



***Idaho Housing
and Finance***
Association

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Idaho Housing and Finance Association

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June 30, 2021

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Independent Auditor's Report

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association (the Association), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 15 to the financial statements, the Association excluded amounts related to certain agency balances and incorrectly classified certain debt during the prior year. This resulted in an overstatement of assets, liabilities, revenues, and expenses and understatement of net position as of June 30, 2019. Accordingly, amounts reported for those items have been restated in the 2019 financial statements now presented, to correct the errors. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Association has changed its accounting policy for accounting for conduit debt by early adopting the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. Accordingly, the 2019 financial statements have been restated to adopt this update. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Idaho Housing and Finance Association's basic financial statements. The supplementary financial information on pages 55 through 58 and the supplementary reports required by Ginnie Mae are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary financial information on pages 55 through 58 and the supplementary reports required by Ginnie Mae are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The accompanying verification of required insurance, adjusted net worth calculation, capital requirement calculations, and required liquid net assets is presented for purposes of additional analysis is required by the Governmental National Mortgage Association (Ginnie Mae) and is also not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of the Idaho Housing and Finance Association’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Housing and Finance Association’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
September 24, 2021



Supplementary Reports
Required by Ginnie Mae
For the Year Ended June 30, 2021

Idaho Housing and Finance Association

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association (the Association), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Idaho Housing and Finance Association’s basic financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
September 24, 2021



Independent Auditor’s Report on the Compliance for Each Major HUD Program and on Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Board of Commissioners
 Idaho Housing and Finance Association
 Boise, Idaho

Report on Compliance for Each Major HUD Program

We have audited Idaho Housing and Finance Association’s (the Association)’s compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide) that could have a direct and material effect on each of the Idaho Housing and Finance Association’s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended June 30, 2021. The Idaho Housing and Finance Association’s major HUD programs and the related direct and material compliance requirements are as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
Governmental National Mortgage Association guaranteed mortgages (Ginnie Mae)	Quality Control Plan, Branch Office Operations, Loan Origination, Loan Settlement, Federal Financial and Activity Reports, Kickbacks, and Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing.
Federal Housing Administration guaranteed mortgages (FHA)	Quality Control Plan, Branch Office Operations, Loan Origination, Loan Settlement, Federal Financial and Activity Reports, Kickbacks, and Lender Annual Recertification, Adjusted Net Worth, Liquidity and Licensing.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of the Idaho Housing and Finance Association's compliance.

Opinion

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Ginnie Mae for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Idaho Housing and Finance Association is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Idaho Housing and Finance Association's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Idaho Housing and Finance Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
September 24, 2021

Idaho Housing and Finance Association

Verification of Adequate Fidelity Bond and Mortgagee Errors and Omission Insurance Coverage with Proper Ginnie Mae Endorsement June 30, 2021

A. **Identification of affiliated Ginnie Mae Issuers:**

Affiliated Ginnie Mae Issuers:
(Issuer name and Ginnie Mae issuer identification number)

Affiliated issuers on same insurance policies:
(Issuer name and Ginnie Mae issuer identification number)

B. **Required insurance calculation:**

Servicing portfolio:			
Ginnie Mae	use sec balance	\$	13,508,642,548
Fannie Mae			6,626,685,395
Freddie Mac			1,694,136,908
Conventional (other)			-
Total servicing portfolio			\$ 21,829,464,851
Required fidelity bond coverage			\$ 22,354,465
Required mortgage servicing errors and omissions coverage			\$ 22,354,465

C. **Verification of insurance coverage:**

Fidelity bond coverage at end of reporting period	\$ 25,000,000
Mortgage servicing errors and omissions coverage at end of reporting period	\$ 25,000,000

D. **Excess (deficit) insurance coverage:**

Fidelity bond coverage	\$ 2,645,535
Required mortgage servicing errors and omissions coverage	\$ 2,645,535

E. **Ginnie Mae loss payable endorsement**

Fidelity bond coverage	YES
Mortgage servicing errors and omissions coverage	YES

Idaho Housing and Finance Association
 Computation of Capital Requirements and Liquid Asset Requirements
 June 30, 2021

A. Adjusted net worth calculation:

Net position at end of reporting period		\$ 579,836,000
Less:		
Itemized unacceptable assets:		
1. 25% of Bond Rating Compliance and Loan Guarantee Trust Assets (see note 1 below)	31,019,250	
2. Combined Bondholder Trusts Net Position (see note 2 below)	61,723,000	
3. Federally Assisted Programs Net Position (see note 3 below)	1,990,000	
4a. Home Partnership Foundation Net Position (see note 4 below)	1,756,000	
4b. Idaho Community Investment Holdings, LLC Net Position (see note 4 below)	6,335,000	
3. Escrow Cash (see note 5 below) business unit only	185,272,000	<u>\$ 288,095,250</u>
Adjusted net worth		\$ 291,740,750

B. Required net worth calculation:

Unpaid principal balance of securities outstanding (Note: number of pools = __)	5,371	\$ 13,508,642,548
Plus:		
Outstanding balance of commitment authority issued and requested		<u>\$ 2,523,281,517</u>
Total outstanding portfolio and authority		\$ 16,031,924,065
Required net worth		
Base	2,500,000	
.35% of outstanding obligations	56,111,734	
Total required		\$ 58,611,734

C. Excess (deficit) net worth

(Adjusted net worth - required net worth)		\$ 233,129,016
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Note 1: These are the net assets associated with the housing bonds sold by Idaho Housing and Finance Association (the Association). The total includes the 75% of the assets of the Bond Rating Compliance and Loan Guarantee Trust and Combined Bondholder Trusts. The trust indenture allows for 75% of total Fund assets may be used for GNMA purposes.

Note 2: This is the net position associated with the Combined Bondholder Trust. See page 46 of the audited financial statements.

Note 3: These are the net assets associated with the Federal grant programs administered through the Association. Net assets are restricted for grant use only.

Note 4: This is the net position associated with the Home Partnership Foundation and Idaho Community Investment Holdings LLC (a blended component unit of the Association).

Note 5: This represents cash that is restricted for escrow purposes and are not available to GNMA in the event of default.

Idaho Housing and Finance Association
 Computation of Capital Requirements and Liquid Asset Requirements
 June 30, 2021

Capital Requirement Calculation

A. Capital requirement for nondepository institutions

Total adjusted net worth		\$		291,740,750	
Total assets		\$		570,320,250	
					Meets requirement? <i>(yes/no)</i>
Total adjusted net worth/total assets	Leverage Ratio			51.15%	YES

A. Liquid asset calculation:

Required net worth				\$ 58,611,734	
Acceptable liquid assets					
Cash and cash equivalents				31,173,000	
Total liquid assets				\$ 31,173,000	

B. Required liquid assets:

					Meets requirement? <i>(yes/no)</i>
Single-family issuer liquidity requirement					
(Greater of \$1,000,000 or .10% of outstanding single-family securities)				9,343,535	YES
All other issue types liquidity requirement					
Excess(deficit) liquid					
(Total liquid assets/required net worth)				53%	YES

Section II – Financial Statement Findings

No matters reported