager (October 2023 through April 2024)
Mary Palkovich	Servicing Program Manager

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

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Montana Legislative Audit Division

Financial Audit
Montana Board of Housing
For the Fiscal Year Ended June 30, 2024

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 and 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 in the private sector. These tax-exempt bonds provide funds to purchase home mortgages, make loans for rental housing projects, administer federal housing tax credit programs, and work in partnership with other housing providers throughout the state.

Revenues collected from mortgage loans are used by the board for repayment of issued bonds.

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

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

The Montana Board of Housing (board) issued $192 million in new bonds during fiscal year 2024. Bond proceeds were used to purchase mortgages in the Single Family Program, the board's largest program. The board purchased $144.2 million worth of mortgages in fiscal year 2024, nearly twice as much as the prior year. Higher conventional mortgage rates during the year bolstered the board's competitiveness. This year, an error related to the presentation and classification of restricted assets was identified on previously issued financial statements. The error was corrected on the fiscal year 2024 financial statements. Our audit contains three internal control recommendations improving the preparation of the financial statements, ensuring timely detection and correction of fiscal year-end misstatements, and strengthening the board's information system controls.

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

We found the board's financial statements and note disclosures presented fairly the activity of the board, in all material respects, and issued an unmodified opinion on them. We also found the combining financial statements included in the report were reasonable in 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 combining 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 department: 3
To the legislature: 0

In this report, we determined the implementation status of recommendations in the prior audit:
Fully Implemented: 1
Partially Implemented: 2
Not Implemented: 0

(continued on back)

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

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

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Recommendation #1 (page 7):
Internal Control
We recommend the Montana Board of Housing enhance internal controls to consider all current and applicable financial reporting requirements during the preparation and review of its financial statements.

Department response: Concur

Recommendation #2 (page 8):
Internal Control/Misstatements
We recommend the Montana Board of Housing:

A. Enhance internal controls to prevent, or detect and correct, fiscal year-end misstatements on the board's accounting system in a timely manner.

B. Evaluate resource needs and, if necessary, work with the Legislature to secure the additional resources needed to complete fiscal year-end procedures in a timely manner.

Department response: Concur

Recommendation #3 (page 9):
Internal Control/State Noncompliance
We recommend the Montana Board of Housing:

A. Complete documentation of the board's information system in the state's IT risk assessment tool and develop an 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.

Department response: Concur and Partially Concur

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):
In this report, we identified the following:
Material Weaknesses in Internal Control: 1
Significant Deficiencies in Internal Control: 2
Material Non-Compliance: 0
Other Matters: 0

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

Chapter I – Introduction and Background

Introduction

We performed a financial audit of the Montana Board of Housing (board) for the fiscal year ended June 30, 2024. The objectives of our audit were to:

1. Determine whether the board's financial statements fairly present the financial position, results of operations, and cash flows for the fiscal year ended June 30, 2024.
2. Obtain an understanding of the board's internal controls to the extent necessary to support our audit of the board's financial statements and, if appropriate, make recommendations for improvements in internal and management controls of the board.
3. Determine whether the board complied with state laws, rules, and regulations that have a direct and material effect on the determination of material financial statement amounts.
4. Determine the implementation status of prior audit recommendations.

Our focus was on the board's activity related to bonds, investments, and mortgages. We audited this activity by analyzing the financial statements and note disclosures, examining the underlying activity, tying balances to third-party support, performing a sample of new loans, and testing the board's significant internal controls.

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

Financial Activity Summary

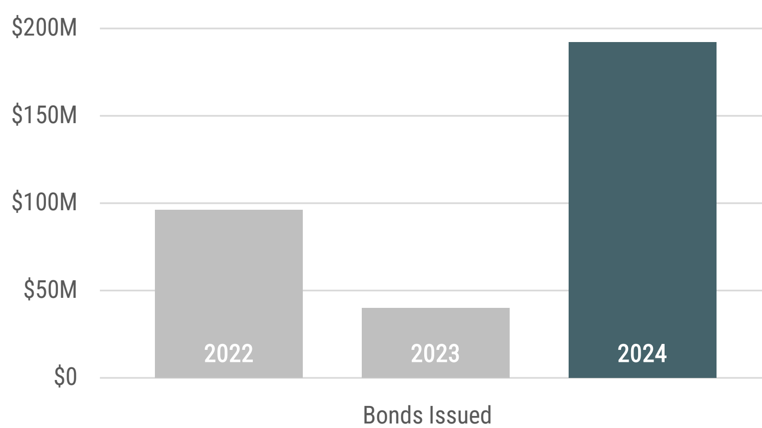
Market interest rates remained high throughout fiscal year 2024, which resulted in high conventional mortgage rates. This placed the board at a competitive advantage because its mortgage rates are based on bond rates, not market interest rates. The board issued four bond series during fiscal year 2024 worth a total of $192 million.

The new bond issuances increased the overall outstanding bond liability of the board to $609 million. This is an increase of 33 percent over the fiscal year 2023 ending liability balance.

Figure 1

Bonds Issued for Fiscal Years 2022-2024

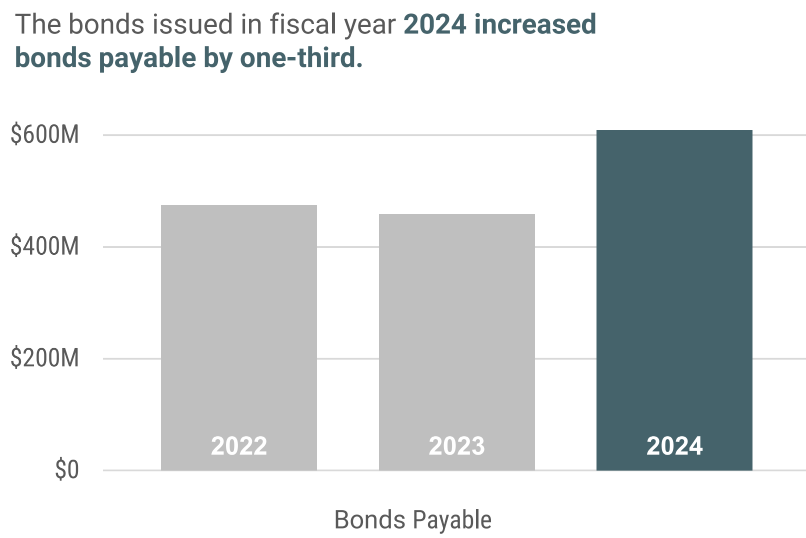
The board **issued $192 million in new bonds in fiscal year 2024** to meet the high demand for affordable mortgages.



Source: Compiled by the Legislative Audit Division.

Figure 2

Bonds Payable for Fiscal Years 2022-2024



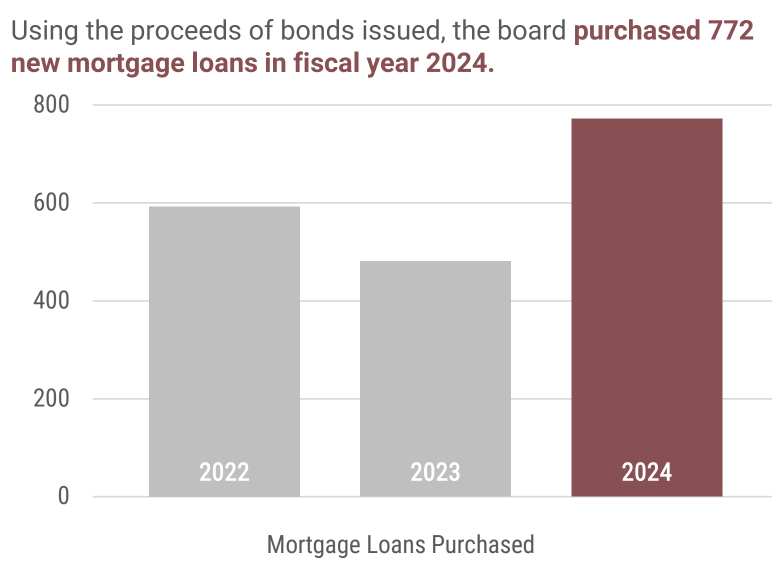
Source: Compiled by the Legislative Audit Division.

The board received favorable rates in the bond market and could offer mortgage rates that were below conventional mortgage rates in fiscal year 2024. The board offered a rate of 5.75 percent in its regular loan program for most of the year, which increased the demand for mortgages. In fiscal year 2024, the board purchased 772 mortgages worth $144.2 million.

This increased the amount of mortgage principal owned by the board to $607.9 million. Although this amount is less than the amount of bonds outstanding, the last bond series issued by the board closed shortly before the fiscal year-end. As a result of this timing, the bond proceeds had not been fully used to purchase mortgages as of June 30, 2024, and were held as cash and investments until expended.

Figure 3

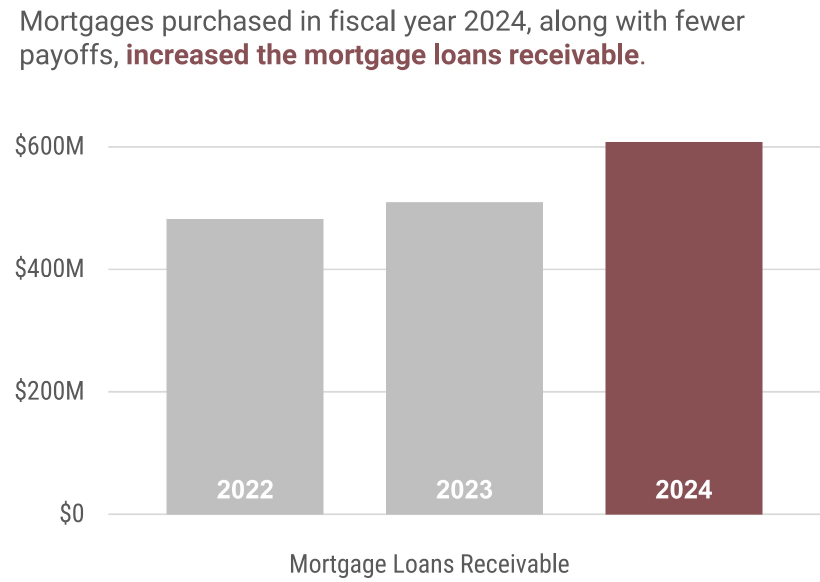
Mortgage Purchases for Fiscal Years 2022-2024



Source: Compiled by the Legislative Audit Division.

Figure 4

Mortgage Loans Receivable for Fiscal Years 2022-2024



Source: Compiled by the Legislative Audit Division.

Background

The board is allocated to the Department of Commerce for administrative purposes. The board issues tax-exempt bonds that provide funds to purchase home mortgages. The board also makes loans for rental housing projects, administers federal housing tax credit programs, and partners with other housing providers throughout Montana. Mortgage loans are primarily for first-time home buyers. The board's programs and/or services are outlined below:

The Single Family Program helps make homeownership affordable for eligible Montana homebuyers by offering low-interest mortgages, down payment assistance, and other loan options. Borrowers must meet seven IRS eligibility requirements, as the loans are funded by tax-exempt Mortgage Revenue Bonds. Available Home Loan Programs include:

- Regular Bond Program: A 30-year low-interest, fixed-rate mortgage geared towards low and moderate-income first-time homebuyers.
- Down Payment Assistance: This loan can be combined with other loan programs offered by the board to help Montana homebuyers with funds for down payment and closing cost assistance.
- Montana Veterans' Home Loan Program: This program assists first-time homeowners who have served or are currently serving in the military through the federal armed services and/or the Montana National Guard. Program funds are provided by the principal of the Montana Coal Tax Fund.

The Reverse Annuity Mortgage Program provides senior Montana homeowners, 68 years of age or older, the ability to borrow against the equity in their homes. The loan proceeds are advanced to borrowers monthly and are based on a 10-year term. These loans allow senior homeowners the financial flexibility to stay in their homes and to live in the manner they choose.

The Multifamily Program offers a variety of financing options for the development of affordable multifamily rental units. The board offers multifamily loans to produce rental housing. This funding consists of payments received on prior multifamily loans, the Housing Montana Fund, the Coal Trust Multifamily Home Program, and Multifamily Bonds.

The Low-Income Housing Tax Credit Program receives Montana's allocation of federal tax credits each year. It distributes those credits to multifamily housing developers using a competitive application process. Investors purchase the awarded credits, and the property owner uses the proceeds from the sale of the credits to reduce debt financing. This makes it economically feasible to operate the property at affordable rates.

The board's in-house mortgage servicing provides Montana homeowners with the benefit of local, easy-to-access servicing staff. The staff specializes in servicing government loans and in assisting and educating first-time homeowners. The Mortgage Servicing Program can provide Montana borrowers with contact information for resources such as real estate professionals, attorneys, and counselors.

Prior Audit Recommendations

The prior audit report for the fiscal year ended June 30, 2023, contained three recommendations. Prior audit recommendations #1 and #2 addressed information system controls and focused on complying with state information security control policies and assigning user access permissions that provide an adequate separation of duties. These recommendations were partially implemented. See recommendation #3 in the current report, starting on page 8, for more information.

Prior audit recommendation #3 addressed internal controls for identifying board member relationships that may require financial statement disclosure. The board implemented an annual conflict of interest form for board members and management discussed with the financial statement preparation team whether reported relationships required disclosure in the financial statements. Management included a related party transaction disclosure in the current year's notes to the financial statements (see Note 19, page A-48). This recommendation was implemented.

Chapter II - Accounting Findings and Recommendations

Financial Statement Preparation Controls

Internal controls were not sufficient to consider all relevant financial reporting requirements during the preparation of the financial statements.

Board management hired a public accounting firm to help prepare the fiscal year 2024 financial statements. Although the board has contracted for outside reviews before, this was the first year outside assistance was used to prepare the financial statements. During our audit, we identified a long-standing misclassification of restricted assets and, subsequently, a missing note disclosure, indicating an internal control deficiency in preparing the financial statements.

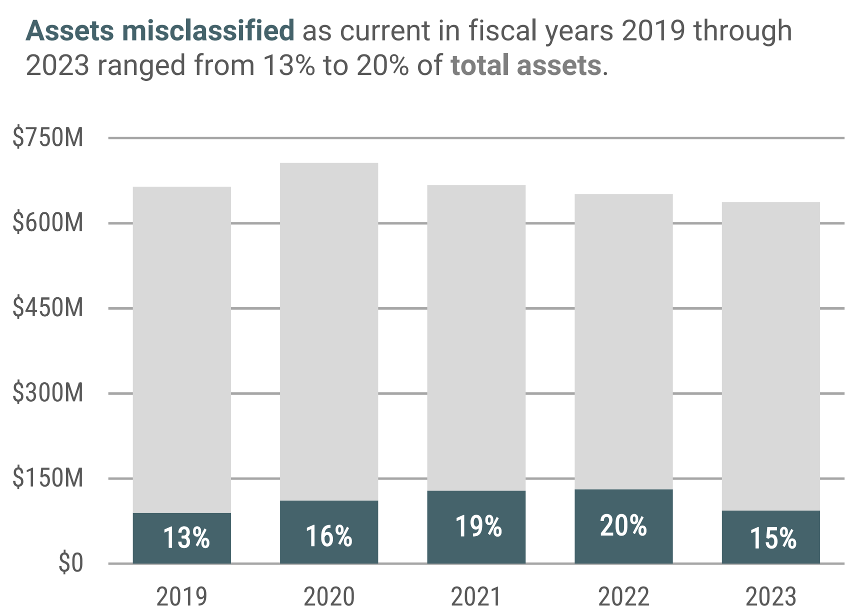
Classification of Restricted Assets

Generally Accepted Accounting Principles (GAAP) require assets, such as cash or investments, to be classified as restricted when external constraints are imposed by creditors or laws and regulations. The board's assets have many external constraints, such as bond reserve requirements and sinking fund provisions. GAAP requires restricted assets be presented and classified on the financial statements differently than unrestricted assets.

Restrictions cause the normal understanding of the availability of assets to change. For example, although cash is typically immediately available for use in general operations, if its use is restricted, it is only available for a specific purpose and cannot be used for general operations. As such, GAAP requires that restricted assets be classified as noncurrent assets on the Statement of Net Position unless there is a related current liability. A noncurrent classification is required even if the asset is available to be expended within the next 12 months. The board became subject to these requirements in fiscal year 2002.

Figure 5

Current vs. Noncurrent Misclassifications on Previously Issued Financial Statements for Fiscal Years 2019-2023



Source: Compiled by the Legislative Audit Division.

That year, the board presented its assets as restricted but did not classify them accordingly. In fiscal years 2003 through 2023, the board did not present or classify their assets as restricted on the Statement of Net Position.

While the Legislative Audit Division has not previously identified this misstatement, management should not rely on the audit function to identify misstatements for them. Effective internal controls are those that detect and correct misstatements before the financial statements are audited. The misstatement was also not identified by previous financial statement preparers or reviewers.

> *"Management has previously relied on information in the notes to the financial statements to convey the restricted nature of their assets."*
>
> **- Legislative Audit Division**

Management has previously relied on information in the notes to the financial statements to convey the restricted nature of their assets. However, by not presenting and classifying restricted assets in the manner prescribed, a user of the financial statements could be misled.

Error Correction Note Disclosure

A primary concern when preparing financial statements is to create comparability between the financial statements from year to year. By making corrections to properly classify board assets as restricted, the fiscal year 2024 financial statements were no longer comparable to previously issued financial statements of the board. To address this, Statement No. 100 of the Governmental Accounting Standards Board (GASB) requires that the notes to the financial statements include a disclosure describing the nature of the error. However, the financial statement preparation team did not initially consider the requirements of GASB Statement 100, and no such disclosure was made until prompted by the Legislative Audit Division. Without the required disclosure, a user of the financial statements does not have enough context to understand the changes in classification and presentation between years and may draw incorrect conclusions from the current financial statements.

Internal Control

While board management and contracted subject matter experts conducted reviews of the prepared financial statements, the reviews did not detect the restricted asset misstatement discussed above. We identified other misstatements during the audit that resulted from the financial statement preparation team not considering relevant standards or not fully applying the prescriptive standards. These additional misstatements were also not detected by the existing controls and underscore the need for the financial statement preparation team to enhance controls to detect these types of misstatements.

It may benefit board management to utilize a more structured approach to considering the requirements of GAAP when preparing or reviewing the board's financial statements. The Government Finance Officers Association publishes a Comprehensive General-Purpose Checklist that board management could use to evaluate the financial statements against all the current and applicable financial reporting requirements.

Recommendation #1

We recommend the Montana Board of Housing enhance internal controls to consider all current and applicable financial reporting requirements during the preparation and review of its financial statements.

Fiscal Year-End Misstatements

Internal controls were not sufficient to prevent, or detect and correct, several fiscal year-end misstatements in the accounting records timely.

The board conducts various procedures at fiscal year-end to ensure the accounting records are complete and accurate. These procedures include recording investment appreciation and performing reconciliations. The board uses two accounting systems throughout the year–the state's and a special purpose accounting system. Since activity is recorded in both systems throughout the year, transactions originating in one system must be input to the other system through manual accounting entries.

The board conducted fiscal year-end procedures this year, but documentation used to determine certain accounting entry amounts contained errors. In one supporting document, some amounts were included twice, and prior year adjustments were omitted. In another supporting document, a report produced by the board's accounting system separated a negative sign from the number, changing it to a positive number. These all resulted in board staff calculating and inputting incorrect accounting entry amounts. The resulting misstatement on the board's accounting system was approximately $900,000 related to investment appreciation accounts. The misstatements in the state's accounting system ranged from $0.3 million to $1.7 million and affected assets, liabilities, net position, revenues, and expenditures.

Board staff identified and corrected the misstatements in the board's accounting system but could not update the state's accounting system before it closed. On August 23, 2024, the board provided the Legislative Audit Division with a trial balance, stating it was complete and required no further adjustments. State policy assigns the responsibility of establishing and maintaining effective internal controls over financial reporting, defined as providing reasonable assurance that misstatements will be prevented or detected and corrected on a timely basis, to board management. While board staff identified and corrected the errors, they were not corrected until mid-September which was not timely.

The board indicated that, in fiscal year 2024, it experienced significant turnover in accounting staff, and many staff members were new to the fiscal year-end process. Resources were further strained by experienced staff who also trained new employees in other programs. The fiscal year-end timeline is shorter than the board's typical monthly close period and not all procedures were completed prior to fiscal year-end close. Even well-designed controls can be ineffective if those responsible lack sufficient resources, such as time, to execute them effectively.

Recommendation #2

We recommend the Montana Board of Housing:

A. Enhance internal controls to prevent, or detect and correct, fiscal year-end misstatements on the board's accounting system in a timely manner.

B. Evaluate resource needs and, if necessary, work with the Legislature to secure the additional resources needed to complete fiscal year-end procedures in a timely manner.

Information System Controls

The board's primary information system controls do not meet state security requirements.

The board uses an off-the-shelf software package to conduct and account for all aspects of their housing finance authority operations. State policy outlines baseline security controls the system is required to meet, which are based on National Institute of Standards and Technology standards. The board's business operations rely on Department of Commerce IT staff to manage the system as part of their internal control structure. Still, as the system owner, the board is responsible for establishing and maintaining controls within the system. During this audit, we reviewed the status of prior audit recommendations related to the information system.

- The board was not removing employee accounts upon termination. The board has since documented and disseminated an access control policy as required by state policy, which includes a quarterly review of user accounts. Our current year testing detected no user accounts for terminated employees.
- The board did not have a documented configuration management policy governing when and how the system receives updates. This policy is still in development and has not been formally documented or disseminated. Without a documented policy, the system is more susceptible to becoming outdated and vulnerable to processing errors or misuse.
- The board's information system's password capabilities were unable to meet state policy requirements. The software vendor has not modified password capabilities as requested by board management. To mitigate this, the board is in process of moving as many modules as possible to a web-based user interface so the state's single sign-on can be utilized for passwords.
- The board neither conducted a risk assessment of the system nor documented the results in the system security plan. The board has since worked with the State Information Technology Services Division (SITSD) to conduct a limited assessment of the system and document instances where the information system cannot currently conform to state security standards.
- The user access permissions granted to certain users in the information system did not allow for an adequate separation of duties. The board's new access control policy includes an annual review of user access permissions. However, state policy requires these reviews to be conducted semi-annually. If user permissions are not reviewed frequently enough, inappropriate user access changes may not be detected and corrected timely, rendering the control ineffective.

The board has designed certain business processes to be efficient, but they allow information system users to have system access that exceeds what is necessary for their assigned tasks. This is because user access permissions are bundled into roles defined by the software vendor. The only available role that enables employees to perform these duties also includes administrative permissions to modify the board's online customer portals. Since the website and customer portals are critical for maintaining customer trust and preventing fraud, these permissions should be tightly controlled.

While the board has made progress, its system controls are not yet fully compliant with state information security policy. The board has experienced barriers, such as limited staff resources to assign tasks appropriately within the current system user roles and an unresponsive software vendor. The changes the board has requested from the system vendor are not extravagant add-ons but essential modifications to achieve baseline security controls.

To effect changes necessary for system compliance with state information security policy, the board has begun consolidating its IT security management with SITSD. The first step of this process is for the board to complete a comprehensive system risk assessment to identify security control deficiencies. This assessment will enable the board to work with SITSD to develop an appropriate action plan to address identified deficiencies. SITSD provides system security expertise that the board would likely be unable to hire independently.

Recommendation #3

We recommend the Montana Board of Housing:

A. *Complete documentation of the board's information system in the state's IT risk assessment tool and develop an 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.*

Independent Auditor’s Report and Board Financial Statements

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
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, 2024, 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, 2024, 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
As discussed in Note 21 to the financial statements, certain assets reported in the 2024 financial statements have been reclassified as 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.

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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-50, Pension Benefits – Schedule of Proportionate Share of the Net Pension Liability on page A-51, and Pension Benefits – Schedule of Contributions on page A-51, 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 consists 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 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 November 18, 2024, 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/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

November 18, 2024

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, 2024

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, 2024 (FY24). Please read this section in conjunction with the financial statements and accompanying notes.

Summary

- 772 Single Family Mortgages were purchased with the Bond Program for $144.2 million.
- 24 Mortgage Credit Certificates were issued on a total loan amount of $6.77 million.
- A ten-year $32.4 million allocation of Low Income Housing Tax Credits, at $3.24 million per year, was awarded during FY24, providing equity to produce or preserve affordable rental housing.
- No Reverse Annuity Mortgage (RAM) loans were originated in FY24. The RAM Program is currently assisting 41 elderly households.
- The Board issued $192.0 million of Single Family Mortgage Bonds.
- Bond debt retired was $44.1 million from prepayments and regular debt service.
- Gross bond debt payable increased from $449.6 million to $609.3 million.
- Net position increased $5.7 million during FY24.

Fiscal Year 2024 Update

Single Family Program

The Board experienced an increase in its overall loan portfolio in FY24, both in number of loans and unpaid principal balance. This was due to an increase in loan production, almost twice as much as the prior year. Throughout FY24, market rates were between 6% and 7%, which were higher than they were in FY23. The Board experienced good pricing in the bond market, that was reflected in the rates the Board was able to offer, typically 75 to 100 basis points below market rates. Higher market rates also made it more difficult for borrowers to refinance their lower interest rate loans. The Board received 15% fewer payoffs in FY24 than it did in FY23.

The biggest challenge the Board faced was a lack of affordable inventory for first time homebuyers to purchase. Sales prices continue to be very high around the state and in several counties, prices were higher than 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.

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.

Loan Servicing Program

The Board was servicing 99% of its Single-Family loans and most of its Multifamily loans at the end of FY24. The Board also services Coal Trust Multifamily Home (CTMH) program loans and Veterans' Home Loan Program (VHLP) loans for the Montana Board of Investment, as well as Homeowner Assistance Fund (HAF) loans for the Montana Department of Commerce.

Multifamily Program

The Board offers a variety of financing options for the development of affordable multifamily rental units including Federal Low Income Housing Tax Credits and permanent loan products. During FY24, the Board allocated $32.35 million in housing credits to be used over ten years to produce 158 rental units in Montana.

The Board has seen an increase in the number of Low Income Housing Tax Credit properties funded with 4% tax credits and conduit bonds. In FY24, the Board issued $115.7 million in conduit bonds to produce 600 additional rental units.

The Multifamily Program closed three loans utilizing the Coal Trust Multifamily Homes (CTMH) loan program, which is funded by Montana Board of Investment, and administered by Montana Board of Housing. The three loans totaled $12,601,946 with rates ranging from 3.8325% - 3.9425%. In the 2023 Legislative Session, House Bill 819 included a change in the program’s interest rates to align with the average performance yield of the permanent Coal Trust Tax Fund at the Montana Board of Investments. These rates are published on the Montana Board of Investments website.

Finance

Investment interest rates were higher in FY24 than we have seen in recent years which allowed the Board to obtain favorable return rates in money market funds and investment in U.S. Treasury Bills. The cash proceeds from matured investments, along with new money the Board obtained from the issuance of tax-exempt bonds were used to increase its mortgage loan purchases.

The Board 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 $0.3 million dollar loss in Decrease in Fair Value of Investments on the Statement of Cash Flows. The Board's net position increased in FY24 compared to FY23 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 expenses were $4.24 million higher in FY24 than they were in FY23. Bond issuance costs in FY24 were $1.35 million higher as four new series were issued in FY24.

Board bonds payable increased by $147.89 million dollars as four new series totaling $192 million were issued during the year.

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, 2024 and 2023

	2024		2023 (Restated)[1]
Restricted Assets:			
Current Assets	$ 30,075,079		$ 26,504,021
Capital Assets	2,204,657		2,347,663
Other Non-current Assets	762,410,779	2	608,773,472
Total Assets	794,690,515	3	637,625,156
Deferred Outflows of Resources:	558,836		738,048
Liabilities:			
Current Liabilities	29,868,453		26,273,550
Non-current Liabilities	595,545,349	4	447,848,372
Total Liabilities	625,413,802		474,121,922
Deferred Inflows of Resources:	395,750		495,646
Net Position:			
Invested in Capital Assets	(114,433)	5	(76,795)
Restricted	169,554,232		163,822,421
Total Net Position	$ 169,439,799		$ 163,745,626
Operating Revenue:			
Interest on Loans	$ 22,420,177		$ 17,774,967
Earnings (Loss) from Investments	6,947,208	6	3,769,126
Fees and Charges	3,267,827		2,682,881
Other Income	32,256		12,894
Total Operating Revenue	32,667,468		24,239,868
Operating Expenses:			
Bond Expenses	20,407,842		14,560,676
Servicing Fees	1,056,482		658,484
General and Administrative	5,564,559		5,481,993
Total Expenses	27,028,883		20,701,153
Operating Income (Loss)	5,638,585		3,538,715
Non-operating Revenue			
Pensions - Non-employer Contributions	55,588		62,954
Total Non-operating Income	55,588		62,954
Income (Loss) Before Transfers	5,694,173		3,601,669
Increase (Decrease) in Net Position	5,694,173		3,601,669
Net Position, Beginning of Year	163,745,626		160,132,629
Adjustments to Beginning Net Position	—		11,328
Net Position, End of Year	$ 169,439,799		$ 163,745,626

[1] Prior year asset balances have been restated to align with the FY24 presentation of Restricted Assets as Current and Non-current. Assets with constraints imposed by creditors are reported as restricted assets. Restricted assets that are not offset by a current liability are classified as non-current restricted assets. For further details, see Note 21 in the Notes to the Financial Statements.

[2] Other non-current assets increased by $153 million in FY24. The primary reason was the Board issued the 2024A bond series in June, and the proceeds were invested in money market funds and other investments until mortgages could be purchased. The Board also had an increase in loan production in FY24 increasing the mortgage receivable balance.

[3] Total assets increased by $157 million in FY24 due primarily to the investment of the 2024A bond proceeds and the increase loan volume resulting in a higher mortgage receivable balance. See footnote 2 above.

[4] Non-current liabilities increased by $147.70 million in FY24 due primarily to the issuance of four bond series totaling $192 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 that the book value of the right-to-use asset.

[6] Earnings (Loss) from Investments includes a depreciation to fair value of most investments that will be recovered at maturity. This investment depreciation is required by GASB Statement 72. Earnings from Investments also includes increased interest income in FY24 due to sustained higher interest rates FY24.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

ASSETS	
Current Assets	
Restricted Assets:	
Cash and Cash Equivalents	$ 7,880,430
Investments	9,934,305
Mortgage Loans Receivable, Net	9,973,399
Interest Receivable	2,080,319
Prepaid Expense	206,626
Total Current Assets	30,075,079
Non-current Assets	
Restricted Assets:	
Cash and Cash Equivalents	102,211,035
Investments	54,781,885
Mortgage Loans Receivable, Net	597,930,756
Mortgage Backed Securities	217,218
Corporate Advance Receivable	1,592,491
Accounts Receivable	13,030
Interest Receivable	3,015,128
Purchase of Mortgage Servicing Rights	2,649,236
Intangible Right-To-Use Asset, Net	2,204,657
Total Non-current Assets	764,615,436
TOTAL ASSETS	794,690,515
DEFERRED OUTFLOW OF RESOURCES	
Deferred Refunding Costs	25,489
Deferred OPEB Outflows	244,006
Deferred Pension Outflow	289,341
TOTAL DEFERRED OUTFLOWS	558,836
LIABILITIES	
Current Liabilities	
Accounts Payable	1,132,308
Funds Held For Others	6,481,527
Accrued Interest - Bonds Payable	1,856,198
Bonds Payable, Net	18,895,000
Arbitrage Rebate Payable to U.S. Treasury Department	1,236,825
Accrued Compensated Absences	159,475
Lease Payable - Current	107,120
Total Current Liabilities	29,868,453
Non-current Liabilities	
Bonds Payable, Net	590,362,729
Arbitrage Rebate Payable to U.S. Treasury Department	448,603
Accrued Compensated Absences	203,705
Net Pension Liability	2,234,466
Other Postemployment Benefits	83,876
Leases payable - non current	2,211,970
Total Non-current Liabilities	595,545,349
TOTAL LIABILITIES	625,413,802
DEFERRED INFLOW OF RESOURCES	
Deferred OPEB Inflow	316,052
Deferred Pension Inflow	79,698
TOTAL DEFERRED INFLOWS	395,750
NET POSITION	
Net Investment in Capital Assets	(114,433)
Restricted for Bondholders:	
Single Family Programs	137,104,632
Various Recycled Mortgage Setaside Programs	3,331,870
Multifamily Programs	15,788,567
Reverse Annuity Program	9,573,633
Restricted for Affordable Revolving Loan Program	3,755,530
TOTAL NET POSITION	$ 169,439,799

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, 2024

OPERATING REVENUES	
Interest Income - Mortgage Loans	$ 22,420,177
Interest Income - Investments	7,288,838
Net Increase (Decrease) in Fair Value of Investments	(341,630)
Fee Income	3,267,827
Other Income	32,256
Total Operating Revenues	32,667,468
OPERATING EXPENSES	
Interest on Bonds	17,730,202
Servicer Fees	1,056,482
Contracted Services	873,316
Amortization of Refunding Costs	30,081
Bond Issuance Costs	1,873,720
General and Administrative	4,067,710
Arbitrage Rebate Expense	773,839
Pension Expense	621,661
Other Post-Employment Benefits	1,872
Total Operating Expenses	27,028,883
Operating Income (Loss)	5,638,585
NONOPERATING REVENUES (EXPENSES)	
Pensions - Nonemployer Contribution	55,588
Nonoperating Income (Loss)	55,588
Income (Loss) Before Transfers	5,694,173
Increase (Decrease) in Net Position	5,694,173
Net Position, Beginning of Year	163,745,626
Net Position, End of Year	$ 169,439,799

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for Sales and Services	$ 4,932,102
Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans	67,634,256
Collections (Disbursement) on Loan Escrow Accounts	114,771
Cash Payments for Loans	(144,428,173)
Payments to Suppliers for Goods and Services	(4,868,179)
Payments to Employees	(2,992,674)
Corporate (Advances) Repayments	(615,981)
Other Operating Revenues	32,253
Net Cash Provided by (Used for) Operating Activities	(80,191,625)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payment of Principal and Interest on Bonds and Notes	(62,567,167)
Proceeds from Issuance of Bonds and Notes	192,000,000
Payment of Bond Issuance Costs	(2,110,360)
Premium Received on Bonds	4,036,655
Purchase of Mortgage Servicing Rights	(1,077,937)
Net Cash Provided by (Used for) Non-capital Financing Activities	130,281,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Payments on Leases	(105,368)
Interest Payments on Leases	(39,219)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(144,587)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(83,698,266)
Proceeds from Sales or Maturities of Investments	47,230,861
Interests and Dividends on Investments	6,580,929
Payments for Arbitrage Rebate Tax	(77,883)
Net Cash Provided by (Used for) Investing Activities	(29,964,359)
Net Increase (Decrease) in Cash and Cash Equivalents	19,980,620
Restricted Cash and Cash Equivalents, July 1	90,110,845
Restricted Cash and Cash Equivalents, June 30	$ 110,091,465
Restricted Current Cash and Cash Equivalents	$ 7,880,430
Restricted Non-Current Cash and Cash Equivalents	$ 102,211,035
Total Restricted Cash and Cash Equivalents	$ 110,091,465

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, 2024

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income	$	5,638,585
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Amortization		709,709
Interest Expense		19,106,519
Interest on Investments		(7,287,837)
Arbitrage Rebate Tax		773,839
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable		(97,964,287)
Decr (Incr) in Other Assets		(1,320,377)
Decr (Incr) in Fair Value of Investments		341,630
Incr (Decr) Accounts Payable		(523,483)
Incr (Decr) Funds Held for Others		114,771
Incr (Decr) Net Pension Liability and Related Accounts		208,376
Incr (Decr) in Compensated Absences Payable		(7,887)
Incr (Decr) Total OPEB Liability and Related Accounts		18,817
Net Cash Provided by (Used for) Operating Activities	$	(80,191,625)

Noncash Investing, capital, and financing activities: During FY24, the Board investments decreased in fair value by $341,630. The fair value decrease was not realized in cash during FY24.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Montana Board of Housing (the Board) is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income as determined in accordance with the Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total dollar amount of notes and bonds outstanding at any time may not exceed $1.5 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, 2024, the Board adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, and addresses corrections of errors in previously issued financial statements. Under this statement, the accounting and financial reporting for each type of accounting change and error corrections are prescribed. No specified financial line item is affected by the implementation of this statement. Implementing GASB 100 itself does not require restating beginning balances for cumulative effect.

Statement No. 101, *Compensated Absences* (GASB 101), defines compensated absences and aligns the recognition and measurement guidance for the liabilities for compensated absences under a unified model. The Board early implemented this statement for the year ended June 30, 2024. Under this statement, the Board is required to recognize compensated absence liabilities for the leaves that meet the criteria set forth in GASB 101. Compared to pre-GASB 101, the major change in accounting treatment for compensated absences for the State of Montana is that the sick leave pool now meets the criteria to be considered as compensated absences and a liability should be recognized for the value of the sick leave pool at fiscal year-end. The compensated absence expenses are reported as General and Administrative operating expenses on the Board’s Statement of Revenues, Expenses, and Changes in Net position. The compensated absence payable is reported as Accrued Compensated Absences current liability and noncurrent liability on the Board’s Statement of Net Position. The adoption of this statement is applied retroactively. Implementing GASB 101 requires restating compensated absences payable beginning balances for cumulative effect. The liability for the sick leave pool is recorded in the State's governmental fund and has no effect on the Board. The Board does not have a restatement of compensated absences payable.

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.

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.

As disclosed in Note 5 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture. Restricted Net Position also includes funds reserved by participants and funds committed to specific projects under various programs established by the Board and restricted by enabling legislation.

Net Position

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 $(114,433) of net investment in capital assets and $169,554,232 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:

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.

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*.

Mortgage Loans Receivable

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

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

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

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

The Board has pledged future revenues collected from mortgage receivable accounts to bondholders for repayment of the mortgage revenue bonds issued by the Board. 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 securities created by the Federal National Mortgage Association (FNMA) and purchased by the Board. FNMA purchases, pools, and securitizes qualified Montana mortgage loans from the Board's Single Family Programs. These securities are reported at fair value which may vary from the value of the securities if held to maturity.

Bonds Payable

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These statements contain estimates for compensated absences liability, net pension liability, deferred pension inflows and outflows, deferred other post-employment benefits (OPEB) inflows and outflows, 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, 2024, the Board currently has an intangible right-to-use lease 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.

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's is an 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. Investments are reported at fair value. 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.

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, 2024, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

Program Funds:		
Cash Deposited with State Treasury	$	6,437,585
Custodial Cash		7,305,545
Cash on Hand[7]		9,269
Cash Equivalents - Money Market		96,339,066
Total Cash and Cash Equivalents	$	110,091,465

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 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.

[7] Cash on hand is checks received but not deposited on June 30, 2024.

Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board's investment policy does not explicitly address interest rate risk. However, the policy indirectly speaks about interest rate risk by stating that investments are to be held to maturity and not for the intention of generating investment return. Typically, long-term investments are only sold as a result of refunding a bond issue or to meet liquidity needs. The following table displays Effective Duration for appropriate investment types or 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 June 30, 2024	Moody's Rating	S&P Rating	Effective Duration
Government Sponsored Enterprises				
FHLMC Bonds[8]	$ 2,490,042	Aaa	AA+	8.04
FNMA Medium Term Notes[9]	12,815,132	Aaa	AA+	2.83
FNMA [9] Mortgage Backed Securities	217,218	Aaa	AA+	12.55
	$ 15,522,392			
U.S. Treasury Bonds	4,906,931	Aaa	AA+	1.13
U.S. Treasury Bills – Short Term (at amortized cost)[10]	44,504,084	Aaa	A-1+	0.38
Trustee Money Market Accounts (at amortized cost)[11]	96,339,066	NR[12]	NR	N/A[13]
Total Investments (including Money Market)	$ 161,272,473			

[8] Federal Home Loan Mortgage Corporation
[9] Federal National Mortgage Association
[10] Amortized cost is the acquisition value less the amortization of premiums/discounts
[11] Money Market Accounts are included in Cash Equivalents on the financial statements
[12] Not rated
[13] Not applicable

NOTE 4. FAIR VALUE MEASUREMENT

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

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

		Fair Value Measurement Using		
	June 30, 2024	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	$ 4,906,931	$ 4,906,931	$ —	$ —
Agency/Government Related	15,305,174	—	$ 15,305,174	—
Commercial Mortgage Backed Securities	217,218	—	217,218	—
Total fixed income investments	$ 20,429,323	$ 4,906,931	$ 15,522,392	$ —
Investments Measured at Amortized Cost[16]				
Short Term U.S. Treasuries	44,504,084			
Money Market Accounts	96,339,066			
Total investments managed	$161,272,473			

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

NOTE 5. MORTGAGE LOANS RECEIVABLE

The Board's Single Family, Multifamily, Housing Trust Fund, and Housing Montana Fund mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. 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),

[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.

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, 2024, consist of the following:

Single Family Program	$	592,242,850
Multifamily Program		6,563,575
Housing Trust Program		2,637,407
Housing Montana Fund		2,307,580
		603,751,412
Net mortgage discounts and premiums		4,093,025
Allowances for losses and real estate owned (Note 6)		(320,000)
Net Collateralized Mortgage Loans Receivable	$	607,524,437
Mortgage loans receivable **not** collateralized.	$	379,720

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, 2024, 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, 2024. 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, 2023	$	320,000
Plus: Additional provision		—
Less: Net loans charged off		—
Balance as of June 30, 2024	$	320,000

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. Capital asset balances as of June 30, 2024, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets:				
Intangible Right-To-Use Buildings	$ 2,633,671	—	—	$ 2,633,671
Total Capital Assets	2,633,671	—	—	2,633,671
Less Accumulated Depreciation/ Amortization for:				
Intangible Right-To-Use Buildings	(286,008)	(143,006)	—	(429,014)
Total Depreciation /amortization	(286,008)	(143,006)	—	(429,014)
Capital Assets, Net	$ 2,347,663	$ (143,006)	$ —	$ 2,204,657

Amortization expense included in general and administrative expense was $143,006 for the year ended June 30, 2024.

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 $2,319,090. 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 Intercap Rate at the time of inception of GASB Statement 87.

	Principal	Interest	Total
2025	$ 107,120	$ 37,457	$ 144,577
2026	117,393	35,641	153,034
2027	125,461	33,614	159,075
2028	127,547	31,529	159,076
2029	129,667	29,408	159,075
2030-2034	740,015	112,303	852,318
2035-2039	892,049	45,235	937,284
2040-2044	79,838	327	80,165
Totals	$ 2,319,090	$ 325,514	$ 2,644,604

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NOTE 9. 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, 2024.

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	$ 11,800,000
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	26,040,000
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	12,020,000
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	15,185,000
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	15,370,000
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	14,370,000
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	23,900,000
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	21,385,000
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	21,260,000
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	32,710,000

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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	27,860,000
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	29,355,000
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	29,940,000
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	39,225,000
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	40,550,000
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	42,995,000
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	43,000,000
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	65,000,000
Bonds outstanding Single Family I		511,965,000
Unamortized bond premium (discount)		10,955,572
Total Bonds Payable Single Family I		$ 522,920,572

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Single Family II Mortgage Bonds	Original Amount	Balance
2013		
Series A-1, A-2, and A-3 serial and term bonds at 0.20% to 3.75% maturing in semi-annual installments to December 1, 2025, December 1, 2028, December 1, 2033, December 1, 2037, December 1, 2038, December 1, 2043, and June 1, 2044.	$ 73,000,000	$ 15,145,000
2013		
Series B-1 and B-2 serial and term bonds at 0.45% to 5.30% maturing in semi-annual installments to December 1, 2025, December 1, 2028, December 1, 2033, December 1, 2038, December 1, 2043, and December 1, 2044.	59,980,000	6,430,000
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	21,790,000
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	760,000
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	15,665,000
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	16,115,000
Bonds outstanding Single Family II		75,905,000
Unamortized bond premium (discount)		777,439
Total Bonds Payable Single Family II		$ 76,682,439

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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	$ 4,540,000
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	4,870,000
Bonds outstanding Single Family XI		9,410,000
Unamortized bond premium (discount)		43,352
Total Bonds Payable Single Family XI		$ 9,453,352

Single Family General Obligation Bonds:	Original Amount	Balance
2008		
Series A general obligation private placement bonds.[17]	$ 497,942	$ 86,366
Total Single Family Mortgage Bonds Payable, Net		$ 609,142,729

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	$ 115,000
Total Multifamily Mortgage Bonds Payable, Net		$ 115,000

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	**$ 609,257,729**

[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, 2024, $497,942 of bonds have been issued.

The following is a summary of bond principal and interest requirements as of June 30, 2024:

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
2025	$ 41,483,228	$ 25,460	$ 18,895,000	$ 22,613,688
2026	44,112,755	24,420	21,940,000	22,197,175
2027	42,386,361	23,380	20,810,000	21,599,741
2028	42,723,224	27,210	21,750,000	21,000,434
2029	41,953,580	21,040	21,615,000	20,359,620
2030-2034	199,373,640	10,260	108,650,000	90,733,900
2035-2039	174,096,147	—	102,701,366	71,394,781
2040-2044	149,979,094	—	97,650,000	52,329,094
2045-2049	133,370,002	—	101,590,000	31,780,002
2050-2054	90,548,768	—	80,560,000	9,988,768
2055-2059	1,359,600	—	1,320,000	39,600
Total	**$ 961,386,399**	**$ 131,770**	**$ 597,481,366**	**$ 364,036,803**

Cash paid for interest expenses during the year ended June 30, 2024 was $18,452,167.

Summary of Changes in Long-term Liabilities:

	Beginning Balance July 1, 2023	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due in More Than One Year
Bonds payable						
Single Family, net	458,774,811	$196,036,655	$ 45,668,737	609,142,729	$ 18,875,000	$ 590,267,729
Multifamily, net	135,000	—	20,000	115,000	20,000	95,000
Total Bonds/Notes Payable, net	458,909,811	196,036,655	45,688,737	609,257,729	18,895,000	590,362,729
Arbitrage Payable [18]	989,472	773,839	77,883	1,685,428	1,236,825	448,603
Compensated Absences Payable[18]	371,067	—	7,887	363,180	159,475	203,705
Net Pension Liability [18]	2,113,757	120,709	—	2,234,466	—	2,234,466
Total OPEB Liability[19]	82,204	238,140	236,468	83,876	—	83,876
Lease Payable	2,424,458	—	105,368	2,319,090	107,120	2,211,970
Total other liabilities	5,980,958	1,132,688	427,606	6,686,040	1,503,420	5,182,620
Total Business-type activities long-term liabilities	$464,890,769	$197,169,343	$ 46,116,343	$615,943,769	$ 20,398,420	$ 595,545,349

[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.

[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.

NOTE 10. BOND REDEMPTIONS

During the year ended June 30, 2024, the Board redeemed Single Family and Multi-Family Mortgage Program bonds prior to scheduled maturity as follows:

Single Family I	
December 1	$ 7,590,000
June 1	11,515,000
	19,105,000
Single Family II	
December 1	3,620,000
June 1	3,735,000
	7,355,000
Single Family XI	
December 1	330,000
June 1	400,000
	730,000
Total	$ 27,190,000

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

NOTE 11. COMMITMENTS

Single Family Indentures — The Board has bond proceeds available for the purchase and reservation of single-family mortgages of approximately $60,681,802 in the Single Family I and II Indentures.

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

Foreclosure Prevention	$ 50,000
Disabled Affordable Accessible Homeownership	862,950
Lot Refinance	726,440
Habitat for Humanity	1,477,479
Total Single Family Commitments	$ 3,116,869

Single Family I — Reverse Annuity Mortgage Program Future Loan Amounts: $3,389,798

Single Family I & II — funding for Homebuyer Education for fiscal year 2024: $215,000

Housing Trust Fund Program — Reverse Annuity Mortgage Program Funds: $782,360

NOTE 12. 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 when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements. MPERA applied all applicable pronouncements of GASB.

General Information about the Pension Plan

Plan Description — The PERS-DBRP, administered by 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, employees of local governments, and certain employees of the Montana University System and school districts. Benefits are established by State law and can only be amended by the Legislature.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

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.

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.

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	
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.

- Employer contributions to the system:
  - Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following 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 $34,979,900.

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, 2023, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

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, 2023, and June 30, 2022, 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 $2,234,466 and the employers proportionate share of the collective NPL was 0.092% percent.

As of measurement date	Net Pension Liability as of June 30, 2023	Net Pension Liability as of June 30, 2022	Percent of Collective NPL as of June 30, 2023	Percent of Collective NPL as of June 30, 2022	Change in Percent of Collective NPL
Board of Housing Proportionate Share	$ 2,234,466	$ 2,113,757	0.092 %	0.089 %	0.003 %
State of Montana Proportionate Share associated with the Board	592,527	607,359	0.024 %	0.026 %	(0.002)%
Total	$ 2,826,993	$ 2,721,116	0.116 %	0.115 %	0.001 %

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, 2024, the Board recognized the total pension expense of $621,661. Additionally, the Board recognized grant revenue of $55,588 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, 2024, 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	$ 88,995	$ —
Projected Investment Earning vs. Actual Investment Earnings	5,669	—
Changes in assumptions	—	79,698
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	36,656	—
Employer Contributions Subsequent to the Measurement Date	158,021	—
Total	$ 289,341	$ 79,698

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
2024	$ (31,140)
2025	$ (35,803)
2026	$ 132,127
2027	$ (13,562)
Thereafter	$ —

Actuarial Assumptions

The total pension liability in the June 30, 2023 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	
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, 2023, 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 adequate to make all the projected future benefit payments of current plan members through the year 2127. 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, 2023, 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	$ 3,227,677	$ 2,234,466	$ 1,401,250

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 year ended June 30, 2023, 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 351 employers that have participants in the PERS-DCRP totaled $1,345,278.

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.

NOTE 13. 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 $77,883 in arbitrage rebate cash payments, from the arbitrage rebate and yield liability accounts, to the United States Treasury Department in FY24. The related liability was $1,685,428 as of June 30, 2024.

Balance as of June 30, 2023	$989,472
Plus: Increases	773,839
Less: Reductions	77,883
Balance as of June 30, 2024	$1,685,428

NOTE 14. 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, 2024, are as follows:

Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2012 A-1 (Rainbow/Silver Bow Apartments)	$ 5,739,713	$ 4,687,464
Multifamily Housing Revenue Bond Series 2015 A (Larkspur Commons Apartments)	15,500,000	10,923,206
Multifamily Housing Revenue Bond Series 2017 (Big Sky Manor Apartments)	4,500,000	3,596,671

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Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2018 (Rockcress Commons Apartments)	15,000,000	8,388,694
Multifamily Housing Revenue Bond Series 2018 (Starner Gardens Apartments)	15,000,000	10,606,179
Multifamily Housing Revenue Bond Series 2020 (Emporda Apartments)	3,600,000	3,109,351
Multifamily Housing Revenue Bond Series 2020 (Ponderosa Acres)	20,915,000	16,550,000
Multifamily Housing Revenue Bond Series 2020 (Butte I Affordable Owner I)	13,200,000	6,600,000
Multifamily Housing Revenue Bond Series 2020 (Butte Affordable Owner II)	29,300,000	19,790,000
Multifamily Housing Revenue Bond Series 2020 (Arrowleaf Park Apartments)	26,000,000	20,223,404
Multifamily Housing Revenue Bond Series 2020 (Perennial Park Apartments)	19,000,000	12,600,662
Multifamily Housing Revenue Bond Series 2021 (Trinity Apartments)	36,000,000	22,775,000
Multifamily Housing Revenue Bond Series 2021 (DMS Portfolio Project)	28,500,000	19,400,000
Multifamily Housing Revenue Bond Series 2021 (Villagio Apartments)	43,000,000	42,869,674
Multifamily Housing Revenue Bond Series 2021 (Boulevard Apartments)	7,000,000	4,160,000
Multifamily Housing Revenue Bond Series 2021 (Castlebar Apartments)	13,525,000	13,525,000
Multifamily Housing Revenue Bond Series 2022 (Junegrass)	22,500,000	18,273,840
Multifamily Housing Revenue Bond Series 2022 (Bridger Peaks)	7,500,000	7,385,000
Multifamily Housing Revenue Bond Series 2022 (Comstock Project)	11,862,000	11,862,000
Multifamily Housing Revenue Bond Series 2023 (South Forty Project)	14,666,000	14,666,000
Multifamily Housing Revenue Bond Series 2023 (Great Falls Project)	15,381,160	15,225,252
Multifamily Housing Revenue Bond Series 2023 (14th & Patrick Apts Project)	35,000,000	12,265,000
Multifamily Housing Revenue Bond Series 2023 (North 3rd Apartments Project)	49,000,000	529,008
Multifamily Housing Revenue Bond Series 2023A (Baxter Apartments Project)	4,300,000	4,300,000
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	1,353,037
Multifamily Housing Revenue Bond Series 2023 (Parkview Apartments Project)	11,500,000	11,500,000

Bond Series	Original Amount	Balance
Multifamily Housing Revenue Bond Series 2023 (Union Place Apartments Project)	8,860,000	$ 8,850,123
Total No-Commitment Bonds Outstanding		$ 329,014,565

NOTE 15. 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. There were no bonds refunded in the fiscal year ending June 30, 2024.

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, 2024, there were $25,489 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 16. 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 12.

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 2023 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-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, 2024.

As of December 31, 2022, there are 30 active employees and 3 retired employees, spouses and surviving spouses for a total of 33 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, 2023	$	82,204
Service Cost		2,275
Interest		3,387
Differences in Experience		—
Changes of Assumptions or Other Inputs		(5,243)
Benefit Payments		1,253
Net Changes in TOL		1,672
Balances at		
June 30, 2024	$	83,876

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.

The State's OPEB plan TOL actuarial valuation on December 31, 2022, rolled forward to the measurement date March 31, 2024, 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	$15,372	$7,370
After Medicare eligibility	$5,592	$5,213
Actuarial valuation date	December 31, 2022	
Measurement date	March 31, 2024	
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	4.12%	
Projected payroll increases	3.50%	
Average retirement age		
Active Employees	62.09	
Inactive Employees	67.63	
Participation	40% of future retirees and 70% of future retirees who elect medical coverage and are married are assumed to elect spousal coverage as well.	
Marital status	Actual spouse information is used for current retirees. Marital status at retirement for future members assumed to be 70%. Males are assumed to be 3 years older than females.	
Healthcare cost trend rates	The current medical health care cost trend rate is 6.5%. Annual decreases begin in 2024 with an ultimate rate of 3.9%. The current prescription health care cost trend rate is 9.0%. Annual decreases start in 2024, with an ultimate rate of 3.9%.	
Retiree Contribution Increases	Current year was based on actual trend. For pre-65 contributions, it starts with 4.0% in 2023, increases to 6.7% in 2024 and then decreases annually with an ultimate rate of 3.9%. For post-65 contributions, it starts with 3.9% in 2023, increases to 6.7% in 2024 and then decreases annually with an ultimate rate of 3.9%.	

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.

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 $5,243 due to an increase in the interest rate from 3.98% to 4.12%.

Changes Since Prior Valuation: None.

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	3.12%	$ 42,081,323	$ 117,090
Current Discount Rate	4.12%	$ 31,627,671	$ 83,876
1.0% Increase	5.12%	$ 24,097,111	$ 60,305

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	5.50%	8.00%	$ 24,175,485	$ 60,251
Current Discount Rate	6.50%	9.00%	$ 31,627,671	$ 83,876
1.0% Increase	7.50%	10.00%	$ 42,238,226	$ 117,834

The Board's total OPEB liability of $83,876 is approximately 0.27% of the total State's total OPEB liability of $31,627,671 as measured on March 31, 2024, 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, 2024, the Board had an OPEB expense of $1,872. At June 30, 2024, 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	$ 139,802	$ 134,172
Changes of assumptions or other inputs	98,581	181,880
Contributions subsequent to the measurement date	5,623	—
Total	$ 244,006	$ 316,052

The Board's employer contributions and benefit expenses between April 1, 2024, and June 30, 2024, were $3,548 and $9,171, respectively, resulting a net benefit payment amount of $5,623 to be recognized as deferred outflows.

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
2025	$	(3,790)
2026	$	(3,790)
2027	$	(3,790)
2028	$	(3,790)
2029	$	(3,790)
Thereafter	$	(58,719)

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 17. 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, 2024:

Fee Income and Servicers Fees related to in-house loan servicing	$	1,664,275

NOTE 18. 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 19. 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. The total paid for legal services was $124,621 for the year ended June 30, 2024. Additionally, the Board has accrued for services in accounts payable the amount of $12,992 at June 30, 2024. The State of Montana approves the attorney contract for the Board and the transactions are in the ordinary course of operations and handled the in the same manner as all other transactions of the Board.

NOTE 20 . SUBSEQUENT EVENTS

On August 12, 2024, the Board approved Bond Resolution 24-0812-SF02_2024B for the Single Family Mortgage Bonds, 2024 Series B (tax exempt), in the aggregate principal amount not to exceed $75.0 million. The Board is issued the 2024 Series B (tax exempt) bonds in the aggregate principal amount of $56,430,000 million on November 7, 2024. The 2024 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 2024 Series B Supplemental Trust Indenture, dated as of November 1, 2024. The 2024 Series B Bonds were issued in order to refund certain of the Board's single family program bonds, to acquire additional mortgage loans and to purchase Mortgage-Backed Securities.

On August 29, 2024, the Twin Creek 4 Housing Associates LLLP (Twin Creek 4 Apartments Project) Multifamily Housing Revenue Bonds closed for an amount not to exceed $8,537,000.

On August 30, 2024, the Bigfork Senior Housing LLC Multifamily Housing Revenue Obligation closed for an amount not to exceed $3,600,000.

On October 22, 2024, the Board approved a resolution for Multifamily Housing Revenue Bonds for the Aurora Apartments in an aggregate principal amount not to exceed $30,000,000.

NOTE 21. RECLASSIFICATION

In 2024, the Board changed the classification of the assets on the balance sheet to reflect all assets as restricted assets. Accounting standards require restricted assets be reported as non-current assets except for those assets that will offset current liabilities. If this change was reflected on the previously issued financial statements, the lines impacted are current assets: cash and cash equivalents, investments, mortgages loans receivable, servicing related advances, accounts receivable, and interest receivable, and non-current assets: cash and cash equivalents, investments, mortgages loans receivable, servicing related advances, accounts receivable, and interest receivable. The periods effected by the error would be starting in 2002 forward with the implementation of GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*.

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Other Post-Employment Benefits (Financial Statements Note 16):

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

Total Board OPEB Liability and Related Ratios

Last 10 Fiscal Years[20]

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 %

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:

2024 Changes in Assumptions include:

1. An inflow of $5,243 due to an increase in the interest rate from 3.98% to 4.12%.

[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 12):

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
2014	0.10 %	$ 1,203	$ —	$ 1,203	$ 1,079	111.54 %	78.87 %
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 %

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
2015	$ 104	$ 104	$ —	$ 1,174	8.83 %
2016	$ 106	$ 106	$ —	$ 1,208	8.77 %
2017	$ 119	$ 119	$ —	$ 1,399	8.47 %
2018	$ 124	$ 124	$ —	$ 1,445	8.56 %
2019	$ 126	$ 126	$ —	$ 1,443	8.70 %
2020	$ 133	$ 133	$ —	$ 1,498	8.86 %
2021	$ 165	$ 165	$ —	$ 1,828	9.03 %
2022	$ 137	$ 137	$ —	$ 1,512	9.05 %
2023	$ 150	$ 150	$ —	$ 1,646	9.10 %
2024	$ 158	$ 158	$ —	$ 1,715	9.21 %

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, 2023, which were based on the results of the June 30, 2022 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, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

MONTANA BOARD OF HOUSING
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COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

	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	$ 488,276	$ 229,923	$ 4,628	$ 722,827	$ 1,391,590
Investments	5,911,968	3,712,903	286,942	9,911,813	22,492
Mortgage Loans Receivable, Net	9,298,881	—	674,518	9,973,399	—
Interest Receivable	2,022,269	—	58,050	2,080,319	—
Prepaid Expense	80,019	52,468	—	132,487	3,551
Total Current Assets	17,801,413	3,995,294	1,024,138	22,820,845	1,417,633
Non-current Assets					
Restricted assets:					
Cash and Cash Equivalents	82,620,472	9,859,817	1,170,994	93,651,283	2,279,021
Investments	25,594,420	17,202,084	4,967,025	47,763,529	7,018,356
Mortgage Loans Receivable, Net	471,975,785	103,628,947	10,461,826	586,066,558	6,563,575
Mortgage Backed Securities	—	217,218	—	217,218	—
Corporate Advance Receivable	49,143	—	—	49,143	—
Accounts Receivable	15,338	—	—	15,338	(2,308)
Interest Receivable	438,690	545,535	159,090	1,143,315	37,055
Purchase of Mortgage Servicing Rights	—	—	—	—	—
Intangible Right-To-Use Asset, net	341,722	341,722	—	683,444	113,907
Total Non-current Assets	581,035,570	131,795,323	16,758,935	729,589,828	16,009,606
Total Assets	598,836,983	135,790,617	17,783,073	752,410,673	17,427,239
Deferred Outflow of Resources					
Deferred Refunding Costs	19,632	—	5,857	25,489	—
Deferred OPEB Outflow	41,140	41,140	—	82,280	12,678
Deferred Pension Outflow	53,217	53,217	—	106,434	12,146
Total Deferred Outflows	113,989	94,357	5,857	214,203	24,824
Liabilities					
Current Liabilities					
Accounts Payable	445,507	187,657	4,628	637,792	4,169
Funds Held For Others	503	—	—	503	1,372,465
Accrued Interest - Bonds Payable	1,586,293	242,903	24,510	1,853,706	2,492
Bonds Payable, Net	14,410,000	3,470,000	995,000	18,875,000	20,000
Arbitrage Rebate Payable to U.S. Treasury Department	1,236,825	—	—	1,236,825	—
Accrued Compensated Absences	25,663	25,663	—	51,326	9,421
Leases Payable - Current	16,603	16,603	—	33,206	5,535
Total Current Liabilities	17,721,394	3,942,826	1,024,138	22,688,358	1,414,082
Non-current Liabilities					
Bonds Payable, Net	508,510,572	73,298,805	8,458,352	590,267,729	95,000
Arbitrage Rebate Payable to U.S. Treasury Department	177,109	62,776	208,718	448,603	—
Accrued Compensated Absences	51,807	51,807	—	103,614	12,389
Net Pension Liability	410,973	410,973	—	821,946	93,802
OPEB Liability	19,047	19,047	—	38,094	1,905
Leases Payable - Non-current	342,856	342,856	—	685,712	114,285
Total Non-current Liabilities	509,512,364	74,186,264	8,667,070	592,365,698	317,381
Total Liabilities	527,233,758	78,129,090	9,691,208	615,054,056	1,731,463
Deferred Inflow of Resources					
Deferred OPEB Inflow	51,678	51,678	—	103,356	17,226
Deferred Pension Inflow	14,658	14,658	—	29,316	3,346
Total Deferred Inflows	66,336	66,336	—	132,672	20,572
Net Position					
Net Investment in Capital Assets	(17,737)	(17,737)	—	(35,474)	(5,913)
Restricted for Bondholders:					
Single Family Programs	66,612,882	56,041,350	8,097,722	130,751,954	—
Various Recycled Mortgage Setaside Programs	1,665,935	1,665,935	—	3,331,870	—
Multifamily Programs	—	—	—	—	15,705,941
Reverse Annuity Program	3,389,798	—	—	3,389,798	—
Restricted for Affordable Housing Loan Program	—	—	—	—	—
Total Net Position	$ 71,650,878	$ 57,689,548	$ 8,097,722	$ 137,438,148	$ 15,700,028

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, 2024

(continued)	Mortgage Loan Servicing	Housing Trust Fund	Housing Montana Fund	TOTAL
Assets				
Current Assets				
Restricted assets:				
Cash and Cash Equivalents	$ 5,657,714	$ 107,786	$ 513	$ 7,880,430
Investments	—	—	—	9,934,305
Mortgage Loans Receivable, Net	—	—	—	9,973,399
Interest Receivable	—	—	—	2,080,319
Prepaid Expense	36,203	34,385	—	206,626
Total Current Assets	5,693,917	142,171	513	30,075,079
Non-current Assets				
Restricted assets:				
Cash and Cash Equivalents	2,284,463	2,745,554	1,250,714	102,211,035
Investments	—	—	—	54,781,885
Mortgage Loans Receivable, Net	365,636	2,627,407	2,307,580	597,930,756
Mortgage Backed Securities	—	—	—	217,218
Corporate Advance Receivable	1,543,348	—	—	1,592,491
Accounts Receivable	—	—	—	13,030
Interest Receivable	407,029	1,230,493	197,236	3,015,128
Purchase of Mortgage Servicing Rights	2,649,236	—	—	2,649,236
Intangible Right-To-Use Asset, net	1,065,584	341,722	—	2,204,657
Total Non-current Assets	8,315,296	6,945,176	3,755,530	764,615,436
Total Assets	14,009,213	7,087,347	3,756,043	794,690,515
Deferred Outflow of Resources				
Deferred Refunding Costs	—	—	—	25,489
Deferred OPEB Outflow	111,014	38,034	—	244,006
Deferred Pension Outflow	122,135	48,626	—	289,341
Total Deferred Outflows	233,149	86,660	—	558,836
Liabilities				
Current Liabilities				
Accounts Payable	439,895	49,939	513	1,132,308
Funds Held For Others	5,108,559	—	—	6,481,527
Accrued Interest - Bonds Payable	—	—	—	1,856,198
Bonds Payable, Net	—	—	—	18,895,000
Arbitrage Rebate Payable to U.S. Treasury Department	—	—	—	1,236,825
Accrued Compensated Absences	57,485	41,243	—	159,475
Leases Payable - Current	51,775	16,604	—	107,120
Total Current Liabilities	5,657,714	107,786	513	29,868,453
Non-current Liabilities				
Bonds Payable, Net	—	—	—	590,362,729
Arbitrage Rebate Payable to U.S. Treasury Department	—	—	—	448,603
Accrued Compensated Absences	59,369	28,333	—	203,705
Net Pension Liability	943,197	375,521	—	2,234,466
OPEB Liability	38,161	5,716	—	83,876
Leases Payable - Non-current	1,069,118	342,855	—	2,211,970
Total Non-current Liabilities	2,109,845	752,425	—	595,545,349
Total Liabilities	7,767,559	860,211	513	625,413,802
Deferred Inflow of Resources				
Deferred OPEB Inflow	143,792	51,678	—	316,052
Deferred Pension Inflow	33,642	13,394	—	79,698
Total Deferred Inflows	177,434	65,072	—	395,750
Net Position				
Net Investment in Capital Assets	(55,309)	(17,737)	—	(114,433)
Restricted for Bondholders:				
Single Family Programs	6,352,678	—	—	137,104,632
Various Recycled Mortgage Setaside Programs	—	—	—	3,331,870
Multifamily Programs	—	82,626	—	15,788,567
Reverse Annuity Program	—	6,183,835	—	9,573,633
Restricted for Affordable Housing Loan Program	—	—	3,755,530	3,755,530
Total Net Position	$ 6,297,369	$ 6,248,724	$ 3,755,530	$ 169,439,799

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, 2024

	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	$ 17,436,411	$ 3,916,727	$ 542,436	$ 21,895,574	$ 290,969
Interest Income Investments	4,478,503	1,887,274	409,886	6,775,663	370,158
Net Increase (Decrease)					
in Fair Value of Investments	(145,603)	(125,354)	(70,684)	(341,641)	11
Fee Income	59,580	6,300	—	65,880	1,151,698
Other Income	754	753	—	1,507	30,000
Total Operating Revenues	21,829,645	5,685,700	881,638	28,396,983	1,842,836
OPERATING EXPENSES					
Interest on Bonds	14,386,697	3,018,581	318,857	17,724,135	6,067
Servicer Fees	1,600,261	387,715	45,549	2,033,525	4,869
Contracted Services	307,604	204,317	—	511,921	94,643
Amortization of Deferred Refunding	26,176	—	3,905	30,081	—
Bond Issuance Costs	1,873,720	—	—	1,873,720	—
General and Administrative	721,225	634,624	—	1,355,849	222,272
Arbitrage Rebate Expense	610,759	93,995	69,085	773,839	—
Pension Expense	67,038	67,039	—	134,077	19,029
Other Post-Employment Benefits	306	306	—	612	102
Total Operating Expenses	19,593,786	4,406,577	437,396	24,437,759	346,982
Operating Income (Loss)	2,235,859	1,279,123	444,242	3,959,224	1,495,854
Nonoperating Revenue (Expenses)					
Pensions - Non-employer					
Contributions	9,482	9,482	—	18,964	3,161
Nonoperating Income (Loss)	9,482	9,482	—	18,964	3,161
Income (Loss) Before Transfers	2,245,341	1,288,605	444,242	3,978,188	1,499,015
Transfers From (To) Other Fund	(521,666)	225,458	(53,792)	(350,000)	—
Increase (Decrease) in Net Position	1,723,675	1,514,063	390,450	3,628,188	1,499,015
Net Position, July 1	69,927,203	56,175,485	7,707,272	133,809,960	14,201,013
Net Position, June 30	$ 71,650,878	$ 57,689,548	$ 8,097,722	$ 137,438,148	$ 15,700,028

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, 2024

(continued)	Mortgage Loan Servicing	HOUSING TRUST FUND	HOUSING MONTANA FUND	ELIMINATION[21]	TOTAL
OPERATING REVENUES					
Interest Income - Mortgage Loans	$ —	$ 177,998	$ 55,636	$ —	$ 22,420,177
Interest Income Investments	10,245	79,676	53,096	—	7,288,838
Net Increase (Decrease) in Fair Value of Investments	—	—	—	—	(341,630)
Fee Income	2,829,022	885,502	—	(1,664,275)	3,267,827
Other Income	611	138	—	—	32,256
Total Operating Revenues	2,839,878	1,143,314	108,732	(1,664,275)	32,667,468
OPERATING EXPENSES					
Interest on Bonds	—	—	—	—	17,730,202
Servicer Fees	681,790	—	573	(1,664,275)	1,056,482
Contracted Services	154,143	112,609	—	—	873,316
Amortization of Deferred Refunding	—	—	—	—	30,081
Bond Issuance Costs	—	—	—	—	1,873,720
General and Administrative	1,768,713	720,876	—	—	4,067,710
Arbitrage Rebate Expense	—	—	—	—	773,839
Pension Expenses	131,862	336,693	—	—	621,661
Other Post-Employment Benefits	852	306	—	—	1,872
Total Operating Expenses	2,737,360	1,170,484	573	(1,664,275)	27,028,883
Operating Income (Loss)	102,518	(27,170)	108,159	—	5,638,585
Nonoperating Revenue (Expenses)					
Pensions - Non-employer Contributions	23,981	9,482	—	—	55,588
Nonoperating Income (Loss)	23,981	9,482	—		55,588
Income (Loss) Before Transfers	126,499	(17,688)	108,159		5,694,173
Transfers From (To) Other Fund	350,000	—	—	—	—
Increase (Decrease) to Net Position	476,499	(17,688)	108,159	—	5,694,173
Net Position, July 1	5,820,870	6,266,412	3,647,371	—	163,745,626
Net Position, June 30	$ 6,297,369	$ 6,248,724	$ 3,755,530	$ —	$ 169,439,799

[21] Interfund transactions are eliminated in order to tie to the Statement of Revenues, Expense and Changes in Net Position, see Note 17.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	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	$ 59,580	$ 6,300	$ —	$ 65,880	$ 1,151,698
Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans	48,386,616	15,238,042	2,115,080	65,739,738	534,152
Collections (Disbursements) for Loan Escrow Accounts	—	—	—	—	97,536
Cash Payments for Loans	$ (139,079,084)	(5,137,684)	—	(144,216,768)	—
Payments to Suppliers for Goods and Services	(2,003,941)	(687,431)	(44,920)	(2,736,292)	(164,211)
Payments to Employees	(478,694)	(478,694)	—	(957,388)	(159,269)
Corporate (Advances) Repayments	(30,876)	—	—	(30,876)	—
Other Operating Revenues	753	753	—	1,506	30,000
Net Cash Provided by (Used for) Operating Activities	(93,145,646)	8,941,286	2,070,160	(82,134,200)	1,489,906
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of Principal and Interest on Bonds and Notes	(45,987,878)	(14,411,038)	(2,141,751)	(62,540,667)	(26,500)
Proceeds from Issuance of Bonds and Notes	192,000,000	—	—	192,000,000	—
Payment of Bond Issuance Costs	(2,110,360)	—	—	(2,110,360)	—
Premium Received on Bonds	4,036,655	—	—	4,036,655	—
Transfers from (to) Other Funds	(521,666)	225,458	(53,792)	(350,000)	—
Purchase of Mortgage Servicing Rights	—	—	—	—	—
Net Cash Provided by (Used for) Non-capital Financing Activities	147,416,751	(14,185,580)	(2,195,543)	131,035,628	(26,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Payments on Leases	(16,332)	(16,332)	—	(32,664)	(5,444)
Interest Payments on Leases	(6,079)	(6,079)	—	(12,158)	(2,026)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,411)	(22,411)	—	(44,822)	(7,470)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(38,689,416)	(30,945,436)	(643,886)	(70,278,738)	(13,419,528)
Proceeds from Sales or Maturities of Investments	18,289,574	17,341,038	425,054	36,055,666	11,175,195
Interests and Dividends on Investments	4,296,418	1,407,722	367,611	6,071,751	365,682
Payments for Arbitrage Rebate Tax	—	(77,883)	—	(77,883)	—
Net Cash Provided by (Used for) Investing Activities	(16,103,424)	(12,274,559)	148,779	(28,229,204)	(1,878,651)
Net Increase (Decrease) in Cash and Cash Equivalents	38,145,270	(17,541,264)	23,396	20,627,402	(422,715)
Restricted Cash and Cash Equivalents, July 1	44,963,478	27,631,004	1,152,226	73,746,708	4,093,326
Restricted Cash and Cash Equivalents, June 30	$ 83,108,748	$ 10,089,740	$ 1,175,622	$ 94,374,110	$ 3,670,611

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, 2024

(continued)	MORTGAGE LOAN SERVICING	HOUSING TRUST FUND	HOUSING MONTANA FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for Sales and Services	$ 2,829,022	$ 885,502	$ —	$ 4,932,102
Collections (Payouts - Reverse Annuity) on Loans and Interest on Loans	875,511	378,637	106,218	67,634,256
Collections (Disbursements) for Loan Escrow Accounts	17,235	—	—	114,771
Cash Payments for Loans	—	(211,405)	—	(144,428,173)
Payments to Suppliers for Goods and Services	(1,530,438)	(436,705)	(533)	(4,868,179)
Payments to Employees	(1,259,110)	(616,907)	—	(2,992,674)
Corporate (Advances) Repayments	(585,105)	—	—	(615,981)
Other Operating Revenues	610	137	—	32,253
Net Cash Provided by (Used for) Operating Activities	347,725	(741)	105,685	(80,191,625)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	—	—	—	(62,567,167)
Proceeds from Issuance of Bonds and Notes	—	—	—	192,000,000
Payment of Bond Issuance Costs	—	—	—	(2,110,360)
Premium Received on Bonds	—	—	—	4,036,655
Transfers from (to) Other Funds	350,000	—	—	—
Purchase of Mortgage Servicing Rights	(1,077,937)	—	—	(1,077,937)
Net Cash Provided by (Used for) Non-capital Financing Activities	(727,937)	—	—	130,281,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Payments on Leases	(50,928)	(16,332)	—	(105,368)
Interest Payments on Leases	(18,956)	(6,079)	—	(39,219)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(69,884)	(22,411)	—	(144,587)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	—	—	—	(83,698,266)
Proceeds from Sales or Maturities of Investments	—	—	—	47,230,861
Interests and Dividends on Investments	12,229	79,908	51,359	6,580,929
Payments for Arbitrage Rebate Tax	—	—	—	(77,883)
Net Cash Provided by (Used for) Investing Activities	12,229	79,908	51,359	(29,964,359)
Net Increase (Decrease) in Cash and Cash Equivalents	(437,867)	56,756	157,044	19,980,620
Restricted Cash and Cash Equivalents, July 1	8,380,044	2,796,584	1,094,183	90,110,845
Restricted Cash and Cash Equivalents, June 30	$ 7,942,177	$ 2,853,340	$ 1,251,227	$ 110,091,465

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

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)	$ 2,235,859	$ 1,279,123	$ 444,242	$ 3,959,224	$ 1,495,854
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY(USED FOR) OPERATING ACTIVITIES					
Amortization	771,480	(151,248)	(9,197)	611,035	7,389
Interest Expense	15,543,358	3,198,074	331,959	19,073,391	8,093
Interest on Investments	(4,478,503)	(1,887,274)	(409,886)	(6,775,663)	(370,158)
Arbitrage Rebate Tax	610,759	93,995	69,085	773,839	—
Change in Assets and Liabilities:					
Decr (Incr) Mortgage Loans Receivable	(107,559,497)	6,111,928	1,581,017	(99,866,552)	237,855
Decr (Incr) Other Assets	(598,206)	77,058	(8,375)	(529,523)	7,124
Decr (Incr) Fair Value of Investments	145,603	125,354	70,684	341,641	(11)
Incr (Decr) Accounts Payable	152,437	63,211	631	216,279	(8,687)
Incr (Decr) Funds Held for Others	—	—	—	—	97,536
Incr (Decr) Net Pension Liability and Related Accounts	33,586	33,586	—	67,172	11,195
Incr (Decr) Compensated Absences Payable	(12,737)	(12,737)	—	(25,474)	5,843
Incr (Decr) Total OPEB Liability and Related Accounts	10,215	10,216	—	20,431	(2,127)
Net Cash Provided by (Used for) Operating Activities	$ (93,145,646)	$ 8,941,286	$ 2,070,160	$ (82,134,200)	$ 1,489,906

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, 2024

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)	$ 102,518	$ (27,170)	$ 108,159	$ 5,638,585
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Amortization	69,119	22,166	—	709,709
Interest Expense	18,956	6,079	—	19,106,519
Interest on Investments	(10,246)	(79,676)	(52,094)	(7,287,837)
Arbitrage Rebate Tax	—	—	—	773,839
Change in Assets and Liabilities:				
Decr (Incr) Mortgage Loans Receivable	1,564,595	41,425	58,390	(97,964,287)
Decr (Incr) Other Assets	(753,657)	(35,511)	(8,810)	(1,320,377)
Decr (Incr) Fair Value of Investments	—	—	—	341,630
Incr (Decr) Accounts Payable	(754,741)	23,626	40	(523,483)
Incr (Decr) Funds Held for Others	17,235	—	—	114,771
Incr (Decr) Net Pension Liability and Related Accounts	96,423	33,586	—	208,376
Incr (Decr) Compensated Absences Payable	(3,270)	15,014	—	(7,887)
Incr (Decr) Total OPEB Liability and Related Accounts	793	(280)	—	18,817
Net Cash Provided by (Used for) Operating Activities	$ 347,725	$ (741)	$ 105,685	$ (80,191,625)

Noncash Investing, Capital, and Financing Activities: During FY24, the Board investments decreased in fair value by $341,630. The fair value decrease was not realized in cash during the FY24.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
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, 2024, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated November 18, 2024.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control. Accordingly, we do not express an opinion on the effectiveness of the board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

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We consider the deficiency described below to be a material weakness.

- The board's internal controls were not sufficient to consider all relevant financial reporting requirements during the preparation of the initial drafts of the financial statements. The board did not initially present assets as restricted or classify them as restricted assets. The board also did not initially include required disclosures related to the correction of the restricted assets error.

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. We consider the deficiencies described below to be significant deficiencies.

- The board's information system controls do not meet state security requirements. Certain business processes are designed in a way that do not allow for an adequate segregation of duties within the system.
- The board's internal controls were not sufficient to prevent, or detect and correct, misstatements on the board's accounting records timely. These misstatements were the result of fiscal year-end procedures but were not detected until after the financial information was delivered for audit.

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*.

Montana Board of Housing's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the board's response to the findings identified in our audit as described on page C-1 of this report. The board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

November 18, 2024

Board Response

Montana Board of Housing

COMMERCE

MONTANA BOARD OF HOUSING

January 13, 2025

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

Dear Mr. Maciver:

Thank you for your letter dated December 31, 2024, 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, 2024 (24-07). Please find our response to the three recommendations included in the report below.

Recommendation #1:
We recommend the Montana Board of Housing enhance internal controls to consider all current and applicable financial reporting requirements during the preparation and review of its financial statements.

Board Response:
The Board *concurs* with the recommendation.

Corrective Actions:
As noted in the audit report, the Board has historically relied on note disclosures to communicate the restricted nature of the Board's assets, and current assets have always included cash and cash equivalents, short term investments and the mortgage receivables that are due in the next year. This had been the practice of several former MBOH Accounting & Finance Managers who previously prepared the financial statements, the CPA firms reviewing the financial statements, and LAD auditors reviewing the financial statements.

The Board's contracted Certified Public Accountant firm supports several other Housing Finance Agencies with the preparation and review of financial statements. When this issue was raised during the audit, the Board's CPA firm reviewed financial statements of multiple other HFAs and found there to be considerable variation in presentation with respect to current versus non-current assets. While there was a potential for readers to be confused by the prior presentation, the Board's position is that the primary readers of the Board's financial statements – bond holders and investors – were familiar with the prior Restricted Net Position note disclosure approach.

However, the Board will ensure all future presentations include the appropriate reclassification of current and non-current assets to provide clarity to all readers. Additionally, we appreciate the audit report's suggestion to leverage the Government Finance Officers Association's Comprehensive General-Purpose Checklist. The Board's Executive Director and Accounting & Finance Manager have already held meetings with the Board's CPA firm to discuss this recommendation. The Board will also update and enhance our financial statement preparation written procedures in advance of fiscal year-end to include up-front discussions to consider all current and applicable financial reporting requirements with the entire financial statement preparation team.

Recommendation #2:
We recommend the Montana Board of Housing:

A. Enhance internal controls to prevent, or detect and correct, fiscal year-end misstatements on the board's accounting system in a timely manner.
B. Evaluate resource needs and, if necessary, work with the Legislature to secure the additional resources needed to complete fiscal year-end procedures in a timely manner.

Board Response #2:
The Board *concurs* with the recommendation.

Corrective Actions:
In early FY24, four of the five accounting positions turned over, including the Accounting & Finance Manager and Assistant Manager positions. As those positions were filled, MBOH prioritized training, focusing on its internal system to ensure accurate information was captured for the preparation of financial statements. The fiscal year-end time frame is more abbreviated than typical monthly processing and MBOH was not able to complete the roll-up process in time for SABHRS closing. Subsequently, and as noted in the final audit report, Board staff identified and corrected the misstatements on the Board's accounting system but were not able to update the state's accounting system before it closed.

Additional roll-up training, improvements to written procedures, and advanced preparation with a more solidified accounting team will mitigate the potential of a reoccurrence in the future. MBOH will evaluate the option of performing the roll-up to SABHRS earlier in the year and in advance of the fiscal year-end process for training purposes and to detect and resolve errors prior to the abbreviated timeframe at fiscal year-end.

At this time, the Board is confident it has sufficient resources, with a more seasoned accounting staff, to complete fiscal year-end procedures accurately and in a timely manner.

Recommendation #3:
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 Response #3:
MBOH *concurs* with recommendation 3A and *partially concurs* with recommendation 3B.

Corrective Action:

A. Commerce IT has been working diligently to add the Board's information system to the state's IT risk assessment tool, RSA Archer, which will then be used to create a Plan of Action and Milestones (PoAM). The PoAM will identify tasks needing to be accomplished, including resources required, milestones, and a schedule for completion of identified milestones. All information system data has been added to RSA Archer. It is anticipated the PoAM will be finalized by January 31, 2025, contingent upon coordination with SITSD and functionality of the RSA Archer system.
B. 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.

   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.

COMMERCE MONTANA BOARD OF HOUSING

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,

Signed by:
88AED198932F4A9...
Cheryl Cohen
Executive Director

Signed by:
921DBBE68EB740F...
Bruce Posey
Board Chair

cc: Paul Green, Commerce Director
Mandy Rambo, Commerce Deputy Director
Vicki Bauer, MBOH Accounting & Finance Manager