A Report
to the
Montana
Legislature

Financial-Compliance Audit

Montana Board of Housing

For the Fiscal Year Ended June 30, 2011

November 2011

Legislative Audit
Division

11-07

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Financial-Compliance Audits

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

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. 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, 2009, was issued March 1, 2010. The Single Audit Report for the two fiscal years ended June 30, 2011, will be issued by March 31, 2012. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

Audit Staff

Mark Alldredge
John Fine
Jay Phillips
Vickie Rauser

Reports can be found in electronic format at:
http://leg.mt.gov/audit

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

November 2011

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Board of Housing (board) for the two fiscal years ended June 30, 2011. During the audit, we reviewed financial records related to the board's mortgages, loans, investments, and bonds, and tested compliance with selected state laws and regulations. The report contains no recommendations to the board.

We thank the executive director and his staff for their cooperation and assistance throughout the audit. The board's response to our audit is on Page B-1.

Respectfully submitted,

Tori Hunthausen, CPA
Legislative Auditor

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

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Figures and Tables

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Appointed and Administrative Officials

			Term Expires
Montana Board of Housing	J.P. Crowley, Chair	Helena	2013
	Betsy Scanlin, Vice Chair	Red Lodge	2013
	Jeff Rupp, Secretary	Bozeman	2013
	Audrey Black Eagle	Lodge Grass	2013
	Bob Gauthier	Ronan	2015
	Jeanette McKee	Hamilton	2015
	Sheila Rice	Great Falls	2015

Administrative Officials Department of Commerce

Dore Schwinden, Director

Andrew Poole, Deputy Director

Board of Housing

Bruce Brensdal, Executive Director

Charles Nemec, Accounting and Finance Manager

Gerald Watne, Multifamily Program Manager

Nancy Leifer, Single Family Program Manager

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

Bruce Brensdal, Executive Director
P.O. Box 200528
Helena, MT 59620-0528

e-mail: bbrensdal@mt.gov

Montana Legislative Audit Division

Financial Audit
Montana Board of Housing
For the Fiscal Year Ended June 30, 2011

November 2011 | 11-07 | Report Summary

The Montana Board of Housing provides decent, safe, sanitary and affordable housing for lower income individuals and families in the state of Montana by issuing tax exempt bonds, administering federal housing programs and working in partnership with other housing programs and providers throughout Montana.

Context

The Montana Board of Housing (board) operates within the Department of Commerce for administrative purposes. Under the Montana Housing Act of 1975, the board does not receive appropriations from the State's general fund and is completely self-supporting. Substantially all of the funds for the board's operations and programs are provided by the private sector through the sale of tax-exempt bonds.

The powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates board housing programs. These programs include the Single Family Program, Recycled Single Family Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program and the Reverse Annuity Mortgage (RAM) Program.

In fiscal year 2011 the board purchased 251 single family mortgages for $33 million. Low Income Tax Credits totaling $2.6 million were allocated, providing approximately $20 million of equity to produce or preserve 164 units of affordable rental housing. The board retired $142 million of bonded debt while bonded debt outstanding decreased from $878 million to $777 million during the fiscal year.

Results

Our audit report did not contain any recommendations to the board

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (11-07) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at http://leg.mt.gov/audit
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Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.

Chapter I – Introduction

Audit Scope

We performed a financial audit of the Montana Board of Housing (board) for the fiscal year ended June 30, 2011. The objectives of our audit were to:

1. Determine whether the financial statements prepared by the board personnel fairly present the financial position and results of operations and cash flows in conformity with generally accepted accounting principles, for the two fiscal years ending June 30, 2011.
2. Obtain an understanding of the board's control systems to the extent necessary to support our audit of the board's financial statements and, if appropriate, make recommendations for improvement in management and internal controls of the board.
3. Determine whether the board complied with selected laws.

The report contains no recommendations to the board.

Background

The Montana Board of Housing was created by the Montana Housing Act of 1975. The board is attached to the Housing Division within the Department of Commerce. The board's purpose is to provide decent, safe, sanitary, and affordable housing for lower income individuals and families in the state of Montana. The board accomplishes this purpose by issuing tax-exempt bonds to provide funds to purchase home mortgages, making loans for rental housing projects, administering federal housing tax credit programs and working in partnership with other housing providers throughout Montana. Mortgage loans are primarily for first-time homebuyers. As of July 7, 2011, the maximum income limitations for homebuyers to qualify for a mortgage loan generally ranged from $67,080 to $96,320. The maximum purchase price for a qualifying property generally ranged from $247,033 to $352,025. During fiscal year 2010-2011, the board made a total of 251 mortgage loans with an average loan amount of $130,569 to borrowers whose average income was $47,130.

The board portfolio of loans has a low rate of default and potential foreclosure. The following table compares the delinquency and foreclosure rates of board loans to the averages of all mortgage loans in Montana, in the Mountain Region, and in the nation as a whole.

Table 1
Delinquency and Foreclosure Rates

As of June 30, 2011	30 days delinquent	60 days delinquent	90 days delinquent	Foreclosure in process
MBOH	1.57%	0.88%	1.03%	1.09%
Montana Mortgage Loans	2.13%	0.78%	1.43%	1.88%
Mountain Region	2.84%	1.14%	3.25%	3.73%
United States	3.39%	1.30%	3.42%	4.43%

Source: Compiled by the Montana Board of Housing.

In addition to the annual financial audit of the board, our office performs special engagements for the board throughout the year. These include agreed-upon procedures for the board and its underwriters to evaluate revenue, expense, and fund equity information when selling bonds, and reviews of preliminary and official statements to allow inclusion of our Independent Auditor's Report with the financial statements when the board issues bonds. We have also performed agreed-upon procedures at selected board loan servicers. The results are used by the board in evaluating the mortgage receivable information provided by the board's loan servicers, and in determining compliance with contract requirements.

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

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Net Assets of the Montana Board of Housing, a component unit of the state of Montana, as of June 30, 2011 and 2010, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the fiscal years then ended. The information contained in these financial statements is the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana Board of Housing as of June 30, 2011 and 2010, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis, and Schedule of Funding Progress are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Montana Board of Housing's basic financial statements. The Combining Statement of Net Assets, Combining Statement of Revenues, Expenses, and Changes in Net Assets, and Combining State of Cash Flows have been subjected to auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Cindy Jorgenson, CPA
Deputy Legislative Auditor

October 14, 2011

Montana Board of Housing
A Component Unit of the State of Montana
Management's Discussion and Analysis
Year Ended June 30, 2011

The following information presents management's discussion and analysis of the Montana Board of Housing (MBOH) program and financial activity during the fiscal year ended June 30, 2011. Please read this section in conjunction with the financial statements and accompanying notes.

Summary

- 251 single-family mortgages were purchased for $33 million.
- 59 Mortgage Credit Certificates were issued on a total loan amount of $9 million.
- $2.55 million of Low Income Housing Tax Credits were allocated providing approximately $20 million of equity to produce or preserve 164 units of affordable rental housing.
- 6 new Reverse Annuity Mortgage (RAM) Loans were originated bringing the total active RAM loans to 97. Since its inception the RAM program has assisted 182 elderly households.
- Bond debt increased by $16.4 million and the Board converted $24.6 million of New Issue Bond Program escrow bonds to mortgage revenue bonds that were issued to the U.S. Treasury.
- Bond debt retired was $142 million from prepayments and regular debt service.
- Bond debt payable decreased from $878 million to $777 million.
- Net Assets decreased by $676,212 during the 2011 fiscal year (see Condensed Financial Information on the following page)

Fiscal Year 2011 Update

Homeownership Program: Market rates for first mortgage loans continued to be at or below the rate MBOH was able to offer during FY 2010. As a result, the loan volume was about 20% of the annual average number of loans. In September of 2009, the U.S. Treasury released the New Issue Bond Program (NIBP) to assist state housing finance agencies in offering more competitive rates by locking in a low rate for long term bonds. The funds in these escrow bonds were to be re-issued at a 60/40 ratio with shorter term market bonds to allow MBOH to offer a competitive rate on its mortgage loans. Any escrow bonds not re-issued by December 31, 2010, were to be returned to Treasury at no cost, reducing the risk on the escrow bonds to essentially nothing. Under the program, Montana issued its full allotment of $150,000,000 of escrow bonds in December, 2009. However, shortly after the beginning of 2010, the market rate declined further, again hitting a level below the mortgage rate MBOH could offer even with the NIBP program assistance.

Multifamily Program: American Recovery and Reinvestment Act of 2009 provided $7.8 million of Tax Credit Assistant Program (TCAP) funding and allowed the exchange of $17.8 million of Low Income Housing Tax Credits for cash through the Tax Credit Exchange Program (TCEP). These two programs provided cash for gap financing to 13 MBOH approved 2007 and 2009 projects that were stalled, unable to engage investors or projects, or experienced equity shortfalls for construction and/or completion.

Finance: Major economic changes continue affecting financial and mortgage markets and MBOH. Historically low investment returns continue limiting MBOH investment income and unusually low mortgage rates continue reducing MBOH's number of loans as borrowers refinance out of existing MBOH loans and MBOH is unable to replace these loans with an equal number of new loans. The combined effects of these conditions have limited MBOH participation in the Montana mortgage market and affected financial operations resulting in a net operating loss for the fiscal year (see Condensed Financial Information on the following page).
However, other financial changes have limited effect since MBOH does not issue variable rate bonds or swap interest rates; mortgages are insured largely through federal programs; and MBOH investment policy emphasizes capital preservation over return limiting investment risk. A result is MBOH continues to maintain stable ratings; the Single Family I & II Indentures are rated Aa1 by Moody's and AA+ by Standard & Poor's; the new Single Family XI Indenture is rated Aa3 by Moody's.
Even though financial circumstances are unfavorable, they have not prevented MBOH and its programs from continuing to operate and help Montanans achieve affordable homeownership.

Overview of the Financial Statements

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

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

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

Montana Board of Housing
Condensed Financial Information
Change in Net Assets and Operating Income
Years ended June 30, 2011, 2010 and 2009

	2011		2010		2009
Assets:					
Current Assets	$ 269,804,765		$ 269,941,212	**(A)**	$ 181,487,498
Noncurrent Assets	674,858,455	**(1)**	777,820,036	**(B)**	852,032,790
Total Assets	$ 944,663,220		$ 1,047,761,248		$ 1,033,520,288
Liabilities:					
Current Liabilities	$ 141,462,186	**(2)**	$ 168,653,639	**(C)**	$ 18,970,821
Noncurrent Liabilities	646,674,734	**(3)**	721,905,097	**(D)**	859,173,873
Total Liabilities	$ 788,136,920		$ 890,558,737		$ 878,144,694
Net Assets:					
Invested in Capital Assets	$ 2,920		$ 9,231		$ 19,235
Restricted	156,523,380	**(4)**	157,193,280		155,356,359
Total Net Assets	$ 156,526,300		$ 157,202,512		$ 155,375,594
Operating Revenue:					
Interest on Loans	$ 36,289,260	**(5)**	$ 41,632,175	**(E)**	$ 48,356,479
Federal Financial Assistance	10,435,166	**(6)**	14,741,879	**(F)**	
Earnings from Investments	2,229,263	**(7)**	5,432,371		5,580,521
Fees and Charges	430,955		512,237		1,083,875
Total Operating Revenue	$ 49,384,644		$ 62,318,661		$ 55,020,875
Operating Expenses:					
Bond Expenses	$ 34,447,122	**(8)**	$ 40,472,908	**(G)**	$ 46,064,287
Federal Grants to Local Communities	9,897,196	**(9)**	14,023,480	**(H)**	
Servicing Fees	2,412,602		2,750,613		3,215,362
General and Administrative	3,303,936		3,355,835		3,460,755
Total Expenses	$ 50,060,856		$ 60,602,836		$ 52,740,404
Operating Income (Loss)	$ (676,212)	**(10)**	$ 1,715,825		$ 2,280,471
Increase (Decrease) in Net Assets	$ (676,212)		$ 1,715,825		$ 2,280,471
Net Assets, Beginning of Year	157,202,512		155,375,594		153,095,123
Prior Period Adjustment			111,093		0
Net Assets, End of Year	$ 156,526,300		$ 157,202,512		$ 155,375,594

Discussion of Changes between 2011 and 2010

(1) Non Current Assets decreased by $104 million. Mortgages Receivable balances declined $87 million. The decrease is due to existing borrowers refinancing Board loans and the general housing downturn limiting the Board's purchase of new mortgages to replace paid-off loans. Also, $15 million of investments moved to current assets.

(2) Current Liabilities decreased by $27 million. The 2011A/2009B bond issue converted $26 million of short-term bonds to long-term bonds as part of the financing of the series through the Federal New Issue Bond Program.

(3) Noncurrent Liabilities decreased by $76 million. Borrowers responded to historically low interest rates by refinancing their mortgages. As they paid off their MBOH loans, the moneys were returned to bond holders and the bonds retired.

(4) Net Assets decreased $2 million. Net decreases in Assets combined with an Operating Loss reduced Net Assets.

(5) Interest on mortgage loans decreased by $5 million due to declining numbers of mortgages held by the MBOH.

(6) MBOH is participating in two America Recovery and Reinvestment Act Programs: Tax Credit Assistance Program and Tax Credit Exchange Program. Federal funds from Housing and Urban Development and U.S. Treasury are received by MBOH Multifamily Program and passed on to local Montana community housing projects.

ARRA program expenses decreased as projects started in 2010 were completed and no new projects were funded.

(7) Investment Earnings declined by $3 million. Unusually low investment interest rates resulted in less earnings.

(8) Bond Expenses fell by $6 million because loan payoffs [4] reduced the bond principal and interest MBOH paid.

(9) American Recovery and Reinvestment Act funds are passed on to local community housing projects [6]. Project details can be found on the Department of Commerce website: commerce.mt.gov Look for "Reinvestment Act Programs" Tax Credit Assistance or Tax Credit Exchange Programs on the web page.

(10) Operations resulted in a net loss of $679,337 primarily due to the steep decline of investment earnings.

Discussion of Changes between 2010 and 2009

(A) Current Assets increased by $88 million because $150 million of 2009 Series A bond proceeds increased cash equivalents; decreases of $46 million of prepayments, mortgage receipts; and $20 million moved from short-term investments to long-term investments.

(B) Non Current Assets decreased by $74 million because Mortgages Receivable decreased by $92 million between years due to the Board's limited ability purchase new mortgages and many existing borrowers refinancing loans. NonCurrent Assets increased by moving $20 million of investments from short-term to long-term.

(C) Current Liabilities increased by $150 million because the 2009 Series A bonds are redeemable before December 31, 2010. (See Financial Statements Note 16 Subsequent Events as the redemption date is extended to December 31, 2011.)

(D) Noncurrent Liabilities decreased by $137 million. Borrowers responded to historically low interest rates by refinancing their mortgages. As they paid off their MBOH loans, the moneys were returned to bond holders and the bonds retired.

(E) Interest on mortgage loans decreased by $6.7 million due to declining numbers of mortgages held by the MBOH.

(F) MBOH is participating in two America Recovery and Reinvestment Act Programs: Tax Credit Assistance Program and Tax Credit Exchange Program. Federal funds from Housing and Urban Development and U.S. Treasury are received by MBOH Multifamily Program and passed on to local Montana community housing projects.

(G) Bond Expenses fell by $5.5 million because loan payoffs [E] reduced the bond principal and interest MBOH paid.

(H) American Recovery and Reinvestment Act funds are passed on to local community housing projects [6]. Project details can be found on the Department of Commerce website: commerce.mt.gov Look for "Reinvestment Act Programs" Tax Credit Assistance or Tax Credit Exchange Programs on the web page.

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MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	FY 2011	FY 2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 145,369,388	$ 159,578,296
Investments	103,988,802	88,434,678
Mortgage Loans Receivable	14,919,954	14,621,590
Interest Receivable	5,191,922	5,229,340
Due from Other Governments	102,500	1,826,649
Security Lending Collateral	4,824	13,926
Prepaid Expense	227,375	236,733
Total Current Assets	$ 269,804,765	$ 269,941,212
Noncurrent Assets		
Investments	$ 26,065,075	$ 39,267,871
Mortgage Loans Receivable	636,550,548	723,966,545
Mortgage Backed Securities	6,669,504	8,049,808
Deferred Bond Issuance Costs, Net	5,570,408	6,526,581
Capital Assets, Net	2,920	9,231
Total Noncurrent Assets	$ 674,858,455	$ 777,820,036
TOTAL ASSETS	$ 944,663,220	$ 1,047,761,248
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 1,231,860	$ 2,737,013
Security Lending Liability	4,824	13,926
Accrued Interest - Bonds Payable	2,923,421	3,279,443
Bonds Payable, Net	136,705,000	162,525,000
Arbitrage Rebate Payable to U.S. Treasury Department	518,213	30,481
Accrued Compensated Absences	78,868	67,776
Total Current Liabilities	$ 141,462,186	$ 168,653,639
Noncurrent Liabilities		
Bonds Payable, Net	$ 647,653,114	$ 722,785,804
Deferred Refunding Costs	(1,642,835)	(1,925,194)
Arbitrage Rebate Payable to U.S. Treasury Department	327,240	778,229
Accrued Compensated Absences	92,133	101,708
Other Post_Employment Benefits	245,082	164,550
Total Noncurrent Liabilities	$ 646,674,734	$ 721,905,097
TOTAL LIABILITIES	$ 788,136,920	$ 890,558,736
NET ASSETS		
Invested in Capital Assets, Net	$ 2,920	$ 9,231
Restricted for Bondholders:		
Unrealized (losses) gains on investments	4,136,692	4,752,657
Single Family Programs	113,826,304	115,303,979
Various Recycled Mortgage Programs	17,890,497	16,809,553
Multifamily Programs	10,708,823	10,586,295
Multifamily Project Commitments	182,787	193,539
Reverse Annuity Mortgage Program	7,070,784	6,873,282
Restricted for Affordable Revolving Loan Program	2,707,493	2,673,976
TOTAL NET ASSETS	$ 156,526,300	$ 157,202,512

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

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	FY 2011	FY 2010
OPERATING REVENUES		
Interest Income - Mortgage Loans	$ 36,289,260	$ 41,632,175
Interest Income - Investments	2,845,047	3,351,458
Fee Income	389,501	408,418
Federal Financial Assistance	10,435,166	14,741,879
Net Increase (Decrease)		
in Fair Value of Investments	(615,965)	2,080,616
Other Income	41,454	103,819
Securities Lending Gross Income	181	296
Total Operating Revenues	$ 49,384,644	$ 62,318,661
OPERATING EXPENSES		
Interest on Bonds	$ 32,741,511	$ 38,362,826
Servicer Fees	2,412,602	2,750,613
Contracted Services	1,262,284	1,508,713
Amortization of Bond Issuance Costs	560,605	892,015
General and Administrative	1,961,080	1,769,872
Arbitrage Rebate Expense	67,224	140,184
Loss on Redemption	1,077,782	1,077,782
Securities Lending Expense	38	100
Other Post-Employment Benefits	80,534	77,252
Grants to Local Community	9,897,196	14,023,480
Total Operating Expenses	$ 50,060,856	$ 60,602,836
Operating Income (Loss) Before Transfers	(676,212)	1,715,825
Increase (Decrease) in Net Assets	$ (676,212)	$ 1,715,825
Net Assets, Beginning of Year	$ 157,202,512	$ 155,375,594
Prior Period Adjustment	-	111,093
Net Assets, End of Year	$ 156,526,300	$ 157,202,512

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

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITY		
Receipts for Sales and Services	$ 394,622	$ 510,316
Collections on Loans and Interest on Loans	154,228,242	167,849,043
Cash payments for Loans	(29,906,672)	(32,147,486)
Federal Financial Assistance Receipts	12,147,097	12,880,499
Payments to Suppliers for Goods and Services	(16,063,213)	(17,554,363)
Payments to Employees	(1,106,793)	(1,168,902)
Other Operating Revenues	52,771	51,448
Net Cash Provided (Used) by Operating Activities	$ 119,746,054	$ 130,420,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of Principal and Interest on Bonds and Notes	$ (150,715,699)	$ (178,210,998)
Proceeds from Issuance of Bonds and Notes	16,665,475	150,000,000
Payment of Bond Issuance Costs	(325,582)	(355,227)
Premium Paid on Refunding Bonds	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	$ (134,375,806)	$ (28,566,225)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of fixed assets	$ -	$ -
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	$ (2,295,521,529)	$ (1,410,012,153)
Proceeds from Sales or Maturities of Investments	2,293,109,709	1,449,138,108
Interest on Investments	2,863,147	3,371,507
Arbitrage Rebate Tax (Note 12)	(30,481)	(59,061)
Net Cash Provided (Used) by Investing Activities	$ 420,846	$ 42,438,401
Net Increase (Decrease) in Cash and Cash Equivalents	$ (14,208,906)	$ 144,325,459
Cash and Cash Equivalents,beginning bal.	$ 159,578,295	$ 15,252,836
Cash and Cash Equivalents, ending bal.	$ 145,369,389	$ 159,578,295

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 YEARS ENDED JUNE 30, 2011 AND 2010

	FY 2011	FY 2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ (676,212)	$ 1,715,825
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation	$ 1,033	$ 10,004
Amortization	811,930	1,240,744
Interest Expense	34,574,956	40,649,529
Interest on Investments	(2,736,414)	(3,269,199)
Arbitrage Rebate Tax	67,224	140,184
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable	86,779,037	92,199,184
Decr (Incr) in Other Assets	1,780,542	(1,757,170)
(Incr) Decr in Fair Value of Investments	615,966	(2,080,616)
Incr (Decr) in Accounts Payable	(1,588,527)	1,836,940
Incr (Decr) in Deferred Reservation & Disc. Fees	34,468	(316,907)
Incr (Decr) in Compensated Absences Payable	82,050	84,766
Net Cash Provided (Used) by Operating Activities	$ 119,746,054	$ 130,453,284

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 amount of notes and bonds outstanding at any time may not exceed $1,500,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for payment of amounts so issued. The Board of Housing is attached for administrative purposes to the Housing Division, Department of Commerce.

Basis of Presentation:
The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Board implemented GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus" and No. 38, "Certain Financial Statement Note Disclosures". In order to comply with the requirements of the statements noted, the Board's financial statements include a classified statement of net assets, a statement of revenues, expenses, and changes in net assets that reports operating and non-operating revenues and expenses, and the statement of cash flows. Revenues in the proprietary funds are recognized when earned and expenses are recognized when incurred. 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 assets and revenues and expenses for the period. The financial statements of the Board are presented on a combined basis.

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

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

Restricted Net Assets - The Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46 – Net Assets Restricted by Enabling Legislation. Net Assets are considered restricted if they are limited as to the manner in or purpose for which they may be used. The Combined Statement of Revenues, Expenses and Changes In Net Assets reports $156,526,300 of restricted net assets, of which $156,526,300 is restricted by enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting - continued:
Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the Net Assets: The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Because of the nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain mortgage and debt service reserve requirements, restricting funds for these purposes. As disclosed in Note 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 Assets also include funds reserved by participants and funds committed to specific projects under various programs established by the Board.

Revenue and Expense Recognition:
Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and 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 for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by Veterans Administration or Rural Development or private mortgage insurance.

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

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

On November 10, 1998, the Board issued $1,625,000 in Multifamily General Obligation Bonds. These bonds are payable out of any of the Board's moneys, assets or revenue. These funds, established under a trust indenture adopted November 1, 1998, are established to account for the proceeds from the sale of Multifamily Mortgage General Obligation Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans originated under this Indenture are not required to be insured by the Federal Housing Administration.

The Multifamily Program Fund on the combining financial statements includes activity for both Indentures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Structure - continued

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 and the Cash Assistance Program – Disabled (CAP) to assist disabled individuals and families in the purchase of a single family home. The Housing Trust Fund includes all activity for the Low Income Housing Tax Credit Program.

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

Federal Funds - The Board is participating in two American Recovery and Reinvestment Act of 2009 (ARRA) programs: Housing and Urban Development Tax Credit Assistance Program and U.S. Treasury Housing Credit Exchange Program. Both programs provide additional funding for capital investment in low-income housing tax credit projects. The Board also receives two grants for Foreclosure Mitigation Counseling (NeighborWorks America as funded by the Congress of the United States) and Housing Counseling (Housing and Urban Development Tax Credit Assistance Program).

Cash and Cash Equivalents:

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

Investments:

The Board follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The applicable investment risk disclosures are described in Note 4 of these financial statements.

Under GASB 31, certain investments are to be reported at fair value. The Board values all of its investments that have a maturity date of over one year at fair value. Those investments that have a maturity date of less than one year are valued at amortized cost. The fair values were based on market prices provided by the Board's trustees.

Mortgage Loans Receivable:

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

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or private mortgage insurance or guaranteed by the VA (Veterans Administration) or RD (Rural Development) or Housing and Urban Development (HUD) or private mortgage insurers. Guidelines to minimize credit risk are established by FHA, VA, RD & 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mortgage Loans Receivable - continued
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.

The Board incurs mortgage loan service fees with participating 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 mortgages receivable accounts to bondholders for repayment of the mortgage revenue bonds issued by the Board (Note 8). The Board issued these bonds to finance the mortgage loans purchased by the Board's various programs. In accordance with GASB 48, the pledging of these revenues is considered a collateralized borrowing based on the Board retaining control of the receivables and evidenced by the Board's active management of these accounts.

Mortgage-Backed Securities:
Mortgage-backed securities reported in the Single Family Programs are pass-through securities created by the Federal National Mortgage Association (FNMA) and purchased by the board. FNMA pools and securitizes qualified Montana mortgage loans from the board's Single Family Programs. Consistent with GASB No. 31, 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 amortized using the bonds outstanding method over the life of the bonds or are expensed upon redemption of the bonds.

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 Arbitrage Rebate Liability and Allowance for Loan Losses.

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are held by trustees or by the State of Montana Treasury as cash or short-term investments having maturities of less than 90 days. At June 30, 2011 and 2010, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

Program Funds	2011	2010
Cash Deposited with Trustee Banks	$ 0	$ 0
Cash Deposited with State Treasury	1,102,953	715,922
State Short-Term Investment Pool*	362,509	339,582
Short-Term Investments**	143,910,081	158,522,790
	$ 145,375,543	$ 159,578,294

* The State's Short Term Investment Pool (STIP) is managed by the Montana Board of Investments. Net assets of the pool are equivalent to $1 per share of the pool.

** Short-Term Investments include $125,520,745 (2011) and $150,052,000 (2010) of U.S. Treasury 28 day "T-Bills" held in the Single Family XI Indenture Bond Series 2009A Program Escrow Account. The Board is required by the U.S. Treasury to invest these funds in U.S. Treasury securities having maturities of less than 28 days at the time of purchase.

NOTE 3. SECURITIES LENDING

The Board of Housing invests in the State's Short-Term Investment Pool. As part of the pool administered by the Board of Investments (BOI), the Board participates in securities lending transactions. Under GASB 28, the following disclosures are required:

Under the provisions of state statutes, the BOI has, via a Securities Lending Authorization Agreement, authorized a custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, BOI receives a fee and the custodial bank must initially receive collateral equal to 102% of the fair value of the loaned securities and maintain collateral equal to not less than 100% of the fair value of the loaned security. BOI retains all rights and risks of ownership during the loan period.

During fiscal years 2011 and 2010, State Street lent, on behalf of BOI, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

BOI did not impose any restrictions during fiscal years 2011 and 2010 on the amount of loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2011 and 2010. Moreover, there were no losses during fiscal years 2011 and 2010 resulting from a default of the borrowers or State Street.

During fiscal years 2011 and 2010, BOI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and BOI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which BOI could not determine. On June 30, 2011 and June 30, 2010, BOI had no credit risk exposure to borrowers.

On June 30, 2011, there were $ 4,824 of securities on loan.
On June 30, 2010, there were $13,926 of securities on loan.

NOTE 4. INVESTMENTS

The Board invests the following funds; bond proceeds until the amounts are used to purchase mortgage loans, mortgage loan collections until debt service payment dates, and reserves and operating funds until needed. The Board follows Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The applicable investment risk disclosures are described in the following paragraphs.

Power to Invest & Investment Policy

Montana statute grants the Board the power to invest any funds not required for immediate use, subject to any agreements with its bondholders and note holders. The Board conducts its investing according to 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 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, for example.
- Certificates of Deposit insured by the Federal Deposit Insurance Corporation.
- Guaranteed Investment Agreements or Repurchase Agreements

Credit Risk

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

Credit Risk Concentration

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

Custodial Credit Risk

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

Interest Rate Risk

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

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NOTE 4. INVESTMENTS – continued

Investment Type & Source	Fair Value June 30, 2011		Moody's Rating	Standard & Poor's Rating	Effective Duration
Investment Contracts					
Société Générale	$ 5,815,188		NR**	NR**	NA
Trinity Plus Funding Co.	5,564,057		NR**	NR**	NA
Bayerische Landesbank	2,359,143		NR**	NR**	NA
Westdeutsche Landesbank	1,633,225		NR**	NR**	NA
Total	$ 15,371,613				
Government Sponsored Enterprises					
FNMA* Discount Notes	$ 48,463,055		Aaa	AAA	0.31
Federal Home Loan Bank Discount Notes	47,626,458		Aaa	AAA	0.33
FNMA* Medium Term Notes	15,149,646		Aaa	AAA	10.23
FNMA* Mortgage Backed Securities	7,171,253		Aaa	AAA	14.62
Federal Home Loan Bank Notes	4,854,270		Aaa	AAA	0.90
Federal Farm Credit Bank Notes	1,222,165		Aaa	AAA	8.49
Federal Home Loan Mortgage Corp. Notes	2,743,870		Aaa	AAA	12.30
Total	$ 127,230,717				
U. S. Treasury Bills	$ 125,520,745		Aaa	AAA	0.08
U. S. Treasury Bonds	6,447,646		Aaa	AAA	9.06
Total	$ 131,968,391				
Trustee Cash & Money Market Accounts	$6,055,169		NA	NA	NA
State Cash & Short-term Pool Accounts	1,465,462		NA***	NA***	NA
Total	$7,520,631				
Total All Investments	$ 282,091,353				

NOTE 5. MORTGAGE LOANS RECEIVABLE

The Board's mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds.

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

In accordance with Governmental Accounting Standards Board (GASB) 48, the pledging of Mortgage Loans Receivable is considered a collateralized borrowing. Mortgage loans receivable consist of the following:

	2011	2010
Mortgage loan receivables:		
Single Family Program	$627,334,735	$711,922,674
Multifamily Program	10,811,010	12,320,879
Housing Trust Program	3,457,538	3,505,766
Housing Montana Fund	2,228,680	2,275,957
	643,831,963	730,025,276
Net mortgage discounts and deferred reservation fees	7,938,539	8,862,858
Allowance for loan losses and real estate owned (note 6)	(300,000)	(300,000)
	$651,470,502	$738,588,134

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 at the outstanding loan balance.

The June 30, 2011 and 2010 Allowances For Loan Losses include $100,000 for mortgage bad debt and $200,000 for future estimated losses on real estate owned. The Board held 32 real estate owned properties as of June 30, 2011, and 16 real estate owned properties as of June 30, 2010. The properties' combined loan amounts were $4,171,301 and $1,987,233 as of June 30, 2011 and 2010 respectively. 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, June 30, 2009	$ 300,000
Provision	0
Less: Net loans charged off	0
Balance, June 30, 2010	300,000
Provision	0
Less: Net loans charged off	0
Balance, June 30, 2011	$ 300,000

NOTE 7. CAPITAL ASSETS

Capital assets consist primarily of computer software and equipment and other office equipment. Balances are as follows:

	2011	2010
Capital Assets - Equipment	$ 12,170	$ 12,170
Capital Assets - Software		5,235
Accumulated depreciation	(9,250)	(8,175)
Net capital assets	$ 2,920	$ 9,230

Depreciation and amortization expense included in general and administrative expense was $ 6,311 and $10,004 for the years ended June 30, 2011 and 2010 respectively.

NOTE 8. BONDS PAYABLE, NET

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:

	Original Amount	2011	2010
Single Family I Mortgage Bonds:			
1999			
Series A-1 and A-2 serial and term bonds 4.35% to 5.75% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2014, December 1, 2020, June 1, 2030 and December 1, 2030 and December 1, 2031.	60,000,000	5,800,000	7,335,000
2000			
Series A-1 and A-2 serial and term bonds 4.15% to 6.45% maturing in scheduled semi-annual installments to December 1, 2012, and on June 1, 2016, June 1, 2019, December 1, 2020, June 1, 2029 December 1, 2031 and June 1, 2032.	87,695,000	2,555,000	3,870,000
2000			
Series B-1 and B-2 serial and term bonds 4.40% to 7.95% maturing in scheduled semi-annual installments to June 1, 2015, and on June 1, 2020, December 1, 2020, December 1, 2029, June 1, 2032 December 1, 2031.	71,940,000	11,835,000	14,315,000
2001			
Series A-1 and A-2 serial and term bonds 4.30% to 5.70% maturing in scheduled semi-annual installments to December 1, 2020, December 1, 2023 December 1, 2031, June 1, 2032 and December 1, 2032	71,000,000	10,160,000	13,200,000
2002			
Series A-1 and A-2 serial and term bonds 1.70% to 5.60% maturing in scheduled semi-annual installments to December 1, 2022, December 1, 2032 and December 1, 2033.	39,000,000	8,305,000	10,580,000

NOTE 8. BONDS PAYABLE, NET - continued

	Original Amount	2011	2010
2002 Series B-1 and B-2 serial and term bonds 2.30% to 5.55% maturing in scheduled semi-annual installments to December 1, 2023, December 1, 2026, December 1, 2032, June 1, 2033, December 1, 2033, and June 1, 2034.	52,190,000	13,175,000	16,120,000
2005 Series A serial and term bonds 2.80% to 5.60% maturing in scheduled semi-annual installments to December 1, 2013, December 1, 2030, December 1, 2035, and June 1, 2036.	93,785,000	47,545,000	56,765,000
2006 Series A serial and term bonds 3.40% to 5.25% maturing in scheduled semi-annual installments to June 1, 2016, December 1, 2016, December 1, 2025, December 1, 2036, and June 1, 2037.	50,560,000	27,580,000	33,220,000
2006 Series B serial and term bonds 3.75% to 5.50% maturing in scheduled semi-annual installments to June 1, 2016, June 1, 2021, June 1, 2026, June 1, 2037, and December 1, 2037.	72,000,000	38,425,000	46,530,000
2006 Series C serial and term bonds 3.50% to 5.75% maturing in scheduled semi-annual installments to June 1, 2009, December 1, 2016, December 1, 2021, December 1, 2026, December 1, 2031, June 1, 2037 and December 1, 2037.	70,805,000	37,920,000	46,685,000
2007 Series A-1 and A-2 serial and term bonds 3.65% to 5.50% maturing in scheduled semi-annual installments to June 1, 2017, December 1, 2019, December 1, 2022, December 1, 2027, December 1, 2032, June 1, 2037, December 1, 2037, and December 1, 2039.	86,015,000	55,070,000	64,365,000
2007 Series B serial and term bonds 3.75% to 5.50% maturing in scheduled semi-annual installments to December 1, 2017, December 1, 2022, December 1, 2027, December 1, 2032, December 1, 2037 and June 1, 2038.	83,090,000	54,370,000	65,900,000
2007 Series C serial and term bonds 3.875% to 5.75% maturing in scheduled semi-annual installments to December 1, 2017, December 1, 2020, December 1, 2022, December 1, 2027, December 1, 2031, June 1, 2038 and December 1, 2038.	50,600,000	28,590,000	36,680,000

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	Original Amount	2011	2010
2007			
Series D serial and term bonds 3.75% to 5.50% maturing in scheduled semi-annual installments to December 1, 2014, December 1, 2015, December 1, 2016, December 1, 2017, December 1, 2022, December 1, 2027, June 1, 2038 and December 1, 2038.	56,600,000	35,535,000	44,065,000
Bonds outstanding Single Family I		$ 376,865,000	$ 459,630,000
Unamortized bond premium		5,282,672	6,702,160
Total bonds payable Single Family I		$ 382,147,672	$ 466,332,160
Single Family II Mortgage Bonds:			
1985			
Series A, serial, term, Postponed Revenue On Future Income Tax (PROFITS), all redeemed. CABS are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments to December 1, 2004 and December 1, 2015 to June 1, 2016.	$ 39,999,625	$ 0	$ 694,721
1998			
Series A-1 and A-2 serial and term bonds 4.00% to 5.45% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2016, June 1, 2019, June 1, 2027, December 1, 2030 and June 1, 2031.	51,780,000	8,920,000	10,640,000
1998			
Series B-1 and B-2 serial and term bonds 4.65% to 5.35% maturing in scheduled semi-annual installments to December 1, 2005 and on December 1, 2013, and on December 1, 2005, December 1, 2016, June 1, 2021, December 1, 2022, December 1, 2030 and, June 1, 2031.	65,000,000	14,080,000	16,785,000
2003			
Series A-1 and A-2 serial and term bonds 1.20% to 4.90% maturing in scheduled semi-annual installments to December 1, 2024, June 1, 2033, December 1, 2033, June 1, 2034, June 1, 2035, June 1, 2042, and December 1, 2042.	52,520,000	31,660,000	33,180,000
2003			
Series B-1 and B-2 serial and term bonds 1.10% to 4.50% maturing in scheduled semi-annual installments to December 1, 2023, December 1, 2024, December 1, 2025, December 1, 2026, December 1, 2027, December 1, 2028, December 1, 2032			

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	Original Amount	2011	2010
2003 Series C serial and term bonds 1.45% to 5.05% maturing in scheduled semi-annual installments to June 1, 2023, December 1, 2023, December 1, 2028, and December 1, 2034.	40,500,000	15,010,000	18,470,000
2004 Series A serial and term bonds 1.40% to 5.00% maturing in scheduled semi-annual installments to December 1, 2023, June 1, 2024, June 1, 2029, December 1, 2029, and June 1, 2035.	50,600,000	18,995,000	23,365,000
2004 Series B serial and term bonds 1.85% to 5.75% maturing in scheduled semi-annual installments to December 1, 2014, June 1, 2015, December 1, 2024, December 1, 2030 and December 1, 2035.	68,000,000	26,905,000	32,285,000
2004 Series C serial and term bonds 2.00% to 5.00% Maturing in scheduled semi-annual installments To December 1, 2016, December 1, 2025, December 1, 2030, June 1, 2035, and December 1, 2035.	54,600,000	25,120,000	29,175,000
2005 RA Series A serial and term bonds 4.10% to 4.75% maturing in scheduled semi-annual installments to December 1, 2016, December 1, 2017, December 1, 2021, December 1, 2026, December 1, 2027, and June 1, 2044.	30,280,000	21,780,000	22,855,000
2008 Series A serial and term bonds 2.55% to 5.50% Maturing in scheduled semi-annual installments To December 1, 2019, December 1, 2024, December 1, 2029, December 1, 2033, December 1, 2039	31,000,000	26,615,000	30,280,000
Bonds outstanding Single Family II		$ 224,605,000	$256,464,721
Unamortized bond premium / discount		1,939,919	2,354,107
Total bonds payable Single Family II		$ 226,544,919	$ 258,818,828

NOTE 8. BONDS PAYABLE, NET - continued

Single Family XI Bonds:			
2009 Series A variable rate bonds. Interest is payable on release date and each redemption date. Bonds are issued to the U.S. Treasury as part of the New Issue Bond Program.	150,000,000	126,400,000	150,000,000
2009 Series B Term Bonds; short term rate to July 26th, 2011, 3.70% thereafter; maturing December 1, 2041. Converted from 2009 Series A.	24,600,000	24,600,000	0
2011 Series A serial and term bonds, 0.60% to 5.00%. Maturing in scheduled semi-annual installments to December 1, 2022; December 1, 2026; June 1, 2028; December 1, 2028.	16,400,000	16,400,000	0
Bonds outstanding Single Family XI		$ 167,400,000	$ 150,000,000
Unamortized bond premium / discount		262,663	0
Total bonds payable Single Family XI		$ 166,662,663	$ 150,000,000
2008 Series A General Obligation Private Placement Bonds	$497,942	$497,942	$497,942
Total Single Family Mortgage bonds payable, net		$ 775,853,196	$ 875,648,930

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 103%.

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

Board of Housing Essential Workers' Program

The Board has authorized the issuance of $1,000,000 of taxable general obligation bonds to finance second mortgage shared appreciation loans to provide assistance to Ravalli County teachers. As of June 30, 2011, $497,942 of bonds have been issued.

NOTE 8. BONDS PAYABLE, NET - continued

	Original Amount	2011	2010
Multifamily Mortgage Bonds:			
1996			
Series A, 4.10% to 6.15% interest, serial and term bonds, maturing in scheduled annual installments to August 1, 2011, and on August 1, 2016, and August 1, 2026.	$ 890,000	$ 0	$ 660,000
1998			
Series A 3.5% to 4.70% interest, serial and term bonds, maturing in scheduled annual installments to August 1, 2014 and on August 1, 2029.	1,625,000	880,000	1,140,000
1999			
Series A 4.95% to 8.45% interest, term Bonds, maturing in scheduled semi annual installments to August 1, 2008, August 1, 2010, August 1, 2016, August 1, 2025, August 1, 2030, August 1, 2037, August 1, 2041 and August 1, 2039.	9,860,000	7,680,000	7,920,000
Total bonds outstanding		8,560,000	9,720,000
Unamortized bond premium		(55,082)	(58,126)
Total Multifamily Mortgage bonds payable, net		$8,504,918	$ 9,661,874

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.

	2011	2010
Combined Total Single and Multifamily bonds payable, net	$ 784,358,114	$ 885,310,804

MONTANA BOARD OF HOUSING
(A Component Unit of the State of Montana)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8. BONDS PAYABLE, NET - continued

The following is a summary of bond principal and interest requirements as of June 30, 2011:

Fiscal Year Ending	Single Family Principal and Interest Total	Multifamily Principal and Interest Total	Single and Multi-family Principal Only Total	Single and Multi-family Interest Only Total
2012	$ 167,270,119	$ 883,778	$ 136,725,000	$ 31,428,897
2013	42,545,416	876,859	12,615,000	30,807,275
2014	43,069,483	854,821	13,675,000	30,249,304
2015	43,248,537	837,606	14,445,000	29,641,143
2016	42,985,383	756,489	14,760,000	28,981,872
2017-21	221,501,654	3,463,990	92,025,000	132,940,644
2022-26	226,927,068	3,431,124	123,395,000	106,963,192
2027-31	219,295,373	3,202,680	150,460,000	72,038,052
2032-36	176,167,463	2,677,164	143,360,000	35,484,627
2037-41	72,243,758	2,734,135	67,645,000	7,332,893
2042-46	8,278,257	661,350	8,485,000	454,607
Total	$ 1,263,532,511	$ 20,379,995	$ 777,590,000	$ 506,322,506

Cash paid for interest expenses during the years ending June 30, 2011 and 2010 was $32,316,304 and $41,038,117 respectively.

Changes in Bonds Payable

	6/30/2010 Balance	Increases	Decreases	6/30/2011 Balance
Single Family	$ 875,648,930	41,262,663	(141,058,398)	$ 775,853,195
Multi Family	9,661,874		(1,156,955)	8,504,919
Total	$ 885,310,804	41,262,663	(142,215,354)	$ 784,358,114

NOTE 9. LOSS ON REDEMPTION

During the years ended June 30, 2011 and 2010 the Board redeemed Single Family mortgage program bonds prior to scheduled maturity as follows:

	2011	2010
Single Family I		
December 1	$ 37,160,000	$ 59,445,000
June 1	37,985,000	32,630,000
	75,145,000	92,075,000
Single Family II		
December 1	14,112,716	17,153,895
June 1	13,545,000	13,662,824
	27,657,716	30,816,720
Single Family XI		
December 1	0	0
June 1	24,600,000	0
	24,600,000	0
Multifamily		
August 1	660,000	0
November 1	230,000	0
	890,000	
Total	$ 128,292,716	$ 122,891,720

All such Bonds were redeemed at par or 100% of their compounded value to date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expensed at time of redemption and are reported as losses on redemption of $ 885,124 and $ 1,077,782 in 2011 and 2010, respectively.

NOTE 10. COMMITMENTS

The Board is in the process of reserving and purchasing single family mortgages of approxi $2,759,805 in the Single Family XI Indenture.

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

District XI Human Resource Council Missoula	1,600,000
Burns Street Commons	1,740,000
Eaton Street Condos	1,000,000
Butte Housing Authority	750,000
Foreclosure Prevention	45,635
Disabled Affordable Accessible Homeownership	847,963
Lot Refinance	726,440
Habitat for Humanity	1,032,669
HUD Section 184-Indian Housing	1,194,593
Chippewa Cree	2,000,000
USDA Rural Housing Development	729,975
Down Payment Pool	6,233,222
Total Single Family Commitments	$17,890,497

Other Commitments--Single Family I

Reverse Annuity Mortgage Program Future Loans	$ 2,281,118

The Board has the following Multifamily commitments:

Financing Adjustment Factor Subsidy Set aside (restricted by agreement with HUD)	
Total Multifamily Commitments	$182,787

The Board has committed Housing Trust Funds as noted below:

Reverse Annuity Mortgage Program Existing Loans	$4,789,666

These mortgage commitments will be funded through cash and investments.

NOTE 11. EMPLOYEE BENEFIT PLANS

The Board of Housing and its employees contribute to the Public Employees' Retirement System (PERS). PERS offers two types of retirement plans administered by the Montana Public Employees' Retirement Administration.

Defined Benefit Retirement Plan: The Defined Benefit Retirement Plan (DBRP) is a multiple-employer, cost-sharing plan that provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Vesting occurs once membership service totals five years. Benefits are established by state law and can only be amended by the legislature.

Defined Contribution Retirement Plan: The Defined Contribution Retirement Plan (DCRP), created by the 1999 legislature and available to all active PERS members effective July 1, 2002. This plan is a multiple-employer, cost-sharing plan that also provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on the balance in the member's account, which includes the total contributions made, the length of time the funds have remained in the plan, and the investment earnings less administrative costs.

The PERS issues publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Public Employees' Retirement Administration
P.O. Box 200131
100 North Park Suite 220
Helena, MT 59620-0131
406-444-3154

Contribution rates for the plans are required and determined by State law. The contribution rates are expressed as a percentage of covered payroll are as follows:

	Employee	Employer	Total
Employees Hired Before 7/1/2011	6.90%	7.17%	14.07%
Employees Hired After 7/1/2011	7.90%	7.17%	15.07%

The amounts contributed to the plans during the years ended June 30, 2009, 2010 and 2011 were equal to the required contribution each year. The amounts contributed by both the Board and by employees, as required by State law, were as follows:

Fiscal Year 2011 - $ 58,183
Fiscal Year 2010 - $ 59,060
Fiscal Year 2009 - $ 60,429

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

Health Care: Board staff and dependents are eligible to receive medical and dental health care through the State Group Benefits Plan administered by the Montana Department of Administration Health Care & Benefits Division. Montana Department of Administration established medical premiums vary between $682 and $922 per month depending on the medical plan selected, family coverage, and eligibility. Administratively established premiums vary between $34.90 and $59.36 per month for dental and between $7.64 and $22.26 per month for an optional vision plan depending on family coverage and eligibility. The State reimburses all validated medical claims net of member obligations (annual

NOTE 11. EMPLOYEE BENEFIT PLANS - continued

deductibles and coinsurance of the members' selected medical plan). Eligible dental claims are reimbursed at 50% to 100% of the allowable charges, depending on the services provided. The State funds claims on a pay-as-you-go basis and, in addition, maintains a claims fluctuation reserve equivalent to three months projected claims and operating costs.

NOTE 12. ARBITRAGE REBATE LIABILITY PAYABLE TO U.S. TREASURY DEPARTMENT

The Board has established an accrual for the liability for estimated arbitrage payments due to the 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 $ 30,481 in arbitrage rebate cash payments to The United States Treasury Department in fiscal year 2011 and $ 59,061 during the fiscal year ended June 30, 2010. The related liabilities were $845,452,079 and $ 808,079 as of June 30, 2011 and 2010, respectively.

Beginning Balance July 1, 2010	$808,709
Additions	67,224
Reductions	(30,481)
Ending Balance June 30, 2011	$845,452

NOTE 13. NO-COMMITMENT DEBT

The Board of Housing is authorized to issue its bonds and to make mortgage loans in order to finance housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana.

The 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. The Board is not obligated to make payment on the bonds from any of its assets other than those revenues and assets so pledged. The Board has no taxing power. Accordingly, these bonds are not reflected in the accompanying financial statements.

The bonds are not a debt of the state and the state is not liable for the bonds. Neither the state's faith or credit or taxing power is pledged to the payment of bond principal or interest.

Bond Series	Original Amount	Outstanding as of 6/30/2011
Single Family Mortgage Revenue Bonds Series 2005A-1	$ 516,000	$ 39,000
Single Family Mortgage Revenue Bonds Series 2005A-2	$ 500,000	$ 260,000
Single Family Mortgage Revenue Bonds Series 2005A-3	$ 984,000	$ 834,000
Multifamily Housing Revenue Bonds Series 2006A	$ 2,104,700	$ 1,961,283
Multifamily Housing Revenue Bonds Series 2007A	$ 5,100,000	$ 5,003,612
Multifamily Housing Revenue Bonds Series 2008A	$ 2,413,600	$ 2,300,956

NOTE 14. REFUNDING AND DEFERRED BOND ISSUANCE COSTS

The Board periodically chooses to refund all or a portion of the Board's outstanding bonds when it is economically advantageous to do so. Refunding involves the issuance of new debt and those proceeds are used to repay previously issued debt. The Board performed no refunding during the period from July 1, 2010 to June 30, 2011.

Under Governmental Accounting Standards Board (GASB) Statement 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, deferred bond issuance costs are required to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds.

The following costs associated with refunding were deferred and are being amortized under the GASB 23 guidelines:

Prior Years' Refundings:	
Unamortized Deferred refunding costs from prior years' refunding	$1,642,835
Total Unamortized	$1,642,835

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State of Montana provides optional postemployment health care benefits in accordance with Montana Code Annotated (MCA), Title 2, Chapter 18, Section 704, to employees and dependents who elect to continue coverage and pay administratively established premiums. Coverage is provided through the State Group Benefits Plan.

The Board follows Governmental Accounting Standards Board (GASB) Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires the following disclosure of employer liability for retiree medical subsidies and other post-employment benefits. For GASB 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and the Board is considered to be a separate employer participating in the plan. Each participating employer is required by GASB Statement 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The State Group Benefits Plan allows retirees to participate as a group, at a rate that does not cover all of the related costs. Retiree participation results in the reporting of an "implied rate" subsidy in the Board's financial statements and footnotes as OPEB liability. The OPEB liability is disclosed for financial statement purposes but does not represent a legal liability of the State Group Benefits Plan or the Board.

Post-employment Healthcare Plan Description:
Board staff and dependents are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration. In accordance with MCA 2-18-704, the State provides optional postemployment medical, vision and dental health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees.
For GASB 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and the Board is considered to be a separate employer participating in the plan.

In addition to the employee benefits described in Note 11, Employee Benefit Plans, the following post-employment benefits are provided.
Montana Department of Administration established retiree medical premiums vary between $268 and $916 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $34.10 and $58.00; vision premiums vary

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – continued

between $7.64 and $22.26; both premiums vary depending on the coverage selected. Basic life insurance in the amount of $14,000 is provided until age 65 at a cost of $1.90 per month to the retiree.

The State reimburses all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Dental claims are reimbursed at 50% to 100% of the allowable charges, depending on the services provided. The State acts as secondary payor for retired Medicare-eligible claimants.

Benefits Not Included in the Valuation:
Retirees pay 100 percent of dental premiums. Thus, there is no liability for dental valued in this valuation.
The vision benefit is fully-insured and retirees pay 100 percent of the cost. Thus, there is no liability for vision valued in this valuation.
The life insurance benefit is a fully-insured benefit that is payable until age 65 with the retiree required to pay the full premium. There is no liability valued in this valuation for the retirees, though the required premium is an active/retiree blended premium. This liability would be insignificant to the overall results of this valuation.

Funding Policy:
The following estimates were prepared for the Department of Administration and the resulting State of Montana Actuarial Valuation of Other Post-Employment Benefits Plan (plan) contains the Board's data and is available through:
Montana Department of Administration,
State Accounting Division
Rm 255, Mitchell Bldg,
125 N Roberts St
PO Box 200102,
Helena, MT 59620-0102.

GASB 45 requires the plan's participants, including the Board, to report each year the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year of retiree health care costs and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The 2011 ARC is calculated for all the plan's participants and then individually allocated to individual participants. The Board's 2011 ARC is estimated at $73,540 and is based on the plan's current ARC rate of 9.04% percent of participants' annual covered payroll. The Board's 2011 ARC is equal to an annual amount required each year to fully fund the liability over 30 years.
The amount of the estimated OPEB actuarial accrued liability at transition was determined in accordance with the GASB Statement 45, and liability is estimated at $582,271 for the Board. (The actuarial accrued liability is the present value of future retiree benefits and expenses.)

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include 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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information

following the notes to the financial statements, presents information that shows the actuarial value of plan assets and liabilities.
In the calendar year 2010 actuarial valuation, the projected unit credit funding method is used. The actuarial assumptions did not include an investment rate of return since no assets meet the definition of plan assets under GASB 43 or 45. Annual healthcare cost trend rates of 8 percent for medical and 15 percent for prescription claims are used. The unfunded actuarial accrued liability is amortized following a 30-year level percentage of payroll amortization schedule on an open basis beginning for calendar year 2010.

The State finances claims on a pay-as-you-go basis and does not advance-fund the OPEB liability. Therefore the following cost information shows no cost contributions or plan assets made by the Board.

Annual OPEB Cost:
For 2011, the Board's allocated annual OPEB cost (expense) of $80,533 was equal to the ARC plus $6,993 of interest on the prior year obligation amount. The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	$44,558	0%	$87,299
6/30/10	$77,251	0%	$164,550
6/30/11	$80,533	0%	$245,083

Funded Status and Funding Progress:
The funded status of the Board's allocation of the plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	$582,271
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$582,271
Funded ratio (actuarial value of plan assets/AAL)	0
Covered payroll (active plan members)	$813,088
UAAL as a percentage of covered payroll	71.6 %

NOTE 16. SUBSEQUENT EVENTS

On July 15, 2011, the Board approved $3,000,000 for a set-aside loan program to assist Montana flood victims finance repairs to flood damaged homes located in the 31 Montana Counties designated as federal disaster areas.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States to 'AA+' from 'AAA,' and assigned a negative outlook. On August 2, 2011, Moody's Investors Service confirmed the 'Aaa' government bond rating of the United States, but assigned a negative outlook.

On August 8, 2011, Standard & Poor's Ratings Services lowered the ratings of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) by one step to AA+ along with the grades of other government- tied issuers including the Federal Home Loan Bank system and the Federal Farm Credit system.

On October 13, 2011, the Board entered into a bond purchase agreement with RBC Capital Markets, LLC, regarding the Montana Board of Housing issuing Single Family Homeownership Bonds, 2011 Series B / 2009 Series C. Bond proceeds in the approximate amount of $58 million will be used to refund certain existing mortgage revenue bonds and purchase single family mortgage loans for the board's Homeownership Program. The 2011 Series B / 2009 Series C Bond series are not debts of the state and the state is not liable for the bonds. Neither the state's faith or credit or taxing power is pledged to the payment of bond principal or interest.

MONTANA BOARD OF HOUSING
(A Component Unit of the State of Montana)

Required Supplementary Information
Schedule of Funding Progress for Board of Housing
Other Post-Employment Benefits (Financial Statements Note 15)

The following table shows OPEB information for the most recent, completed three fiscal years which are the fiscal years ended June 30, 2009, 2010 and 2011, as required by Governmental Accounting Standards Board Statement 45.

Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability* (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll ('C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2009	$0	$418,727	$418,727	0	$484,582	86.41%
6/30/2010	$0	$418,727	$418,727	0	$484,582	86.41%
6/30/2011	$0	$582,271	$582,271	0	$813,088	71.6 %

* Projected unit credit funding method

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MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	HOUSING MONTANA FUND	FEDERAL PROGRAMS	Combined Totals FY 2011	Combined Totals FY 2010
ASSETS										
Current Assets										
Cash and Cash Equivalents	$ 11,229,303	$ 5,995,587	$ 126,433,117	$ 143,658,007	$ 826,883	$ 526,137	$ 358,361	$ -	$ 145,369,388	$ 159,578,296
Investments	49,398,331	46,725,125		96,123,456	7,859,191	6,155			103,988,802	88,434,678
Mortgage Loans Receivable	8,463,111	5,502,535	736,665	14,702,311	212,141		5,502		14,919,954	14,621,590
Interest Receivable	2,599,610	1,460,317	154,729	4,214,656	55,823	800,614	120,829		5,191,922	5,229,340
Interfund Receivable										
Due from Other Governments								102,500	102,500	1,826,649
Security Lending Collateral						4,824			4,824	13925.86
Prepaid Expense	-	209,561		209,561	5,288	12,526			227,375	236,733
Total Current Assets	$ 71,690,355	$ 59,893,125	$ 127,324,511	$ 258,907,991	$ 8,959,326	$ 1,350,256	$ 484,692	$ 102,500	$ 269,804,765	$ 269,941,212
Noncurrent Assets										
Investments	$ 8,963,562	$ 15,879,348	$ 1,222,165	$ 26,065,075	$ -	$ -	$ -	$ -	$ 26,065,075	$ 39,267,871
Mortgage Loans Receivable	360,172,291	220,718,097	39,380,575	620,270,963	10,598,869	3,457,538	2,223,178		636,550,548	723,966,545
Mortgage Backed Securities	1,563,204	5,106,300		6,669,504					6,669,504	8,049,808
Deferred Bond Issuance Costs, Net	3,135,027	1,864,665	470,985	5,470,677	99,731				5,570,408	6,526,581
Capital Assets, Net	177	2,277		2,454	233	234			2,920	9,231
Total Noncurrent Assets	$ 373,834,261	$ 243,570,687	$ 41,073,724	$ 658,478,672	$ 10,698,833	$ 3,457,772	$ 2,223,178	$ -	$ 674,858,455	$ 777,820,036
TOTAL ASSETS	$ 445,524,616	$ 303,463,812	$ 168,398,235	$ 917,386,663	$ 19,658,159	$ 4,808,028	$ 2,707,870	$ 102,500	$ 944,663,220	$ 1,047,761,248
LIABILITIES										
Current Liabilities										
Accounts Payable	$ 519,387	$ 497,849	$ 94,477	$ 1,111,713	$ 8,593	$ 8,678	$ 378	$ 102,500	$ 1,231,860	$ 2,737,013
Interfund Payable										
Security Lending Liability						4,824			4,824	13,926
Accrued Interest - Bonds Payable	1,599,401	901,428	203,264	2,704,093	219,328				2,923,421	3,279,443
Bonds Payable, Net	6,685,000	3,995,000	125,750,000	136,430,000	275,000				136,705,000	162,525,000
Arbitrage Rebate Payable to U.S.										
Treasury Department	518,213			518,213					518,213	30,481
Accrued Compensated Absences	78,867			78,867					78,868	67,776
Total Current Liabilities	$ 9,400,867	$ 5,394,277	$ 126,047,741	$ 140,842,885	$ 502,921	$ 13,502	$ 378	$ 102,500	$ 141,462,186	$ 168,653,639
Noncurrent Liabilities										
Bonds Payable, Net	$ 375,462,671	$ 223,047,861	$ 40,912,663	$ 639,423,195	$ 8,229,919	$ -	$ -	$ -	$ 647,653,114	$ 722,785,804
Deferred Refunding Costs	(1,055,948)	(586,887)		(1,642,835)					(1,642,835)	(1,925,194)
Arbitrage Rebate Payable to U.S.										
Treasury Department	79,615	247,625		327,240					327,240	778,229
Accrued Compensated Absences	(12,418)	66,450		54,032	14,626	23,475			92,133	101,708
OPEB Liability	122,541	122,541		245,082					245,082	164,550
Total Noncurrent Liabilities	$ 374,596,461	$ 222,897,590	$ 40,912,663	$ 638,406,714	$ 8,244,545	$ 23,475	$ -	$ -	$ 646,674,734	$ 721,905,097
TOTAL LIABILITIES	$ 383,997,328	$ 228,291,867	$ 166,960,404	$ 779,249,599	$ 8,747,466	$ 36,977	$ 378	$ 102,500	$ 788,136,920	$ 890,558,736
NET ASSETS										
Invested in Capital Assets, Net	$ 177	$ 2,276		$ 2,453	$ 233	$ 233	$ -	$ -	$ 2,920	$ 9,231
Restricted for Bondholders:										
Unrealized (losses) gains on investments	963,383	3,198,613	(25,304)	4,136,692					4,136,692	4,752,657
Single Family Programs	52,059,387	60,303,782	1,463,135	113,826,304					113,826,304	115,303,979
Various Recycled Mortgage Programs	6,223,222	11,667,275		17,890,497					17,890,497	16,809,553
Multifamily Programs					10,727,673	(18,850)			10,708,823	10,586,295
Multifamily Project Commitments					182,787				182,787	193,539
Reverse Annuity Mortgage Program	2,281,118			2,281,118		4,789,666			7,070,784	6,873,282
Restricted for Affordable Revolving Loan Pgm							2,707,493		2,707,493	2,673,976
TOTAL NET ASSETS	$ 61,527,287	$ 75,171,947	$ 1,437,831	$ 138,137,065	$ 10,910,693	$ 4,771,049	$ 2,707,493	$ -	$ 156,526,300	$ 157,202,512

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	**SINGLE FAMILY PROGRAM FUND TOTALS**	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	HOUSING MONTANA FUND	FEDERAL ASSISTANCE	**Combined Totals**	
									FY 2011	**FY 2010**
OPERATING REVENUES										
Interest Income - Mortgage Loans	$ 21,726,320	$ 12,458,556	$ 1,228,122	$ 35,412,998	$ 634,344	$ 205,910	$ 36,008	$ -	$ 36,289,260	$ 41,632,175
Interest Income - Investments	1,502,693	1,228,518	98,945	2,830,156	14,855	36	-	-	2,845,047	3,351,458
Fee Income	4,566	58,821	9,922	73,309	24,318	291,874	-	-	389,501	424,782
Federal Financial Assistance	-	19,134	-	19,134	230,437	-	-	10,185,595	10,435,166	14,741,879
Net Increase (Decrease)				-						
in Fair Value of Investments	(83,938)	(506,723)	(25,304)	(615,965)	-	-	-	-	(615,965)	2,080,616
Other Income	-	41,454	-	41,454	-	-			41,454	103,819
Securities Lending Gross Income	-	-	-	-		181	-	-	181	296
Total Operating Revenues	$ 23,149,641	$ 13,299,760	$ 1,311,685	$ 37,761,086	$ 903,954	$ 498,001	$ 36,008	$ 10,185,595	$ 49,384,644	$ 62,335,025
OPERATING EXPENSES										
Interest on Bonds	$ 20,599,364	$ 11,431,869	$ 172,070	$ 32,203,303	$ 538,208	$ -	$ -	$ -	$ 32,741,511	$ 38,362,826
Servicer Fees	1,441,394	860,022	95,998	2,397,414	12,695	-	2,493	-	2,412,602	2,750,613
Contracted Services	145,271	757,665	-	902,936	21,980	71,187	-	266,181	1,262,284	1,508,713
Amortization of Bond Issuance Costs	196,320	229,485	107,237	533,042	27,563	-	-	-	560,605	892,015
General and Administrative	63,809	1,452,280	-	1,516,089	173,608	249,166	-	22,218	1,961,080	1,786,236
Arbitrage Rebate Expense	65,205	2,019	-	67,224	-	-	-	-	67,224	140,184
Loss on Redemption	812,370	261,551	-	1,073,921	3,861	-	-	-	1,077,782	1,077,782
Securities Lending Expense	-	-	-	-	-	38	-	-	38	100
Other Post-Emploment Benefits	40,267	40,266	-	80,533	-	-	-	-	80,533	77,252
Grants to Local Community								9,897,196	9,897,196	14,023,480
Total Operating Expenses	$ 23,364,000	$ 15,035,157	$ 375,305	$ 38,774,462	$ 777,915	$ 320,391	$ 2,493	$ 10,185,595	$ 50,060,856	$ 60,619,200
Operating Income (Loss) Before Transfers	(215,921)	(1,736,959)	936,380	(1,016,500)	126,039	177,610	33,515	-	(676,212)	1,715,824
Transfers In(Out)	(272,024)	2,026	270,000	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	(487,945)	(1,734,933)	1,206,380	(1,016,499)	126,039	177,609	33,514	-	(676,212)	1,715,824
Net Assets, Beginning of Year	62,013,670	76,905,317	231,452	139,150,440	10,784,654	4,593,441	2,673,978	-	157,202,512	155,375,594
Prior Period Adjustment		-		-	-	-	-	-	-	111,093
Net Assets, End of Year	$ 61,525,725	$ 75,170,384	$ 1,437,832	$ 138,133,940	$ 10,910,693	$ 4,771,050	$ 2,707,492	$ -	$ 156,526,300	$ 157,202,512

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	HOUSING MONTANA FUND	FEDERAL ASSISTANCE	Combined Totals 2011	Combined Totals 2010
CASH FLOWS FROM OPERATING ACTIVITY										
Receipts for Sales and Services	$ 4,566	$ 59,812	$ 9,922	$ 74,300	$ 28,500	$ 291,822	$ -	$ -	$ 394,622	$ 510,316
Collections on Loans and Interest on Loans	102,011,304	48,757,870	1,073,777	151,842,951	2,152,072	163,553	69,666	-	154,228,242	167,849,043
Cash payments for Loans	0	-	(29,906,672)	(29,906,672)	-	-	-	-	(29,906,672)	(32,147,486)
Federal Financial Assistance Receipts		6,916	-	6,916	230,437	-	-	11,909,744	12,147,097	12,896,863
Payments to Suppliers for Goods and Services	(1,591,273)	(2,169,407)	(86,471)	(3,847,151)	(96,729)	(172,525)	(2,464)	(11,944,344)	(16,063,213)	(17,554,363)
Payments to Employees		(850,467)	-	(850,467)	(114,079)	(142,247)	-	-	(1,106,793)	(1,152,538)
Other Operating Revenues		52,681	-	52,681	37	52	-	-	52,771	51,448
Net Cash Provided (Used) by Operating Activities	$ 100,424,597	$ 45,857,406	$ (28,909,444)	$ 117,372,559	$ 2,200,239	$ 140,655	$ 67,202	$ (34,600)	$ 119,746,054	$ 130,453,283
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:										
Payment of Principal and Interest on Bonds and Notes	$ (105,137,648)	$ (43,831,192)	$ (23,775)	$ (148,992,615)	$ (1,723,084)	$ -	$ -	$ -	$ (150,715,699)	$ (178,210,998)
Proceeds from Issuance of Bonds and Notes	0	-	16,665,475	16,665,475	-	-	-	-	16,665,475	150,000,000
Payment of Bond Issuance Costs		-	(325,582)	(325,582)	-	-	-	-	(325,582)	(355,227)
Premium Paid on Refunding Bonds		-	-	-	-	-	-	-	-	-
Due From (To) Other Funds*	9,930,736	839	(10,202,761)	(271,187)	-	-	-	-	(271,187)	-
Transfers in (out)	0	1,188	269,999	271,187	-	-		-	271,187	-
Net Cash Provided (Used) by Noncapital Financing Activities	$ (95,206,912)	$ (43,829,166)	$ 6,383,356	$ (132,652,722)	$ (1,723,084)	$ -	$ -	$ -	$ (134,375,806)	$ (28,566,225)
CASH FLOWS FROM CAPITAL ACTIVITIES										
Purchase of fixed assets	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
CASH FLOWS FROM INVESTING ACTIVITIES:										
Purchase of Investments	$ 6,997,934	$ (198,352,222)	$ (2,083,490,954)	$ (2,274,845,242)	$ (20,670,132)	$ (6,155)	-	-	$ (2,295,521,529)	$ (1,410,012,153)
Proceeds from Sales or Maturities of Investments	(6,844,727)	198,764,546	2,082,281,456	2,274,201,275	18,886,644	21,790	-	-	2,293,109,709	1,449,138,108
Interest on Investments	1,523,491	1,239,835	94,410	2,857,736	4,269	1,137	5	-	2,863,147	3,371,507
Arbitrage Rebate Tax	(30,481)	-	-	(30,481)	-	-	-	-	(30,481)	(59,061)
Net Cash Provided (Used) by Investing Activities	$ 1,646,217	$ 1,652,159	$ (1,115,088)	$ 2,183,288	$ (1,779,219)	$ 16,772	$ 5	$ -	$ 420,846	$ 42,438,401
Net Increase (Decrease) in Cash and Cash Equivalents	$ 6,863,902	$ 3,680,399	$ (23,641,176)	$ (13,096,876)	$ (1,302,064)	$ 157,427	$ 67,207	$ (34,600)	$ (14,208,906)	$ 144,325,459
Cash and Cash Equivalents,beginning balance	$ 4,365,401	$ 2,315,189	$ 150,074,293	$ 156,754,883	$ 2,128,947	$ 368,710	$ 291,155	$ 34,601	$ 159,578,295	$ 15,252,836
Cash and Cash Equivalents, ending balance	$ 11,229,303	$ 5,995,587	$ 126,433,117	$ 143,658,007	$ 826,882	$ 526,137	$ 358,362	$ -	$ 145,369,389	$ 159,578,295

* Interfund Payable & Receivable records a temporary loan between Board program funds that is expected to be repaid within one year. The loan is excluded from the Board's Statement of Net Assets because it is not an obligation to an external entity. The Statement of Net Assets Current Assets and Current Liabilities balances therefore does not include the amount of this loan.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Single Family Indenture I	Single Family Indenture II	Single Family Indenture XI	SINGLE FAMILY PROGRAM FUND TOTALS	MULTIFAMILY PROGRAM FUNDS	HOUSING TRUST FUND	HOUSING MONTANA FUND	FEDERAL ASSISTANCE	Combined Totals (Memorandum Only) FY 2011	Combined Totals (Memorandum Only) FY 2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES										
Operating Income	$ (214,359)	$ (1,735,396)	$ 936,380	$ (1,013,376)	$ 126,039	$ 177,610	$ 33,515	$ -	$ (676,212)	$ 1,715,825
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:										
Depreciation	$ 306	$ 685		$ 991	$ 42	$ -	$ -	$ -	$ 1,033	$ 10,004
Amortization	503,513	295,926	14,066	813,505	(1,575)	-	-	-	811,930	1,240,744
Interest Expense	22,018,853	11,846,057	174,882	34,039,792	535,164	-	-	-	34,574,956	40,649,529
Interest on Investments	(1,529,114)	(1,192,746)	(4,356)	(2,726,216)	(9,061)	(1,137)	-	-	(2,736,414)	(3,269,199)
Arbitrage Rebate Tax	65,205	2,019		67,224	-	-	-	-	67,224	140,184
Change in Assets and Liabilities:										
Decr (Incr) in Mortgage Loans Receivable	79,221,877	35,903,636	(29,946,091)	85,179,422	1,517,728	48,228	33,658	-	86,779,037	92,199,184
Decr (Incr) in Other Assets	110,230	143,458	(119,155)	134,533	19	(78,159)	-	1,724,149	1,780,542	(1,757,170)
(Incr) Decr in Fair Value of Investments	83,939	506,723	25,304	615,966				-	615,966	(2,080,616)
Incr (Decr) in Accounts Payable	124,193	47,089	9,527	180,809	(1,083)	(9,532)	28	(1,758,750)	(1,588,527)	1,836,940
Incr (Decr) in Deferred Reservation & Disc. Fees	-	-	-	-	34,468	-	-		34,468	(316,907)
Incr (Decr) in Compensated Absences Payable	39,955	39,954		79,909	(1,504)	3,645	-	-	82,050	84,766
Net Cash Provided by (Used for) Operating Activities	$ 100,424,597	$ 45,857,406	$ (28,909,444)	$ 117,372,559	$ 2,200,239	$ 140,655	$ 67,202	$ (34,601)	$ 119,746,054	$ 130,453,283

Montana Board of Housing

Board Response

MONTANA
Department of Commerce

MONTANA BOARD OF HOUSING
P.O. Box 200528 ⋆ Helena, Montana 59620-0528 ⋆ www.housing.mt.gov
Phone: 406-841-2840 ⋆ 1-800-761-6264 ⋆ Fax: 406-841-2841 ⋆ TDD: 406-841-2702

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November 17, 2011

Tori Hunthausen
Legislative Auditor
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

Dear Ms. Hunthausen:

We have received and reviewed the financial audit of the Montana Board of Housing for the fiscal year ended June 30, 2011. We appreciate the professionalism and courtesy with which the audit was conducted. We realize our audit is complicated due to the unique nature of our business. We appreciate you and your staff's willingness to do all of the specialized work that is necessary for our bond issues and reporting to our investors.

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

Sincerely,

Bruce Brensdal

Bruce Brensdal
Executive Director