MONTANA

Comprehensive Annual Financial Report
For the year ended June 30, 2015

REPORT LAYOUT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains the transmittal letter, state organization chart, and a list of principal state officials. The Financial Section includes the independent auditor's report, the management's discussion and analysis, the basic financial statements and the combining statements and schedules. The Statistical Section includes fiscal, economic, and demographic information about the State.

INTERNET ACCESS

The Comprehensive Annual Financial Report is available at the Department of Administration, State Financial Services Division website at:

http://sfsd.mt.gov/SAB/cafr

Cover photograph courtesy of Montana Office of Tourism

STATE OF MONTANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2015

Prepared By:

Department of Administration

Sheila Hogan, Director

State Financial Services Division

Cheryl Grey, CPA, Administrator

State Accounting Bureau

Cody Pearce, CPA, State Accountant

Accounting Principles & Financial Reporting Section

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Bill Hall, Accountant

Ingrid Mallo, CPA, Accountant

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SABHRS Financial Services Technology Bureau

Angie Lang, Computer Systems Analyst

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

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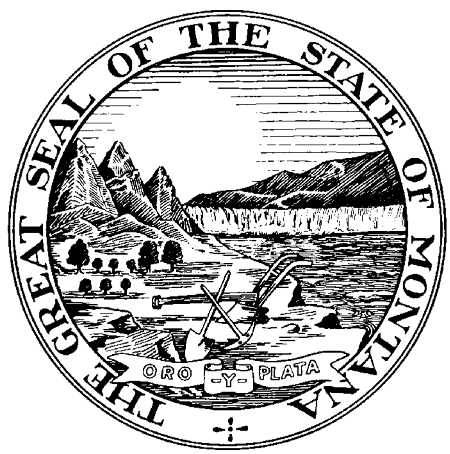

DEPARTMENT OF ADMINISTRATION

STEVE BULLOCK, GOVERNOR
MIKE COONEY, LIEUTENANT GOVERNOR

SHEILA HOGAN
DIRECTOR

STATE FINANCIAL SERVICES DIVISION

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February 29, 2016

To the Citizens, Governor, and Members of the Legislature of the State of Montana:

In accordance with Title 17, Chapter 2, Part 110, Montana Code Annotated (MCA), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of Montana (State) for the fiscal year ended June 30, 2015. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation rests with the Department of Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the State of Montana. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

DESCRIPTION OF THE CAFR

This report and the accompanying financial statements and statistical tables were prepared in accordance with standards set forth by the Governmental Accounting Standards Board (GASB).

The State's CAFR is divided into three main sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, an organization chart for the State, and a list of principal state officials. The financial section contains management's discussion and analysis, the independent auditor's report, government-wide financial statements, fund financial statements, notes to the financial statements, combining statements by fund type, and other schedules. The statistical section includes financial, economic, and demographic data.

This report includes all funds of those entities that comprise the State of Montana (the primary government) and its component units. The component units are entities that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body; and (1) the State is able to impose its will on that organization; or (2) there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. The following component units are included in the State's financial reporting entity: Montana Board of Housing, Facility Finance Authority, Montana State Fund, Montana State University, University of Montana, Public Employees' Retirement Board, and Teachers' Retirement System. These component units are discretely presented in the State's financial statements.

PROFILE OF THE GOVERNMENT

After 25 years as a territory, Montana became the 41st state when it was admitted to the Union in 1889. While Montana has a total area of 147,040 square miles (including water area), and is the nation's fourth largest state, it is also one of the most sparsely populated, with an estimated population of slightly over 1 million. Montana is vast, including rolling plains, the Northern Rocky Mountains, all of Glacier National Park, three of the five entrances to Yellowstone National Park, wheat farms, cattle ranches, tribal lands, and extensive natural resources.

In 1972, a constitutional convention convened, rewriting the State's Constitution and establishing the current governmental structure. As shown in the organizational chart attached within this report, state government is divided into three separate branches: legislative, executive, and judicial. Montana's Legislature consists of 50 senators and 100 representatives elected from single-member districts. The Legislature meets in regular biennial sessions for 90 days in odd-numbered years. Montana is governed by its Constitution, and its laws are administered by its executive branch officers and various boards and commissions. State government services provided to citizens include building and maintaining roads; providing public safety, health, and environmental protection services to protect the general welfare of the State's citizens; helping adults, children, and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

ECONOMIC CONDITION AND OUTLOOK

Montana's primary economic base remains concentrated in agriculture, mining, manufacturing, and nonresident travel. Per the 2015 Labor Day Report issued by the Montana Department of Labor and Industry, Montana's wage growth is the 11th fastest in the nation. Montana's unemployment rate has continued to remain lower than the national rate since the 2001 recession. Montana's adjusted unemployment rate decreased to 4.0% as of July 2015, as compared to 4.7% in 2014. Montana added roughly 6,237 jobs in 2014, for a growth rate of 1.3%. Montana had approximately 456,400 people employed in nonfarm non-adjusted jobs in September 2015, as compared to 453,700 in September 2014. Montana was the 21st fastest state for personal income growth in 2014 at 4%. For a more in-depth analysis of the State's overall financial position, the reader should refer to the Management's Discussion and Analysis and the financial statements contained in the CAFR.

Agriculture

Montana's wheat yields decreased in 2015, with production projected to reach 185.4 million bushels, compared to the 2014 production level of 209.5 million bushels, representing a 12% decrease. Winter wheat production decreased to 91.0 million bushels, 1% lower than the 2014 level of 91.8 million bushels. Spring wheat production reached 75.6 million bushels, down 28% from 104.3 million bushels in 2014. Durum production is estimated at 18.8 million bushels, up 41% from 13.3 million bushels in 2014. Yields were even for winter and durum wheat and down for spring wheat.

Montana's other major agricultural commodities include oats, barley, and cattle. Oat production in Montana increased to an estimated 1,166 thousand bushels in 2015, representing a 6% increase from 2014 levels. Barley production is estimated at 44.2 million bushels, which is 1% lower than last year. Montana's cattle herd as of January 1, 2015, was estimated at 2.5 million head. Montana ranks 11th in the US cattle and calf industry. Montana's 2014 receipts from cattle sales neared $2.0 billion.

Manufacturing

When using the nonfarm non-adjusted estimates from the Montana Department of Labor and Industry, Montana's manufacturing industry shrank by 100 jobs from September 2014 to September 2015. This is a decrease of 1% from 19,000 in 2014 to 18,900 in 2015. Using the Manufacturing statistics as gathered by the Montana Bureau of Business and Economic Research, the value of production within the manufacturing sector was estimated at $15 billion for 2014, about 7% higher than 2013.

Montana's timber sales production volume in 2014 increased to 587 million board feet, up slightly from the revised 562 million board feet in 2013, an increase of 4%. Estimated total sales value of the state's primary wood and paper products in 2014 was estimated to be $600 million, up about $8 million or 1%, from 2013. The total wood products industry estimated employment of 7,660 workers for 2014, up less than 1% from the 2013 level. The 2014 timber harvest was 348 million board feet, down 8% from 2013.

Nonresident Travel

Nonresident travel to Montana in 2014 was approximately 10.9 million visitors, down 1.2% from 2013. Overall visitor numbers for the national parks were higher in 2014 than in 2013. The visitor numbers for Yellowstone Park increased an estimated 9% from 3.2 million to 3.5 million visitors. Visits to Glacier Park were estimated at 2.3 million visitors, with a 5% increase from the previous year. Nonresident travelers contribute to the tax base by paying the lodging tax; excise taxes, such as those on gasoline; and indirectly, by supporting employment in industries that pay corporate taxes and whose employees pay income, property, and other taxes. Estimated nonresident direct travel expenditures in Montana totaled $3.9 billion in 2014, representing an increase of $0.3 billion. The estimated total economic benefit of nonresident travel in Montana increased from $4.5 billion for calendar year 2013 to $5.1 billion for 2014, representing an increase of 13%.

Natural Resources/Mining

Montana's natural resource/mining sector of the economy employed 8,900 workers in September 2015. That represented a 5% decrease from the 9,400 workers employed in September 2014. The various sectors included in this category are discussed in more detail below.

As of the end of calendar year 2013 an estimated 413 million barrels of proven oil reserves existed under Montana's land. These numbers do not reflect the projected additional reserves existing in the Bakken and Tyler formations Montana shares with North and South Dakota. In 2014, the state saw an increase in production and exploration activity, with estimated crude oil production for the state at 29.9 million barrels. This represents a 2% increase from the 2013 production levels of 29.3 million barrels. Production through August 2015 is essentially the same as compared to 2014 information for the same period.

Montana's total coal reserves were estimated at 118,792 million short tons with recoverable reserves of 74,600 million short tons in 2013 (most recently released data). This represents 25% of the total, and 29% of the recoverable, reserves in the U.S. Of these reserves, 851 million short tons of coal, 4% of the US total, are located at producing mine sites. During 2013, Montana's coal production increased 15% from 36,694 to 42,232 thousand short tons.

Historically, minerals mining has been a significant part of Montana's economy. While there is no published data on proven reserves for metals mining, Montana's mines continue to produce copper, molybdenum, lead, zinc, palladium, gold, silver, cobalt, nickel, chromate, platinum, and other metals. Montana also produces non-metal minerals such as talc, limestone, bentonite, garnets and sapphires. The "rare earth" metals, now in demand in many new products, are also known to exist within the state. Exploration for these metals is underway to determine the economic feasibility of production within the state.

MAJOR INITIATIVES AND LONG TERM OUTLOOK

The 2015 Legislature completed work and adjourned in late April 2015. Upon adjournment, it was anticipated that 2017 biennium general fund revenue collections would be approximately $4,618 million while general fund expenditures would be approximately $4,668 million. At the end of fiscal year 2017, the estimated general fund balance would be approximately $315 million.

The 2017 biennium budget seeks to leave sufficient reserves in fund balance and achieve structural balance for the general fund budget.

The following are the major financial highlights of the 2017 biennium budget:

1. Governor Bullock proposed, and the 2015 Legislature adopted, legislation to fund a Montana-made solution to Medicaid Expansion under the provisions of the Affordable Care Act (ACA). Montana's expansion model will contract with a third party administrator to manage and secure a healthcare network to provide health services to eligible Montana citizens. Medicaid expansion in Montana was approved by the Centers for Medicare and Medicaid Services and was implemented effective January 1, 2016. Federal funding will finance the majority of the expansion effort for the entirety of the 2017 biennium.

2. Governor Bullock proposed, and the 2015 Legislature funded, a 2% rate increase per year for most private and community-based providers of health care and corrections-based services on behalf of the State of Montana.

3. Governor Bullock negotiated with the Montana University System, and the Montana Legislature passed, funding to secure a tuition freeze for Montana resident students attending institutions of higher education in Montana. Additionally, the Montana University System received a one-time-only appropriation of $15 million to serve as funds to leverage university-based research into strategic investments for Montana's economy.

4. The 2015 Legislature passed Senate Bill (SB) 157, which changes the reappraisal of class 3 and class 4 property from a six-year reappraisal cycle to a two-year reappraisal cycle.

5. The Governor proposed, and the 2015 Legislature passed, (SB) 262 which ratifies water rights between the state and the Confederated Salish and Kootenai Tribes of the Flathead Reservation. If ratified by the US Congress, the state contribution is estimated to be $55 million, payable over several fiscal years.

6. The Governor proposed, and the 2015 Legislature funded, a one-time-only appropriation for a sage grouse conservation fund at $10 million for the 2017 biennium that was a major consideration in preventing listing on the endangered species list. Through competitive funding, the fund facilitates free-market mechanisms for voluntary, incentive-based conservative efforts.

7. The 2017 biennium present law budget generally funds existing core services (i.e. health and human services, corrections, and education) at estimated caseload, population, and enrollment levels.

The 2013 legislative session projected approximately $300 million of unassigned fund balance for fiscal year 2015. The difference was primarily the result from higher than anticipated revenues in fiscal year 2014 and fiscal year 2015, and a larger than anticipated beginning fund balance for the 2015 biennium.

Both the increased revenue and expenditures reported for the year are discussed in more detail in the Management's Discussion and Analysis included in this report.

FINANCIAL INFORMATION

Montana's Statewide Accounting, Budgeting and Human Resource System (SABHRS) is a centrally maintained, fully computerized, double-entry accounting system. SABHRS records are system edited and budget checked before being posted.

Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. In developing and evaluating the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that the above objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary restrictions are imposed via appropriations approved by the Legislature or established administratively as provided for by state law. Appropriations are required by state law for the general, state and federal special revenue, and capital projects funds. The level of budgetary control is generally established by fund. SABHRS is designed to provide budgetary control by preventing spending in excess of legislative and administrative authority and/or available cash. SABHRS also provides for encumbrance accounting as a technique for accomplishing budgetary control.

General Fund Balance

For fiscal year 2015, the total fund balance of the General Fund was reported at approximately $471 million. Of this balance $5 million is non-spendable. The remaining $466 million is spendable with $86 million assigned and $380 million unassigned. Of the assigned fund balance, $75 million pertains to the projected general fund spend down of fund balance in fiscal year 2016 and $11 million relates to outstanding encumbrances at the end of the fiscal year. Further detail on the breakdown of fund balance for the general fund can be found in Note 14 – Major Purpose Presentation of this report.

For June 30, 2014, the total fund balance of the General Fund was reported at $442 million. Of this balance, $4 million was non-spendable. The remaining $438 million was spendable with $4 million restricted, $0.1 million committed, $90 million assigned and $344 million unassigned. Of the assigned fund balance, $80 million pertained to the projected general fund spend down of fund balance in fiscal year 2015 and $10 million related to outstanding encumbrances at the end of the fiscal year 2014.

Other Post Employment Benefits - Implied Rate Subsidy Liability

The State of Montana reported the "implied rate subsidy" liability, required under the Governmental Accounting Standards Board (GASB) Statement No. 45, in this financial report and the related financial statements. Although the State reported this liability, and related expenses and expenditures, the State does not agree that this represents a legal liability and further believes that the presentation of this activity in the financial statements will eventually be misleading to the users of the statements.

The State plans to continue funding the employee health insurance plan on a "pay as you go" basis, and does not intend to fund this liability. Because the State is not funding this liability, it may increase in 1/30th increments, plus interest, and within a few years, the financial statements may reflect the impact of a very large "implied rate subsidy" liability that does not have legal substance. The total actuarially accrued liability, which, absent a change in position by GASB or a change in the funding level the State provides for retirees, will be recorded on the State accounting system over the next 30 years, is estimated at $246 and $107 million for the State and MUS systems, respectively. Accrued interest will further inflate this over time.

We submitted a request to have GASB reconsider the requirement to report the implied rate subsidy. GASB refused to revisit this issue. A copy of the letter to GASB providing our concerns with the implied rate subsidy reporting, required under GASB Statement No. 45, is available upon request.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the State Accounting Bureau – Accounting Principal and Financial Reporting Section (APFRS), the cooperation of accounting personnel at the individual state agencies and staff in the Governor's Office of Budget and Program Planning. We would like to express our appreciation to the State Accounting Bureau and other personnel who participated in the preparation of this document. We would also like to thank the Legislature and all state agencies for their interest and support in planning and conducting the financial operations of the State in a professional, responsible, and progressive manner.

Respectfully submitted,

/s/ Cody Pearce

Cody Pearce, CPA
State Accountant
State Financial Services Division
Department of Administration

STATE OF MONTANA
ORGANIZATION CHART

CITIZENS OF MONTANA

LEGISLATIVE

- Senate
- House of Representatives
- Legislative Audit Division
- Legislative Fiscal Division
- Legislative Services Division
- Montana Consumer Counsel

EXECUTIVE

- Governor
- Lieutenant Governor

- Attorney General
- Public Service Commissioners
- Secretary of State
- State Auditor
- Superintendent of Public Instruction

JUDICIAL

- Supreme Court
- District Courts
- Water Courts
- Workers Compensation Court
- Justice of the Peace Courts
- City or Municipal Courts
- State Law Library
- Supreme Court Administrator
- Clerk of Supreme Court

STATE AGENCIES

- Administration
- Agriculture
- Arts Council
- Board of Public Education
- Commerce
- Commissioner of Political Practices
- Commissioner of Higher Education
- Corrections
- Environmental Quality
- Fish, Wildlife and Parks
- Historical Society
- Labor and Industry
- Livestock
- Military Affairs
- Natural Resources & Conservation
- Public Employee Retirement
- Public Health & Human Services
- Revenue
- School for the Deaf and Blind
- State Fund
- State Library
- State Public Defender
- Teachers Retirement System
- Transportation
- University System

STATE OF MONTANA

SELECTED STATE OFFICIALS

Executive Branch

Steve Bullock, Governor

Angela McLean, Lieutenant Governor
(through December 31, 2015)

Michael Cooney, Lieutenant Governor
(as of January 4, 2016)

Judicial Branch

Mike McGrath, Chief Justice

Legislative Branch

Debby Barrett, President of the Senate

Austin Knudsen, Speaker of the House

FINANCIAL SECTION

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angus Maciver

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana as of and for the year ended June 30, 2015, and the related notes which collectively comprise the State's basic financial statements, as follows:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Fund Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds

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 responsibility includes designing, implementing, and maintaining internal controls 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units or the University of Montana (UM) component units, which represents 12.58, 28.68, and 14.07 percent,

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respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the university component units, are based solely on the reports of other auditors. We conducted our audit 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. The MSU and UM component units were not audited in accordance with *Governmental Auditing Standards*.

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 controls relevant to the state of Montana'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 state of Montana's internal control, and 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 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 opinion.

Summary of Opinions

Opinion Unit	**Type of Opinion**
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Aggregate Remaining Fund Information	Unmodified
General Fund	Unmodified
State Special Revenue Fund	Unmodified
Federal Special Revenue Fund	Unmodified
Land Grant	Unmodified
Coal Severance Tax	Unmodified
Unemployment Insurance	Unmodified
Economic Development Bonds	Unmodified

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and Business-Type Activities, the General Fund, State Special Revenue Fund, Federal Special Revenue Fund, Land Grant, Coal Severance

Tax, Unemployment Insurance, and Economic Development Bonds major funds, and the Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information of the state of Montana, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 19 to the financial statements, at June 30, 2015, the Game Wardens' and Peace Officers', and Sheriffs' retirement systems, and the Public Employees' Retirement System–Defined Contribution Retirement Plan Disability Other Post Employment Benefit (PERS-DCRP Disability OPEB) were not actuarially sound. The Unfunded Actuarial Accrued Liability amortization period is infinite for the Game Wardens' and Peace Officers', and Sheriffs' retirement systems, as well as for the PERS-DCRP Disability OPEB. The maximum allowable amortization period is 30 years. Our opinions are not modified with respect to this matter.

As discussed in Note 2A to the financial statements, in fiscal year 2015, the state of Montana adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

As disclosed in Note 4 to the financial statements, Deferred Inflows of Resources, primarily comprised of tax receivables considered unavailable at fiscal year-end, are presented on the Governmental Funds Balance Sheet for fiscal year 2015. The state of Montana's fiscal year 2014 financial statements presented similar balances as Deferred Revenues. Our opinions are not modified with respect to this matter.

As described in Note 6A, certain state employees are eligible, through collective bargaining agreements, to participate in other pension plans. Pension plans currently offered include Western Conference of Teamsters, IAM National Pension Fund, Central Pension Fund of Operating Engineers and Participating Employers, Plumbers and Pipefitters National Pension Fund, and Laborers International Union of North America National Pension Fund. Approximately 430 state employees are eligible to participate in these other pension plans. The state's portion of net pension liability for these pension plans is not reflected in the basic financial statements, as all necessary information was not available. Our opinions are not modified with respect to this matter.

As described in Note 2C, Old Fund was previously reported as part of Montana State Fund, a component unit of the state of Montana. For the year ended June 30, 2015, Old Fund is reported within the governmental activities of the primary government. Our opinions are 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, the Budgetary Comparison Schedule, the Pension Plan Information, and the

Other Post Employment Benefit Plan Information 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 evidence sufficient to express an opinion or provide assurance.

Management has omitted information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements, as follows:

- Certain information and analyses for the hail insurance and MUS group insurance public entity risk pools.
- The total of the employer's proportionate share plus nonemployer contributing entity's proportionate share of net collective pension liability is excluded.

Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Old Fund Estimated Liabilities

We enter into a contract with an independent actuary to determine:

- If rates established by Montana State Fund for workers' compensation insurance are excessive, inadequate, or unfairly discriminatory, per §39-71-2362, MCA, and
- The adequacy of amounts reserved by Montana State Fund at June 30 and the reasonableness of procedures used in the claim reservation process, in accordance with §39-71-2361, MCA.

As part of the independent actuary's process, they estimate a loss and claims liability for Old Fund. The amounts estimated by our independent actuary were greater than the amounts estimated by the Montana State Fund actuary. Differences between our independent actuary estimates and amounts estimated and reported in the basic financial statements are outlined as follows:

	Old Fund
Estimate from Auditor's Actuary	$115.0 million
Estimate reported in the Statement of Net Position	$41.6 million

The two estimates vary significantly and the results of our independent actuary indicates the ultimate amount of claims paid could exceed the $41.6 million estimate currently reported for Old Fund.

Actuaries make estimates based on assumptions, and difference assumptions can result in different estimates. Our opinions are not modified with respect to this matter.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the state of Montana's basic financial statements. The introductory section, combining statements, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the state of Montana'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 state of Montana's internal control over financial reporting and compliance. It is included in the Legislative Auditor's separately issued report (15-01A) on the state's basic financial statements.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Comprehensive Annual Financial Report (CAFR). This narrative overview and analysis of the financial activities of the State of Montana is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights
The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2015 by $7.8 billion (reported as net position) compared with $9.0 billion at the end of fiscal year 2014. Component units reported net position of $1.7 billion for 2015 and 2014. These are discussed in more detail in the financial statement overview below.

Fund Highlights
As of the close of fiscal year 2015, the State's governmental funds reported combined ending fund balances of $4.2 billion compared with $4.1 billion at fiscal year 2014. Of the 2015 amount, $1.5 billion is not in spendable form, primarily as permanent fund principle. Thus, $2.7 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1,063.3 million restricted, $1,129.9 million committed, $92.2 million assigned and $380.4 million unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2015 in the amount of $356.3 million compared with fiscal year 2014 net position of $330.2 million. Of the 2015 business-type activity fund equity, $14.6 million was reported as net investment in capital assets. Net position of $341.7 million was in spendable form with $8.1 million unrestricted and $333.5 million restricted to expenditure for a specific purpose. This represents a $27.8 million (9%) increase in spendable net position from the fiscal year 2014 balance of $313.9 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt
The State's total governmental activity bonds and notes payable for governmental activities decreased by $5.2 million, from $273.9 million (amount includes related deferred outflows of resources, which are reported separately in fiscal year 2015) in fiscal year 2014 to $268.7 million, a 1.9% decrease in fiscal year 2015.

Business-type activities reported bonds and notes payable remains $0 at the close of fiscal year 2015.

Further detail relating to the State's long-term debt is provided in notes to the financial statement's Note 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains additional required supplementary information, which includes budgetary schedules and pension and other post employment benefits plan information. These components are described below:

Basic Financial Statements
The basic financial statements include two types of financial statements that present different views of the State – the g*overnment-wide financial statements* and the *fund financial statements***.** These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

Government-wide Financial Statements
The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

Business-type Activities – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Economic Development Bond Program, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of two authorities, one nonprofit independent public corporation and two universities that are reported as discretely presented component units of the State.

Fund Financial Statements - Reporting the State's Major Funds
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

Governmental Funds Financial Statements – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds Financial Statements – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas, internal service funds report activities that provide supplies and services for the State's other programs and activities.

Fiduciary Funds – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

Notes to the Financial Statements
The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information
The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds, as presented in the governmental fund financial statements. Required supplementary information also includes pension and other post employment benefits plan information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position decreased from the last fiscal year as reflected in the $1.2 billion decrease in net position. This decrease is due primarily to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans (an amendment of GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for the Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68). The total reduction in net position due to the implementation of GASB Statements No. 68 and No. 71, as related to the primary government, was $1.564 billion.

Net Position
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $7.8 billion at the end of fiscal year 2015. Net position of the governmental activities decreased $1.2 billion (14%), and business-type activities experienced a $26 million (or 8%) increase. These changes are explained in detail in the major fund analysis below.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional position of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in net investment in capital assets and restricted net position categories, along with a negative balance in the unrestricted category of net position, for both the governmental activities and the primary government as a whole. The State also reported positive balances for all categories of net position for the business-type activities.

Net Position
June 30, 2015
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Current and other assets	$5,200,297	$5,230,463	$472,729	$515,480	$5,673,026	$5,745,943
Capital assets	5,230,949	5,492,272	16,400	15,450	5,247,349	5,507,722
Total assets	10,431,246	10,722,735	489,129	530,930	10,920,375	11,253,665
Deferred outflows of resources	584	188,437	-	897	584	189,334
Long-term liabilities						
Due in more than one year (1)	769,462	2,228,098	11,876	23,780	781,338	2,251,878
Other liabilities (1)	1,020,688	923,799	147,050	148,612	1,167,738	1,072,411
Total liabilities	1,790,150	3,151,897	158,926	172,392	1,949,076	3,324,289
Deferred inflows of resources	-	304,757	-	3,159	-	307,916
Net investment in capital assets	5,049,162	5,332,649	16,285	14,616	5,065,447	5,347,265
Restricted	2,696,248	2,764,165	295,006	333,536	2,991,254	3,097,701
Unrestricted	896,270	(642,296)	18,912	8,124	915,182	(634,172)
Total net position	$8,641,680	$7,454,518	$330,203	$356,276	$8,971,883	$7,810,794

(1) Liabilities due in more than one year and other liabilities totals for fiscal year 2014 were restated to reflect OPEB implicit rate subsidy balances as a long-term liability.

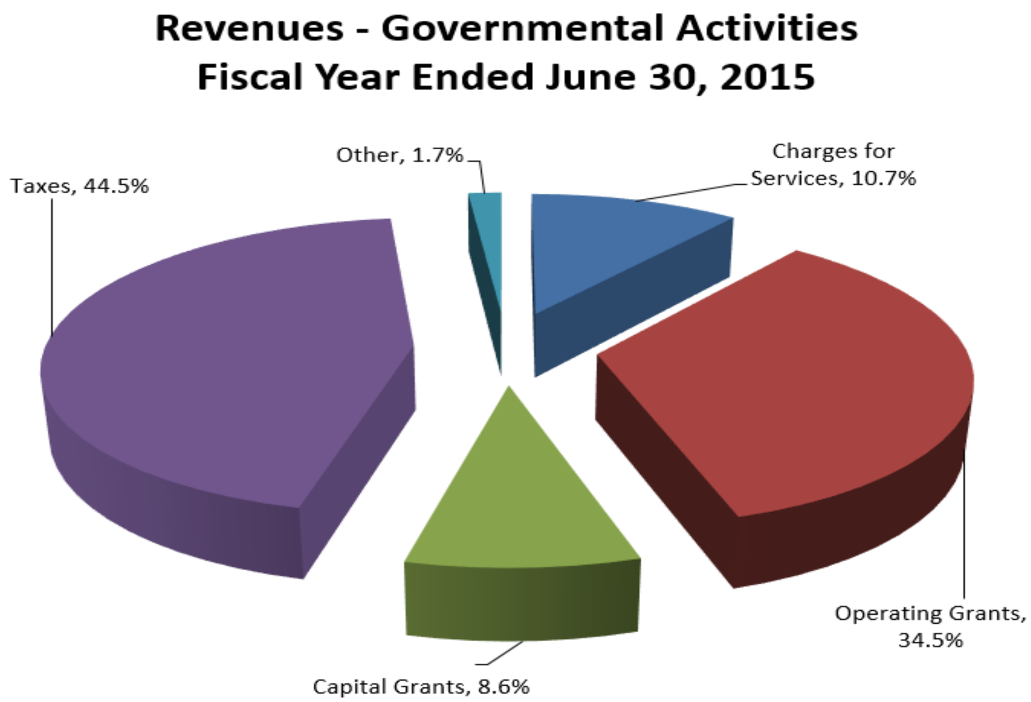
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

Changes in Net Position
For Fiscal Year Ended June 30, 2015
(expressed in thousands)

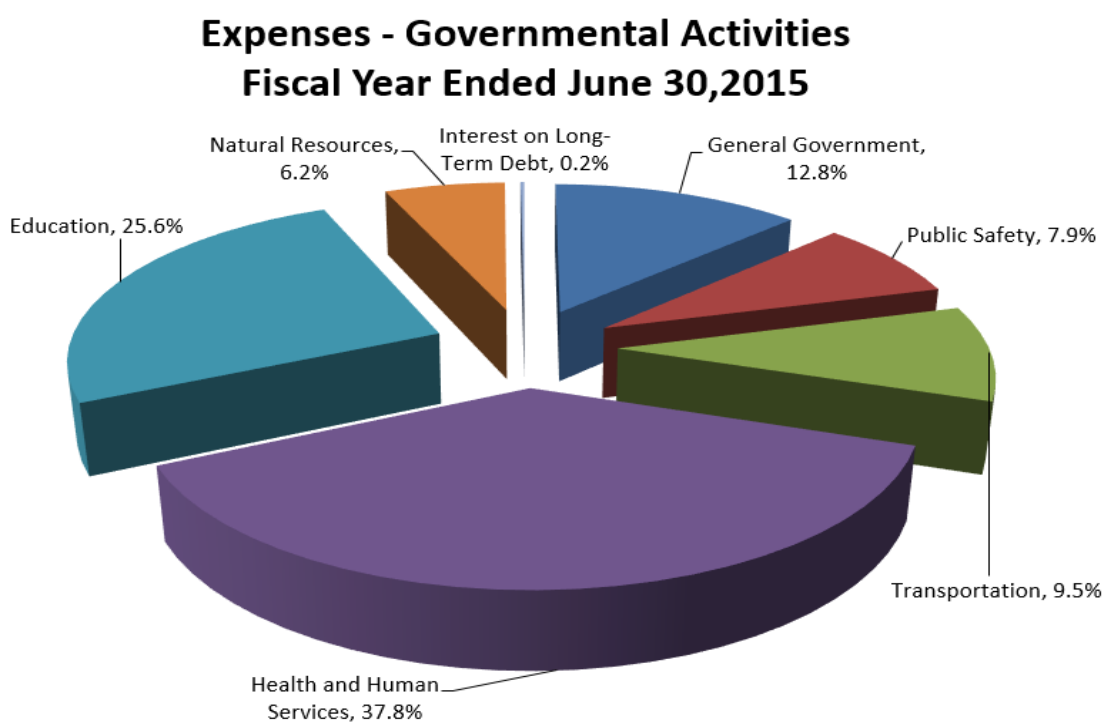
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues						
Charges for services	$ 578,819	$ 582,847	$ 426,471	$ 414,398	$ 1,005,290	$ 997,245
Operating grants	1,823,987	1,885,537	64,982	50,751	1,888,969	1,936,288
Capital grants	460,814	470,860	623	942	461,437	471,802
General revenues						
Taxes	2,347,845	2,430,175	25,148	26,440	2,372,993	2,456,615
Other	147,524	94,653	1,436	3,157	148,960	97,810
Total revenues	5,358,989	5,464,072	518,660	495,688	5,877,649	5,959,760
Expenses:						
General government	1,009,121	655,878			1,009,121	655,878
Public safety	156,256	403,407			156,256	403,407
Transportation	461,358	483,943			461,358	483,943
Health and human services	1,880,505	1,936,701			1,880,505	1,936,701
Education	1,262,069	1,306,740			1,262,069	1,306,740
Natural resources	254,414	316,834			254,414	316,834
Interest on long-term debt	10,760	9,124			10,760	9,124
Unemployment Insurance			136,174	112,952	136,174	112,952
Liquor Stores			74,917	78,700	74,917	78,700
State Lottery			41,310	41,088	41,310	41,088
Economic Dev Bonds			2,564	988	2,564	988
Hail Insurance			15,163	8,304	15,163	8,304
Gen Govt Services			63,787	68,678	63,787	68,678
Prison Funds			7,223	6,464	7,223	6,464
MUS Group Insurance			80,639	86,539	80,639	86,539
MUS Workers Comp			3,199	4,128	3,199	4,128
Total expenses	5,034,483	5,112,627	424,976	407,841	5,459,459	5,520,468
Increase (decrease) in net position before transfers	324,506	351,445	93,684	87,847	418,190	439,292
Transfers	47,863	50,017	(47,863)	(50,017)	-	-
Change in net position	372,369	401,462	45,821	37,830	418,190	439,292
Net position, beg of year (as restated)	8,269,311	7,053,056	284,382	318,446	8,553,693	7,371,502
Net position, end of year	$8,641,680	$7,454,518	$ 330,203	$ 356,276	$8,971,883	$7,810,794

Governmental Activities

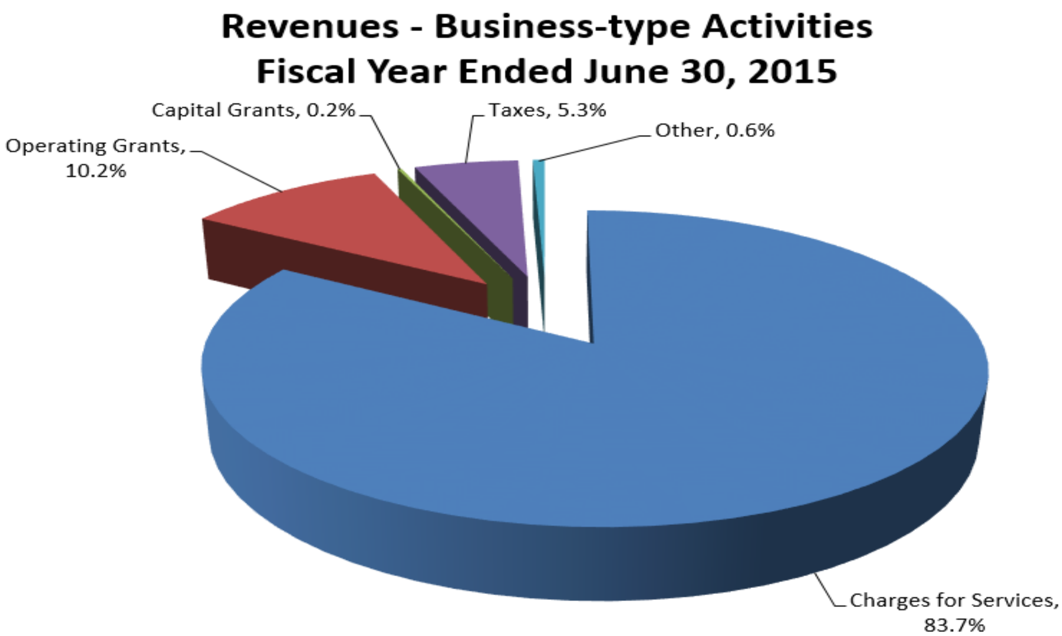
The following chart depicts revenues of the governmental activities for the fiscal year:



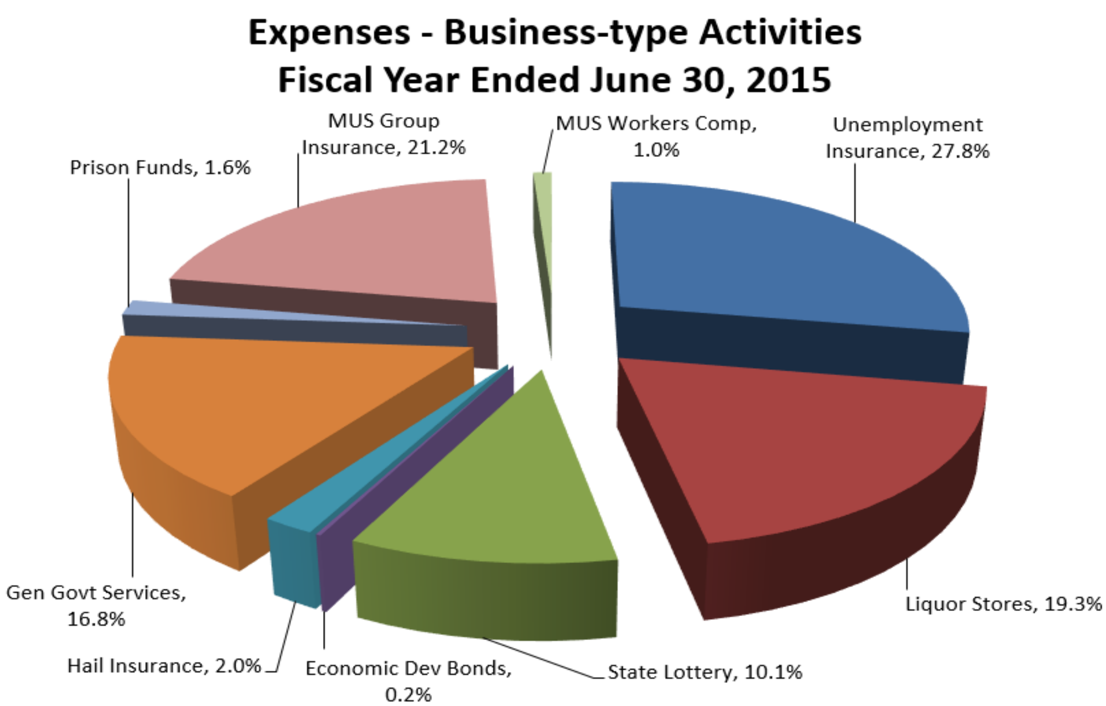
The following chart depicts expenses of the governmental activities for the fiscal year:



Business-type Activities
The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of $4.2 billion. Of this total, $2.7 billion (64%) constitutes spendable fund balance and $1.5 billion (36%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2015, the total fund balance of the General Fund was reported at approximately $471 million. Of this balance $5 million is nonspendable. The remaining $466 million is spendable with $86 million assigned and $380 million unassigned. This represents 17% of the $2.7 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $75 million pertains to the projected general fund spend down of fund balance in fiscal year 2016 and $11 million relates to outstanding encumbrances at the end of the fiscal year. Further detail on the breakdown of fund balance for the general fund is provided in Note 14 – Major Purpose Presentation.

Unassigned fund balance increased by $36 million when compared to the previously reported fund balance of $344 million. Changes in both expenditures and revenues are discussed in detail below. The 2013 legislative session projected $300 million of unassigned fund balance for fiscal year 2015, without regard to an additional fund balance amount reported regarding the projected spend down in fiscal year 2016. The difference was primarily the result of higher than anticipated revenues in fiscal year 2015, and a larger than anticipated beginning fund balance for the 2015 biennium.

Higher General Fund Revenues – Total General Fund revenues were $2.1 billion for fiscal year 2015, a negligible difference from the $2.0 billion reported in 2014, which slightly exceeded the 2015 legislative estimation. Fiscal year 2015 tax revenue increased by 7% in total over 2014, with natural resource collections down 25%, and individual and corporate income taxes up 12% and 16%, respectively.

Higher General Fund Expenditures – General Fund expenditures for fiscal year 2015 increased by $80.1 million (4%). This increase in expenditures occurred primarily in the general government, public safety, and education functions. General government expenditures increased by $22.6 million (7%) in 2015. Public safety expenditures increased by $10.0 million (4%) in 2015. Education expenditures increased by $48.3 million (5%) in 2015. Natural resources expenditures increased by $0.5 million (2%) in 2015.

Transfers out decreased by $104.0 million (63%) to $60.3 million in 2015; the bulk of the decrease is due to 2014 transfer outs related to the long-range building and information technology programs, and fire suppression activities that were specific to the fiscal year 2014 budget.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule, within the Required Supplementary Information section of this report. The level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2015, general fund appropriations that reverted to 2016 were $32.4 million.

The Department of Public Health and Human Services had unspent appropriations of $14.1 million for fiscal year 2015. The vast majority of this unspent amount was attributable to Medicaid and other benefits.

The Department of Administration had unspent appropriations of $4.7 million for fiscal year 2015. The largest portion of this unspent amount is attributable to general fund (statutory authority) being less than budgeted in regard to pension contributions.

The Legislative Branch had unspent appropriations of $3.0 million for fiscal year 2015. The principle cause of this unspent amount is attributable to unspent operations costs.

The State Auditor's Office had unspent appropriations of $2.3 million for fiscal year 2015, which primarily related to Insure Montana payments.

The remaining unspent appropriation of $8.3 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund
At the end of the current fiscal year, the fund balance of the State Special Revenue Fund was $1.6 billion. The fund balance increased from fiscal year 2014 by $26.7 million (or 2%). Total revenues and expenditures decreased by $29.0 million (3%) and $22.8 million (2%), respectively, for fiscal year 2015. Transfers in decreased by $29.2 million (13%) in 2015 as the 2014 fire suppression transfer from the general fund was specific to fiscal year 2014 (discussed previously). Bond proceeds increased 109% in fiscal year 2015 to $24.4 million, as more bonds were issued in 2015 than 2014.

Federal Special Revenue Fund
Fund balance in the Federal Special Revenue Fund decreased by $3.6 million (24%) to $11.2 million. Revenues increased by $51.3 million (2%), expenditures increased by $30.8 million (1%), transfers in decreased by $2.2 million (44%), and transfers out increased by $9.4 million (22%). For the 2015 fiscal year, the net effect of the fund's activities resulted in the overall decrease in fund balance. Programs, such as Guaranteed Student Loan, Livestock Shell/Egg and some within the Fish Wildlife and Parks and Crime Control agencies, are allowed to carry assets in their federal entities, which creates a normal overall positive balance for the fund as a whole.

Coal Severance Tax Permanent Fund
The fund balance of the Coal Severance Tax Permanent Fund increased by $23.6 million to $1,035 million, an increase of 2%. Total revenue decreased by $18.6 million (or 23%) to $62.6 million, primarily due to a decrease of $19.9 million in investment earnings from 2014.

Land Grant Permanent Fund
Fund balance in the Land Grant Permanent Fund increased by $29.2 million to $667.7 million, a 5% increase. Within this fund, investment earnings and rent/lease/royalties income decreased by $14.4 million (42%) and $9.8 million (13%), respectively. Transfers out decreased by $1.6 million (2%). Capital outlay expenditures increased by $1.0 million in 2015, as no major land purchases were completed during 2014.

Unemployment Insurance Enterprise Fund
Net position restricted for unemployment compensation increased by $51.9 million or 23%. The increase in net position reflects the continued impact of low unemployment throughout fiscal year 2015 accompanied by an increase in the taxable wage base from $29,000 to $29,500 in 2015. Overall unemployment fell from 4.6% in July 2014, to 4.0% in July 2015.

Economic Development Bonds Enterprise Fund
Net position decreased by 5% to $5.1 million in fiscal year 2015. Revenues from investment earnings and financing increased $52 thousand and $83 thousand, respectively. Total operating expenses decreased by $1.6 million (61%), primarily due to a $1.5 million decrease in interest expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2015, amounted to $7.7 billion, with related accumulated depreciation of $2.2 billion, leaving a net book value of $5.5 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was $0.3 billion or 6% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration

Montana receives excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA) and Fitch Ratings (AA+).

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature, or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt increased from $127.8 million at June 30, 2014 to $134.8 million at June 30, 2015. There is cash available, of $4.0 million at fiscal year-end 2015, in debt service funds to service general obligation debt, leaving a balance of $130.8 million in net general obligation debt outstanding.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount *(in thousands)*	Percentage of Personal Income (1)	State Debt Per Capita (2)
General obligation debt	$134,795	0.29%	$117
Total State debt	$255,719	0.60%	$259

(1) Based on personal income for calendar year 2015.
(2) Based on estimated 2015 Montana population.

More detailed information regarding the State's long-term obligations is presented in Note 11 of the notes to the financial statements and in the statistical tables.

ECONOMIC CONDITION AND OUTLOOK

Montana's primary economic base remains concentrated in agriculture, mining, manufacturing, and nonresident travel. Montana had the 21st fastest personal income growth among states in 2014. Montana's unemployment rate has continued to remain lower than the national rate since 2011. Montana added roughly 6,237 jobs in 2014, for a growth rate of 1.3%, which is faster than the national growth rate of 1.0%. Montana had approximately 456,400 people employed in nonfarm non-adjusted jobs in September 2015, as compared to 453,700 in September 2014. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

The 64th Legislative Session adjourned in late April 2015. Upon adjournment, it was anticipated that 2017 biennium general fund revenue collections would be approximately $4,618 million while general fund expenditures would be approximately $4,668 million. At the end of fiscal year 2017, the estimated general fund balance would be approximately $315 million.

The 2017 biennium budget seeks to leave sufficient reserves in fund balance and achieve structural balance for the general fund budget.

The following are the major financial highlights of the 2017 biennium budget:

1. Governor Bullock proposed, and the 2015 Legislature adopted, legislation to fund a Montana-made solution to Medicaid Expansion under the provisions of the Affordable Care Act (ACA). Montana's expansion model will contract with a third party administrator to manage and secure a healthcare network to provide health services to eligible Montana citizens. Medicaid expansion in Montana was approved by the Centers for Medicare and Medicaid Services and was implemented effective January 1, 2016. Federal funding will finance the majority of the expansion effort for the entirety of the 2017 biennium.

2. Governor Bullock proposed, and the 2015 Legislature funded, a 2% rate increase per year for most private and community-based providers of health care and corrections-based services on behalf of the State of Montana.

3. Governor Bullock negotiated with the Montana University System, and the Montana Legislature passed, funding to secure a tuition freeze for Montana resident students attending institutions of higher education in Montana. Additionally, the Montana University System received a one-time-only appropriation of $15 million to serve as funds to leverage university-based research into strategic investments for Montana's economy.

4. The 2015 Legislature passed Senate Bill (SB) 157, which changes the reappraisal of class 3 and class 4 property from a six-year reappraisal cycle to a two-year reappraisal cycle.

5. The Governor proposed, and the 2015 Legislature passed SB 262, which ratifies water rights between the state and the Confederated Salish and Kootenai Tribes of the Flathead Reservation. If ratified by the US Congress, the state contribution is estimated to be $55 million, payable over several fiscal years.

6. The Governor proposed, and the 2015 Legislature funded, a one-time-only appropriation for a sage grouse conservation fund at $10 million for the 2017 biennium that was a major consideration in preventing listing on the endangered species list. Through competitive funding, the fund facilitates free-market mechanisms for voluntary, incentive-based conservation efforts.

7. The 2017 biennium present law budget generally funds existing core services (i.e. health and human services, corrections, and education) at estimated caseload, population, and enrollment levels.

The Montana Constitution, Article VIII, Section 15 states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. As of June 30, 2015, the Sheriffs' Retirement System (SRS), Game Warden & Peace Officers' Retirement System (GWPORS), and Public Employees' Retirement Benefit Defined Contribution Disability Other Post Employment Benefit (PERS-DCRP Disability) plans were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in less than 30 years as of fiscal year-end 2015.

The actuarial condition of these plans are disclosed in greater detail in Notes 6 and 7 of the notes to the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, State Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 1,477,581	$ 365,648	$ 1,843,229	$ 366,221
Receivables (net) (Note 4)	379,161	45,400	424,561	147,375
Due from primary government	-	-	-	1,494
Due from other governments	242,357	194	242,551	23,287
Due from component units	1,111	2,223	3,334	69
Internal balances	3,082	(3,082)	-	-
Inventories	27,815	5,879	33,694	5,698
Advances to component units	17,718	14,957	32,675	-
Long-term loans/notes receivable	391,969	42,377	434,346	482,553
Equity in pooled investments (Note 3)	2,209,235	29	2,209,264	47,219
Investments (Note 3)	324,967	36,697	361,664	2,079,873
Securities lending collateral (Note 3)	111,709	3,316	115,025	94,054
Pension asset (Note 6)	32,591	-	32,591	-
Other assets	11,167	1,842	13,009	75,248
Depreciable capital assets and infrastructure, net (Note 5)	3,622,201	8,395	3,630,596	711,738
Land and nondepreciable capital assets (Note 5)	1,870,071	7,055	1,877,126	92,691
Total assets	10,722,735	530,930	11,253,665	4,127,520
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	188,437	897	189,334	46,010
LIABILITIES				
Accounts payable (Note 4)	557,884	22,000	579,884	86,769
Lottery prizes payable	-	3,283	3,283	-
Due to primary government	-	-	-	3,334
Due to other governments	33,383	85	33,468	17
Due to component units	1,494	-	1,494	69
Advances from primary government	-	-	-	32,675
Unearned revenue	33,176	1,913	35,089	73,529
Amounts held in custody for others	33,029	51	33,080	12,508
Securities lending liability (Note 3)	111,709	3,316	115,025	94,054
Other liabilities	3,064	-	3,064	22,702
Short-term debt (Note 11)	-	106,445	106,445	-
Long-term liabilities (Note 11):				
Due within one year	150,060	11,519	161,579	185,555
Due in more than one year	568,025	10,249	578,274	1,649,977
Pension liability (Note 6)	1,423,406	9,363	1,432,769	163,178
OPEB implicit rate subsidy (Note 7)	236,667	4,168	240,835	106,648
Total liabilities	3,151,897	172,392	3,324,289	2,431,015
DEFERRED INFLOWS OF RESOURCES (Note 4)	304,757	3,159	307,916	38,291

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 5,332,649	$ 14,616	$ 5,347,265	$ 539,989
Restricted for:				
General government	5,451	-	5,451	-
Transportation	20,296	-	20,296	-
Health and human services	5,731	-	5,731	-
Natural resources	452,577	-	452,577	-
Public safety	245,565	-	245,565	-
Education	11,819	-	11,819	-
Funds held as permanent investments:				
Nonexpendable	1,495,231	-	1,495,231	318,661
Expendable	527,495	-	527,495	-
Unemployment compensation	-	282,274	282,274	-
Montana Board of Housing	-	-	-	151,731
Other purposes	-	51,262	51,262	199,163
Unrestricted	(642,296)	8,124	(634,172)	494,680
Total net position	$ 7,454,518	$ 356,276	$ 7,810,794	$ 1,704,224

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	$ 655,878	$ 143,616	$ 166,713	$ -	$ (345,549)
Public safety	403,407	160,339	19,649	3,101	(220,318)
Transportation	483,943	36,122	51,608	457,244	61,031
Health and human services	1,936,701	35,795	1,333,777	-	(567,129)
Education	1,306,740	32,176	178,330	535	(1,095,699)
Natural resources	316,834	174,799	135,460	9,980	3,405
Interest on long-term debt	9,124	-	-	-	(9,124)
Total governmental activities	5,112,627	582,847	1,885,537	470,860	(2,173,383)
Business-type activities:					
Unemployment Insurance	112,952	151,806	13,014	-	51,868
Liquor Stores	78,700	89,286	-	-	10,586
State Lottery	41,088	52,341	4	-	11,257
Economic Development Bonds	989	30	945	-	(14)
Hail Insurance	8,304	6,278	1	-	(2,025)
General Government Services	68,677	29,197	36,681	940	(1,859)
Prison Funds	6,464	7,953	-	2	1,491
MUS Group Insurance	86,539	72,904	83	-	(13,552)
MUS Workers Compensation	4,128	4,603	23	-	498
Total business-type activities	407,841	414,398	50,751	942	58,250
Total primary government	$ 5,520,468	$ 997,245	$ 1,936,288	$ 471,802	$ (2,115,133)
Component units:					
Montana Board of Housing	$ 24,577	$ 1,186	$ 24,752	$ -	$ 1,361
Facility Finance Authority	377	890	38	-	551
Montana State Fund	151,660	164,557	-	-	12,897
Montana State University	527,197	245,341	161,804	1,873	(118,179)
University of Montana	427,096	184,166	152,704	5,393	(84,833)
Total component units	$ 1,130,907	$ 596,140	$ 339,298	$ 7,266	$ (188,203)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,173,383)	$ 58,250	$ (2,115,133)	$ (188,203)
General revenues:				
Taxes:				
Property	261,532	-	261,532	-
Fuel	226,892	-	226,892	-
Natural resource	257,634	-	257,634	-
Individual income	1,151,329	-	1,151,329	-
Corporate income	174,112	-	174,112	-
Other (Note 1)	358,676	26,440	385,116	-
Unrestricted grants and contributions	15,101	1,777	16,878	55
Settlements	29,109	-	29,109	-
Unrestricted investment earnings	44,028	520	44,548	47,565
Payment from State of Montana	-	-	-	224,171
Gain (loss) on sale of capital assets	2,067	142	2,209	74
Miscellaneous	4,348	718	5,066	188
Contributions to term and permanent endowments	-	-	-	18,601
Transfers	50,017	(50,017)	-	-
Total general revenues, contributions, and transfers	2,574,845	(20,420)	2,554,425	290,654
Change in net position	401,462	37,830	439,292	102,451
Total net position - July 1 - as previously reported	8,641,680	330,203	8,971,883	1,736,628
Adjustments to beginning net position (Note 2)	(1,588,624)	(11,757)	(1,600,381)	(134,855)
Total net position - July 1 - as restated	7,053,056	318,446	7,371,502	1,601,773
Total net position - June 30	$ 7,454,518	$ 356,276	$ 7,810,794	$ 1,704,224

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for all governmental financial resources, except for those required to be accounted for in another fund.

State Special Revenue Fund

This fund accounts for all activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

Federal Special Revenue Fund

This fund accounts for activities funded from federal sources used in the operation of state government.

Coal Severance Tax Fund

This fund, created by Article IX, Section 5, of the Montana Constitution and administered by the Department of Revenue, receives 50% of all coal tax collections. The principal can be expended only upon affirmative vote by three-fourths of each house of the Legislature.

Land Grant Fund

This fund is used by the Department of Natural Resources and Conservation to account for lands granted to the State for support of public schools and state institutions.

Nonmajor Funds

Nonmajor governmental funds are presented in more detail, by fund type, within the Supplementary Information section.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 513,223	$ 678,225	$ 59,037
Receivables (net)	252,363	82,860	22,708
Interfund loans receivable (Note 12)	69,222	66,162	-
Due from other governments	12,338	1,137	228,874
Due from other funds (Note 12)	31,369	8,438	57
Due from component units	5	981	27
Inventories	2,514	22,624	-
Equity in pooled investments (Note 3)	-	386,625	-
Long-term loans/notes receivable	10	364,683	5,344
Advances to other funds (Note 12)	807	26,194	-
Advances to component units	-	9,714	-
Investments (Note 3)	15,232	134,162	5,432
Securities lending collateral (Note 3)	-	30,522	1,161
Other assets	3,114	6,555	182
Total assets	900,197	1,818,882	322,822
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	245,158	114,725	147,341
Interfund loans payable (Note 12)	-	21,384	112,120
Due to other governments	191	30,354	2,838
Due to other funds (Note 12)	135	18,095	-
Due to component units	31,239	386	1,008
Advances from other funds (Note 12)	-	12,350	19,796
Unearned revenue	2,945	25,949	8,411
Amounts held in custody for others	20,322	12,533	20
Securities lending liability (Note 3)	-	30,522	1,161
Other liabilities	-	415	-
Total liabilities	299,990	266,713	292,695
DEFERRED INFLOWS OF RESOURCES	128,873	1,774	18,953
Fund balances (Note 14):			
Nonspendable	4,668	23,506	95
Restricted	-	1,024,836	11,079
Committed	-	501,161	-
Assigned	86,230	892	-
Unassigned	380,436	-	-
Total fund balances	471,334	1,550,395	11,174
Total liabilities, deferred inflows of resources, and fund balances	$ 900,197	$ 1,818,882	$ 322,822

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ 46,709	$ 6,588	$ 99,812	$ 1,403,594
9,766	1,832	6,422	375,951
-	-	-	135,384
-	-	-	242,349
-	-	2,144	42,008
98	-	-	1,111
-	-	-	25,138
845,374	659,462	317,774	2,209,235
-	-	21,932	391,969
-	-	10,256	37,257
8,004	-	-	17,718
126,375	-	7,254	288,455
35,947	27,959	13,652	109,241
-	-	-	9,851
1,072,273	695,841	479,246	5,289,261
-	-	1,317	508,541
1,437	-	310	135,251
-	-	-	33,383
36	-	520	18,786
-	-	-	32,633
-	-	11,020	43,166
-	-	-	37,305
-	152	-	33,027
35,947	27,959	13,652	109,241
-	-	-	415
37,420	28,111	26,819	951,748
-	-	433	150,033
527,939	667,730	297,715	1,521,653
-	-	27,431	1,063,346
506,914	-	121,780	1,129,855
-	-	5,068	92,190
-	-	-	380,436
1,034,853	667,730	451,994	4,187,480
$ 1,072,273	$ 695,841	$ 479,246	$ 5,289,261

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(amounts expressed in thousands)

	Total Governmental Fund	(A) Internal Service Fund	(B) Capital Assets Balances	(C) Debt Related Balances	(D) Other Measurement Focus	(E) Internal Balances Elimination	Statement of Net Position Totals
ASSETS							
Cash and cash equivalent	$ 1,403,594	$ 73,987	$ -	$ -	$ -	$ -	$ 1,477,581
Receivables	375,951	3,076	-	-	134	-	379,161
Interfund loans receivable	135,384	-	-	-	-	(135,384)	-
Due from other governments	242,349	8	-	-	-	-	242,357
Due from other funds	42,008	37	-	-	-	(42,045)	-
Due from component units	1,111	-	-	-	-	-	1,111
Inventories	25,138	2,677	-	-	-	-	27,815
Internal balances	-	-	-	-	-	3,082	3,082
Equity in pooled investments	2,209,235	-	-	-	-	-	2,209,235
Securities lending collateral	109,241	2,468	-	-	-	-	111,709
Advances to other funds	37,257	160	-	-	-	(37,417)	-
Advances to component units	17,718	-	-	-	-	-	17,718
Investments	288,455	36,512	-	-	-	-	324,967
Depreciable capital assets and infrastructure, net	-	91,021	3,531,180	-	-	-	3,622,201
Land and nondepreciable capital assets	-	6,332	1,863,739	-	-	-	1,870,071
Long-term loans/notes receivable	391,969	-	-	-	-	-	391,969
Pension asset	-	-	-	-	32,591	-	32,591
Other assets	9,851	1,236	-	-	80	-	11,167
Total assets	$ 5,289,261	$ 217,514	$ 5,394,919	$ -	$ 32,805	$ (211,764)	$ 10,722,735
DEFERRED OUTFLOWS OF RESOURCES	-	3,498	-	184,939	-	-	188,437
LIABILITIES							
Current liabilities:							
Accounts payable	508,541	15,084	-	-	34,259	-	557,884
Interfund loans payable	135,251	133	-	-	-	(135,384)	-
Due to other government	33,383	-	-	-	-	-	33,383
Due to other funds	18,786	1,166	-	-	513	(20,465)	-
Due to component units	32,633	-	-	-	(31,139)	-	1,494
Advances from other funds	43,166	3,737	-	-	9,012	(55,915)	-
Unearned revenue	37,305	1,868	-	-	(5,997)	-	33,176
Amounts held in custody for others	33,027	2	-	-	-	-	33,029
Securities lending liability	109,241	2,468	-	-	-	-	111,709
Other current liabilities	415	-	-	-	2,649	-	3,064
Long-term liabilities:							
Due within one year	-	26,488	-	123,572	-	-	150,060
Due in more than one year	-	16,734	-	551,291	-	-	568,025
Pension liability	-	38,816	-	1,384,590	-	-	1,423,406
OPEB implicit rate subsidy	-	13,384	-	223,283	-	-	236,667
Total liabilities	$ 951,748	$ 119,880	$ -	$ 2,282,736	$ 9,297	$ (211,764)	$ 3,151,897
DEFERRED INFLOWS OF RESOURCES	150,033	10,036	-	294,721	(150,033)	-	304,757
NET POSITION:							
Net investment in capital assets	-	92,125	5,394,919	(154,395)	-	-	5,332,649
Restricted for:							
General government	6,586	-	-	(1,148)	13	-	5,451
Transportation	47,750	-	-	(27,177)	(277)	-	20,296
Health and human services	22,814	-	-	(7,369)	(9,714)	-	5,731
Natural resources	716,294	-	-	(281,833)	18,116	-	452,577
Public safety	252,006	-	-	(29,982)	23,541	-	245,565
Education	17,896	-	-	(2,247)	(3,830)	-	11,819
Funds held as permanent investments:							
Nonexpendable	1,493,893	-	-	-	1,338	-	1,495,231
Expendable	-	-	-	-	527,495	-	527,495
Unrestricted	1,630,241	(1,029)	-	(1,888,367)	(383,141)	-	(642,296)
Total net position	$ 4,187,480	$ 91,096	$ 5,394,919	$ (2,392,518)	$ 173,541	$ -	$ 7,454,518

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

Differences between the Balance Sheet-Governmental Funds and Governmental Activities on the Government-Wide Statement of Net Position

(A) Internal Services funds: Management uses Internal Services funds (ISF) to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets, liabilities and the net position of the ISF are included in the governmental activities on the government-wide Statement of Net Position. ISF are reported using proprietary fund-type accounting in the fund-level financial statements. A list of ISF can be found in the respective Supplementary Information section.

(B) Capital assets balances: Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund level financial statements. However, capital assets are economic resources and are reported in the Statement of Net Position.

(C) Debt related balances: Long-term liabilities such as leases, bonds, notes, mortgages, and certificate of participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund–level financial statements. However, from an economic perspective these liabilities reduce net position and are reported in the Statement of Net Position. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term liabilities balance is related to pension liability, pollution remediation, bonds/notes payable, and OPEB implicit rate subsidy.

(D) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to Fiduciary funds are reported on the fund-level Balance Sheet-Governmental funds as due from/to other funds. On the Statement of Net Position, these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as unavailable revenue within the deferred inflows of resources on the fund-level Balance Sheet-Governmental funds. From an economic perspective, this revenue is earned and the related unearned revenue is removed from the Statement of Net Position when the revenue is recognized on the Statement of Activities.

(E) Internal balances: All interfund activities such as interfund loan receivable/payables, due from/due to and advances to/from other fund balances shown on the fund-level Balance Sheet–Governmental Funds are reported as internal balances on the Statement of Net Position. Per GAAP these balances should be eliminated from the Statement of Net Position to avoid double counting.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	$ 122,946	$ 195,172	$ -
Taxes:			
Natural resource	116,169	101,316	-
Individual income	1,158,636	-	-
Corporate income	171,836	3	-
Property	247,365	14,167	-
Fuel	-	226,892	-
Other	225,392	131,500	-
Charges for services/fines/forfeits/settlements	37,701	98,281	35,039
Investment earnings	3,650	17,435	303
Securities lending income	88	209	5
Sale of documents/merchandise/property	368	5,803	2
Rentals/leases/royalties	18	917	14
Contributions/premiums	-	24,105	-
Grants/contracts/donations	9,777	20,264	(51)
Federal	27,784	11,107	2,112,272
Federal indirect cost recoveries	204	41,186	71,524
Other revenues	479	2,688	583
Total revenues	2,122,413	891,045	2,219,691
EXPENDITURES			
Current:			
General government	350,877	221,453	102,206
Public safety	291,093	93,298	10,659
Transportation	-	226,645	113,798
Health and human services	446,541	158,040	1,320,150
Education	985,103	109,312	206,692
Natural resources	32,582	184,773	65,787
Debt service:			
Principal retirement	17	560	13
Interest/fiscal charges	184	672	8
Capital outlay	2,761	68,304	348,923
Securities lending	10	38	1
Total expenditures	2,109,168	1,063,095	2,168,237
Excess of revenue over (under) expenditures	13,245	(172,050)	51,454
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	29	300	15
Insurance proceeds	-	2,586	-
General capital asset sale proceeds	130	1,898	11
Refunding bond issued	-	-	-
Payment to refunding bond escrow agent	-	-	-
Bond premium	-	2,897	-
Bond proceeds	-	24,365	-
Energy conservation loans	-	2,120	-
Transfers in (Note 12)	78,070	187,417	2,816
Transfers out (Note 12)	(60,274)	(34,142)	(51,443)
Total other financing sources (uses)	17,955	187,441	(48,601)
Net change in fund balances	31,200	15,391	2,853
Fund balances - July 1 - as previously reported	442,476	1,523,740	14,739
Adjustments to beginning fund balances (Note 2)	(2,500)	13,949	(6,418)
Fund balances - July 1 - as restated	439,976	1,537,689	8,321
Increase (decrease) in inventories	158	(2,685)	-
Fund balances - June 30	$ 471,334	$ 1,550,395	$ 11,174

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

PERMANENT COAL SEVERANCE TAX	PERMANENT LAND GRANT	NONMAJOR	TOTAL
$ -	$ 1,608	$ -	$ 319,726
30,718	-	9,535	257,738
-	-	-	1,158,636
-	-	-	171,839
-	-	-	261,532
-	-	-	226,892
-	-	1,753	358,645
-	-	12,236	183,257
31,531	20,261	17,385	90,565
337	260	121	1,020
-	15,559	4,445	26,177
-	65,805	-	66,754
-	-	-	24,105
-	58	-	30,048
-	-	-	2,151,163
-	-	-	112,914
-	-	-	3,750
62,586	103,551	45,475	5,444,761
-	-	2,296	676,832
-	-	511	395,561
-	-	-	340,443
-	-	1,237	1,925,968
-	-	9	1,301,116
-	5,647	2	288,791
-	-	33,398	33,988
-	-	10,482	11,346
-	1,000	23,952	444,940
72	57	26	204
72	6,704	71,913	5,419,189
62,514	96,847	(26,438)	25,572
-	-	-	344
-	-	-	2,586
-	1,645	5	3,689
-	-	38,150	38,150
-	-	(42,603)	(42,603)
-	-	4,233	7,130
-	-	-	24,365
-	-	-	2,120
914	534	54,337	324,088
(39,815)	(69,861)	(28,645)	(284,180)
(38,901)	(67,682)	25,477	75,689
23,613	29,165	(961)	101,261
1,011,240	638,565	452,614	4,083,374
-	-	341	5,372
1,011,240	638,565	452,955	4,088,746
-	-	-	(2,527)
$ 1,034,853	$ 667,730	$ 451,994	$ 4,187,480

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	Total Governmental Fund	(A) Internal Service Fund	(B) Capital Asset Related Items	(C) Long-term Debt Transactions	(D) Other Measurement Focus	Statement of Activities Total
REVENUES						
License/permits	$ 319,726	$ -	$ -	$ -	$ -	$ 319,726
Taxes:						
Natural resource	257,738	-	-	-	(104)	257,634
Individual income	1,158,636	-	-	-	(7,307)	1,151,329
Corporate income	171,839	-	-	-	2,273	174,112
Property	261,532	-	-	-	-	261,532
Fuel	226,892	-	-	-	-	226,892
Other	358,645	-	-	-	31	358,676
Charges for services/fines/forfeits/settlements	183,257	-	-	-	(10,646)	172,611
Investment earnings	90,565	680	-	-	(47,217)	44,028
Securities lending income	1,020	-	-	-	(1,020)	-
Sale of documents/merchandise/property	26,177	-	-	-	-	26,177
Rentals/leases/royalties	66,754	-	-	-	-	66,754
Contributions/premiums	24,105	-	-	-	-	24,105
Insurance proceeds	2,586	-	-	-	-	2,586
Gain (loss) on sale of capital assets	-	-	2,067	-	-	2,067
Operating grants and donations	30,048	1,049	-	-	68,375	99,472
Federal	2,151,163	-	-	-	(462,914)	1,688,249
Federal indirect cost recoveries	112,914	-	-	-	-	112,914
Capital grants and contributions	-	-	-	-	470,860	470,860
Other revenues	3,750	-	-	-	598	4,348
Total revenues	5,447,347	1,729	2,067	-	12,929	5,464,072
EXPENDITURES						
Current	4,928,711	18,465	189,456	-	(33,129)	5,103,503
Debt service:						
Principal	33,988	-	-	(33,988)	-	-
Interest/fiscal charges	11,346	93	-	(2,315)	-	9,124
Capital outlay	444,940	-	(444,940)	-	-	-
Securities lending	204	-	-	-	(204)	-
Total expenditures	5,419,189	18,558	(255,484)	(36,303)	(33,333)	5,112,627
Excess of revenue over (under) expenditures	28,158	(16,829)	257,551	36,303	46,262	351,445
OTHER FINANCING SOURCES (USES)						
Inception of lease/installment contract	344	-	-	(344)	-	-
General capital asset sale proceeds	3,689	(952)	(2,737)	-	-	-
Refunding bonds issued	38,150	-	-	(38,150)	-	-
Payment to refunding bond escrow agent	(42,603)	-	-	42,603	-	-
Bond premium	7,130	-	-	(7,130)	-	-
Bond proceeds	24,365	-	-	(24,365)	-	-
Energy conservation loans	2,120	-	-	(2,120)	-	-
Transfers	39,908	12,410	(2,301)	-	-	50,017
Total other financing sources (uses)	73,103	11,458	(5,038)	(29,506)	-	50,017
Net change in net position	$ 101,261	$ (5,371)	$ 252,513	$ 6,797	$ 46,262	$ 401,462

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

Differences between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Governmental Activities on the Government-Wide Statement of Activities

(A) Internal Service funds: Management uses the Internal Services funds (ISF) to report charges for and the costs of goods and services sold by state agencies solely within the state. ISF are intended to operate on the cost reimbursement basis and should break even each period. If an ISF makes a profit, the other funds of the state have been overcharged. If an ISF has an operating loss the other funds of the state have been undercharged. In order to show the true cost of services purchased from ISF, an adjustment is made that allocates the net revenue/expense of each ISF to the programs that purchased the services. Investment income, debt service, capital contributions, and transfers of the ISF are not allocated. A list of ISF can be found in the respective Supplementary Information section.

(B) Capital asset related items: The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental funds because they are not current financial resources. However, such donations increase net position and are reported on both the Statement of Net Position and Statement of Activities.
- Depreciation is not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds, but it is reported for the economic perspective on which the Statement of Activities is presented.
- Expenditures reported for capital outlay on the fund-level Statement of Revenues, Expenditures and changes in Fund Balances-Governmental funds are generally reported as a conversion of cash to a capital asset on the Statement of Net Position. They are not reported as expenses on the Statement of Activities.
- On the fund–level Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental funds all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the Statement of Activities the reported gain or loss on sale is based on the carrying value of the assets as well as the cash received.

(C) Long-term debt transactions: The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental funds. These payments are reported as reduction of lease, bonds and other debt liability balances on the Statement of Net Position and are not reported on the Statement of Activities.
- Amortization of debt premium/discount and gain/loss on refunding debts are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds, but are reported on the Statement of Activities.
- Lease proceeds, issuance of debt, and debt refunding proceeds are reported as other financing sources at the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds reported as liabilities on the Statement of Net Position and are not reported on the Statement of Activities.

(D) Other measurement focus adjustments include;

- Long-term taxes receivable and certain other long-term assets are offset by unavailable revenue and are not part of fund balance on the fund-level Balance Sheet-Governmental funds; however, from a full accrual perspective, changes in the fund–level unavailable revenue balances result in adjustments to revenue that are recognized and reported on the Statement of Activities.
- Expenditures that primarily benefit the present period are classified as current expenditures. In Governmental funds, capital outlays are included as part of the current expenditures for each functional activity within that fund.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Unemployment Insurance

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

Economic Development Bonds

The Economic Development Bonds Fund accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses, local governments, and state agencies in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Nonmajor Funds

Nonmajor Enterprise funds are presented in more detail within the Supplementary Information section.

Governmental Activities – Internal Service Funds

Internal Service funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. These funds are presented in more detail within the Supplementary Information section.

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	$ 279,756	$ 20,865	$ 65,027	$ 365,648	$ 73,987
Receivables (net)	4,338	14,132	26,930	45,400	3,076
Due from other governments	77	-	117	194	8
Due from other funds (Note 12)	-	1,852	-	1,852	37
Due from component units	-	2,223	-	2,223	-
Inventories	-	-	5,879	5,879	2,677
Short-term investments (Note 3)	-	3,132	-	3,132	-
Securities lending collateral (Note 3)	-	1	3,315	3,316	2,468
Other current assets	-	-	247	247	1,236
Total current assets	284,171	42,205	101,515	427,891	83,489
Noncurrent assets:					
Advances to other funds (Note 12)	-	9,646	-	9,646	160
Advances to component units	-	14,957	-	14,957	-
Long-term investments (Note 3)	-	5,127	28,466	33,593	36,512
Long-term notes/loans receivable	2,083	40,161	133	42,377	-
Other long-term assets	-	-	1,597	1,597	-
Capital assets (Note 5):					
Land	-	-	800	800	236
Land improvements	-	-	3,830	3,830	94
Buildings/improvements	-	-	7,514	7,514	3,944
Equipment	-	4	11,490	11,494	221,017
Infrastructure	-	-	1,164	1,164	-
Construction in progress	-	-	1,897	1,897	6,096
Intangible assets	-	-	184	184	1,679
Other capital assets	-	-	4,358	4,358	-
Less accumulated depreciation	-	(2)	(15,789)	(15,791)	(135,713)
Total capital assets	-	2	15,448	15,450	97,353
Total noncurrent assets	2,083	69,893	45,644	117,620	134,025
Total assets	286,254	112,098	147,159	545,511	217,514
DEFERRED OUTFLOWS OF RESOURCES	-	23	874	897	3,498

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	$ 3,980	$ 100	$ 17,920	$ 22,000	$ 15,084
Lottery prizes payable	-	-	2,134	2,134	-
Interfund loans payable (Note 12)	-	-	-	-	133
Due to other governments	-	-	85	85	-
Due to other funds (Note 12)	-	-	14,421	14,421	1,166
Unearned revenue	-	-	1,913	1,913	1,868
Lease/installment purchase payable (Note 10)	-	-	237	237	115
Short-term debt (Note 11)	-	106,445	-	106,445	-
Bonds/notes payable - net (Note 11)	-	-	-	-	346
Amounts held in custody for others	-	-	51	51	2
Securities lending liability (Note 3)	-	1	3,315	3,316	2,468
Estimated insurance claims (Note 8)	-	-	10,315	10,315	22,316
Compensated absences payable (Note 11)	-	30	937	967	3,711
Total current liabilities	3,980	106,576	51,328	161,884	47,209
Noncurrent liabilities:					
Lottery prizes payable	-	-	1,149	1,149	-
Advances from other funds (Note 12)	-	-	160	160	3,737
Lease/installment purchase payable (Note 10)	-	-	599	599	317
Bonds/notes payable - net (Note 11)	-	-	-	-	658
Estimated insurance claims (Note 8)	-	-	8,750	8,750	12,665
Compensated absences payable (Note 11)	-	28	872	900	3,094
Pension liability (Note 6)	-	245	9,118	9,363	38,816
OPEB implicit rate subsidy (Note 7)	-	69	4,099	4,168	13,384
Total noncurrent liabilities	-	342	24,747	25,089	72,671
Total liabilities	3,980	106,918	76,075	186,973	119,880
DEFERRED INFLOWS OF RESOURCES	-	63	3,096	3,159	10,036
NET POSITION					
Net investment in capital assets	-	2	14,614	14,616	92,125
Restricted for:					
Unemployment compensation	282,274	-	-	282,274	-
Other purposes	-	1,670	49,592	51,262	-
Unrestricted	-	3,468	4,656	8,124	(1,029)
Total net position	$ 282,274	$ 5,140	$ 68,862	$ 356,276	$ 91,096

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
Operating revenues:					
Charges for services	$ 35	$ 30	$ 159,039	$ 159,104	$ 137,877
Investment earnings	6,207	99	635	6,941	658
Securities lending income	-	-	13	13	30
Financing income	-	846	-	846	-
Contributions/premiums	151,771	-	103,135	254,906	157,898
Grants/contracts/donations	6,807	-	38,212	45,019	1,446
Other operating revenues	-	-	1,106	1,106	3,462
Total operating revenues	164,820	975	302,140	467,935	301,371
Operating expenses:					
Personal services	-	321	15,459	15,780	55,452
Contractual services	-	26	22,418	22,444	31,800
Supplies/materials	-	6	80,414	80,420	20,938
Benefits/claims	111,138	34	139,701	250,873	156,194
Depreciation	-	1	1,359	1,360	11,020
Amortization	-	-	63	63	891
Utilities/rent	-	48	1,471	1,519	15,730
Communications	-	7	1,260	1,267	13,226
Travel	-	4	320	324	532
Repairs/maintenance	-	-	769	769	12,083
Grants	-	-	50	50	463
Lottery prize payments	-	-	29,256	29,256	-
Securities lending expense	-	-	5	5	8
Arbitrage rebate tax	-	(4)	-	(4)	-
Interest expense	-	495	47	542	93
Other operating expenses	1,814	51	2,597	4,462	7,486
Total operating expenses	112,952	989	295,189	409,130	325,916
Operating income (loss)	51,868	(14)	6,951	58,805	(24,545)
Nonoperating revenues (expenses):					
Tax revenues	-	-	26,440	26,440	-
Non-employer pension revenue	-	7	230	237	1,049
Insurance proceeds	-	-	-	-	278
Gain (loss) on sale of capital assets	-	-	126	126	(953)
Federal indirect cost recoveries	-	-	-	-	6,388
Increase (decrease) value of livestock	-	-	1,304	1,304	-
Total nonoperating revenues (expenses)	-	7	28,100	28,107	6,762
Income (loss) before contributions and transfers	51,868	(7)	35,051	86,912	(17,783)
Capital contributions	-	-	935	935	2,566
Transfers in (Note 12)	-	-	106	106	11,259
Transfers out (Note 12)	-	-	(50,123)	(50,123)	(1,415)
Change in net position	51,868	(7)	(14,031)	37,830	(5,373)
Total net position - July 1 - as previously reported	230,406	5,438	94,359	330,203	141,644
Adjustments to beginning net position (Note 2)	-	(291)	(11,466)	(11,757)	(45,175)
Total net position - July 1 - as restated	230,406	5,147	82,893	318,446	96,469
Total net position - June 30	$ 282,274	$ 5,140	$ 68,862	$ 356,276	$ 91,096

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 155,075	$ 30	$ 264,595	$ 419,700	$ 295,840
Payments to suppliers for goods and services	(76)	(140)	(109,221)	(109,437)	(92,903)
Payments to employees	-	(343)	(15,730)	(16,073)	(59,547)
Grant receipts (expenses)	6,858	-	38,226	45,084	983
Cash payments for claims	(111,138)	-	(136,959)	(248,097)	(155,350)
Cash payments for prizes	-	-	(29,660)	(29,660)	-
Other operating revenues	-	7	1,105	1,112	9,850
Other operating payments	(1,814)	-	(2,601)	(4,415)	(7,485)
Net cash provided by (used for) operating activities	48,905	(446)	9,755	58,214	(8,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	-	-	26,440	26,440	-
Transfer to other funds	-	-	(50,128)	(50,128)	(1,416)
Transfer from other funds	-	-	219	219	11,259
Proceeds from interfund loans/advances	-	-	-	-	889
Payment of interfund loans and advances	(50)	-	(81)	(131)	-
Proceeds from bonds and notes	-	-	-	-	1,001
Payment of principal and interest on bonds and notes	-	(476)	(112)	(588)	(90)
Pension related payments	-	(40)	-	(40)	-
Proceeds from nonemployer pension contributions	-	-	228	228	1,049
Net cash provided by (used for) noncapital financing activities	(50)	(516)	(23,434)	(24,000)	12,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	278
Acquisition of capital assets	-	-	(401)	(401)	(12,211)
Proceeds from sale of capital assets	-	-	1,658	1,658	32
Net cash provided by (used for) capital and related financing activities	-	-	1,257	1,257	(11,901)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	(1,596)	5,252	3,656	8,350
Proceeds (loss) on sales or maturities of investments	-	1,571	-	1,571	-
Proceeds (loss) from securities lending transactions/investments	-	-	13	13	30
Interest and dividends on investments	6,207	101	635	6,943	658
Payment of securities lending costs	-	(5)	(5)	(10)	(8)
Collections of principal and interest on loans	-	25,592	-	25,592	-
Cash payment for loans	-	(28,210)	-	(28,210)	-
Net cash provided by (used for) investing activities	6,207	(2,547)	5,895	9,555	9,030
Net increase (decrease) in cash and cash equivalents	55,062	(3,509)	(6,527)	45,026	1,209
Cash and cash equivalents, July 1	224,694	24,374	71,554	320,622	72,778
Cash and cash equivalents, June 30	$ 279,756	$ 20,865	$ 65,027	$ 365,648	$ 73,987

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 51,868	$ (14)	$ 6,951	$ 58,805	$ (24,545)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	-	1	1,359	1,360	11,020
Amortization	-	-	63	63	891
Securities lending expense	-	-	5	5	8
Investment earnings	(6,207)	(99)	(635)	(6,941)	(658)
Securities lending income	-	(846)	(13)	(859)	(30)
Interest expense	-	495	47	542	93
Other Revenue	-	7	-	7	6,388
Arbitrage rebate tax	-	(4)	-	(4)	-
Change in assets, deferred outflow, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	3,268	-	1,518	4,786	(48)
Decr (Incr) in due from other funds	-	-	1	1	17
Decr (Incr) in due from other governments	51	-	64	115	-
Decr (Incr) in inventories	-	-	(2,025)	(2,025)	184
Decr (Incr) in other assets	-	-	900	900	95
Incr (Decr) in accounts payable	(58)	(1)	4,330	4,271	1,454
Incr (Decr) in due to other funds	-	(15)	229	214	242
Incr (Decr) in due to other governments	-	-	81	81	-
Incr (Decr) in lottery prizes payable	-	-	(404)	(404)	-
Incr (Decr) in unearned revenue	(17)	-	(5,052)	(5,069)	(181)
Incr (Decr) in compensated absences payable	-	(14)	197	183	345
Incr (Decr) in OPEB implicit rate subsidy	-	14	1,248	1,262	2,352
Incr (Decr) in estimated claims	-	-	1,313	1,313	(4,672)
Incr (Decr) in pension liability, deferred outflow and deferred inflows of resources	-	30	(422)	(392)	(1,567)
Net cash provided by (used for) operating activities	$ 48,905	$ (446)	$ 9,755	$ 58,214	$ (8,612)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	-	-	935	935	2,566
Incr (Decr) in fair value of investments	-	(25)	(25)	(50)	152
Total noncash transactions	$ -	$ (25)	$ 910	$ 885	$ 2,718

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trust Funds
These funds provide retirement, disability, death, and lump-sum payments to retirement system members.

Private-Purpose Trust Funds
These funds are used to account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments.

Investment Trust Fund
This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds
Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments.

Individual funds are presented in more detail, by fund type, within the Supplementary Information section.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	INVESTMENT TRUST	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 211,623	$ 134,513	$ 569,532	$ 17,695
Receivables (net):				
Accounts receivable	24,253	-	-	554
Interest	13,646	4	91	-
Due from primary government	31,139	-	-	-
Due from other PERB plans	924	-	-	-
Long-term loans/notes receivable	18	-	-	-
Total receivables	69,980	4	91	554
Investments at fair value:				
Equity in pooled investments (Note 3)	9,869,112	-	-	-
Other investments (Note 3)	587,372	140,474	4,933	1
Total investments	10,456,484	140,474	4,933	1
Securities lending collateral (Note 3)	384,131	50	1,328	-
Capital Assets:				
Land	35	-	-	-
Buildings/improvements	186	-	-	-
Equipment	301	-	-	-
Construction work in progress	4,684	-	-	-
Accumulated depreciation	(354)	-	-	-
Total capital assets	4,852	-	-	-
Other assets	-	35,165	-	443
Total assets	11,127,070	310,206	575,884	18,693
DEFERRED OUTFLOWS OF RESOURCES	86	-	-	-
LIABILITIES				
Accounts payable	2,342	16	91	525
Due to other PERB plans	924	-	-	-
Unearned revenue	127	-	-	-
Amounts held in custody for others	-	-	-	18,168
Securities lending liability (Note 3)	384,131	50	1,328	-
Compensated absences payable	641	-	-	-
Pension liability (Note 6)	1,030	-	-	-
OPEB implicit rate subsidy (Note 7)	866	-	-	-
Total liabilities	390,061	66	1,419	18,693
DEFERRED INFLOWS OF RESOURCES	268	-	-	-
NET POSITION				
Held in trust for pension benefits and other purposes	$ 10,736,827	$ 310,140	$ 574,465	$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS			
Contributions/premiums:			
Employer	$ 227,137	$ -	$ -
Employee	219,905	-	-
Other contributions	107,344	33,365	919,693
Net investment earnings:			
Investment earnings	522,491	(8,323)	637
Administrative investment expense	(56,483)	-	(153)
Securities lending income	2,460	-	2
Securities lending expense	(445)	-	-
Charges for services	358	-	-
Other additions	361	2,472	-
Total additions	1,023,128	27,514	920,179
DEDUCTIONS			
Benefits	730,427	-	-
Refunds	22,204	-	-
Distributions	-	31,898	835,598
Administrative expenses:			
Personal services	4,752	-	-
Contractual services	3,084	277	-
Supplies/materials	168	-	-
Depreciation	44	-	-
Utilities/rent	372	-	-
Communications	240	-	-
Travel	62	-	-
Repair/maintenance	49	-	-
Other operating expenses	255	-	-
Local assistance	11	-	-
Transfers to MUS-RP	125	-	-
Transfers to PERS-DCRP	1,252	-	-
Total deductions	763,045	32,175	835,598
Change in net position	260,083	(4,661)	84,581
Net position - July 1 - as previously reported	10,477,990	314,800	489,884
Adjustments to beginning net position (Note 2)	(1,246)	1	-
Net position - July 1 - as restated	10,476,744	314,801	489,884
Net position - June 30	$ 10,736,827	$ 310,140	$ 574,465

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State of Montana includes the funds which are comprised of the primary government and its component units. The component units are entities for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units
These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The component unit columns of the condensed financial statements include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units may be obtained at the following addresses:

Montana Board of Housing
301 South Park, Room 240
PO Box 200528
Helena, MT 59620-0528

Montana State Fund
855 Front Street
PO Box 4759
Helena, MT 59604-4759

Facilities Financial Authority
2401 Colonial Drive, 3rd Floor
PO Box 200506
Helena, MT 59620-0506

Universities and Colleges
Commissioner of Higher Education
2500 Broadway Street
Helena, MT 59620-3201

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor. It was created in 1975 to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income. The MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed $1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the State of Montana, Department of Commerce for administrative purposes only. The MBOH is audited annually by the State's Legislative Audit Division.

Facilities Finance Authority – This authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The authority assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. The authority issues revenue bonds to fulfill its purposes. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. This authority is attached to the State of Montana, Department of Commerce for administrative purposes only. Individual audit reports are issued every two years by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven member Board of Directors appointed by the Governor. The Board has full power, authority, and jurisdiction in the administration of MSF. MSF is attached to the State of Montana, Department of Administration for administrative purposes only.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF handles the administration of the claims of Montana State Fund and State of Montana (Old Fund) including: determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers worker's compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements. MSF is audited annually by the State's Legislative Audit Division.

Universities and Colleges – The State Board of Regents has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Tech of the University of Montana, University of Montana - Western and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund and Federal Special Revenue Fund.

Fiduciary Fund Component Units
Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers Retirement System	Public Employees' Retirement System
1500 East Sixth Avenue	100 North Park, Suite 200
PO Box 200139	PO Box 200131
Helena, MT 59620-0139	Helena, MT 59620-0131

Teachers Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump-sum payments to members of Montana's public teaching profession. The administrative costs of the Teachers Retirement System are paid from investment earnings of the fund. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The board is a discretely presented component unit. The plan is audited annually by the State's Legislative Audit Division.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers eleven separate plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; the Volunteer Firefighters' Compensation Act; and the State of Montana Deferred Compensation Program (457 Plan) retirement plans. The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members.

The Public Employees' Retirement System (PERS) includes the Public Employees' Defined Benefit Retirement Plan and the Public Employees' Defined Contribution Retirement Plan, and is funded by member and employer contributions, investment earnings and contributions from the State General Fund. The Judges' Retirement System is funded by member and state employer contributions, and investment earnings. The Highway Patrol Officers' Retirement System is funded by member and state employer contributions, state contributions, and investment earnings. The Sheriffs' Retirement System is funded by member and employer contributions, and investment earnings. The Game Wardens' and Peace Officers' Retirement System is funded by member and employer contributions, and investment earnings. The Municipal Police Officers' Retirement System is funded by member and employer contributions, State General Fund contributions, and investment earnings. The Firefighters' Unified Retirement System is funded by member and employer contributions, and investment earnings, as well as State General Fund contributions from a portion of insurance premium taxes collected by the State of Montana. The Volunteer Firefighters' Compensation Act is funded by state contributions, from the State General Fund, which are a percentage of fire insurance premium taxes collected. The State of Montana Deferred Compensation Program is funded by member contributions and investment earnings. The State and 41 non-state entity employers participate in the 457 Plan. The OPEB disability plan is funded through an employer contribution of 0.3% of a member's compensation. The PERS also accounts for the administrative costs, paid from investment earnings, of the plan. These costs are allocated out to all plans.

The PERB is a discretely presented component unit responsible for the eleven separate public employee plans, including the Deferred Compensation Program and Other Post Employment Benefit plan. These are reported as pension and other employee benefit trust funds. The board is audited annually by the State's Legislative Audit Division.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Fiduciary fund statements are reported only in the fund financial statements. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met. Agency funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

The State does not allocate indirect expenses to functions in the Statement of Activities.

Governmental Fund Financial Statements
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements
The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds
General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts funded from state resources are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a $79 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund, however per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a $15 million increase. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund.

Proprietary Funds
Enterprise Funds – To account for operations; (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds
To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans, defined contribution plans, other retirement plans such as firefighters, police officers, teachers etc., and other post employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6.

Private-Purpose Trust Funds –To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. Examples include the State's escheated property fund, unliquidated security bonds held on deposit from self-insured employers, environmental reclamation, and bonds held in trust.

Investment Trust Fund – To account for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds – To account for assets held by the State as an agent for individuals, private organizations, and other governments. For example, various agencies hold deposits pending compliance with performance agreements. Other examples include monies belonging to state institution residents and child support payments from parents.

Major Governmental Funds
The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Tax Trust Permanent Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds
The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

The Economic Development Bonds Fund (EDB) accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short-term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. For fiscal year 2015, certain investments in STIP were reclassified as long-term investments. Further detail related to Cash and Cash Equivalents and Investments is provided in Note 3.

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail relating to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, significant amounts of inventory are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Restricted Net Position

Certain investments of the Economic Development Bonds Enterprise Fund are classified as restricted net position on the Statement of Fund Net Position for proprietary funds because their use is limited by applicable bond indenture agreements. Net position associated with the Unemployment Insurance Fund is also classified as restricted.

I. Equity in Pooled Investments

The Montana Board of Investments manages the State's Unified Investment Program, which includes several internal investment pools. Participation in the pools is restricted to permanent funds, private-purpose trust funds, investment trust funds, pension trust funds, Montana University System Units, and specific funds established within the State Special Revenue Fund. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to Cash and Cash Equivalents and Investments is provided in Note 3.

J. Investments

In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Rule," the State of Montana invests in various types of securities for each portfolio it manages. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Most investments are reported at fair value in the Balance Sheet or Statement of Net Position. Further detail related to Cash and Cash Equivalents and Investments is provided in Note 3.

K. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure capital assets are capitalized and reported in the government-wide financial statements. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. Interest incurred during the construction of capital assets for proprietary funds and higher education units is capitalized. The State has chosen to use the depreciation approach for infrastructure assets and is reporting accumulated depreciation in the Statement of Net Position and depreciation expense in the Statement of Activities for these assets. Further detail related to Capital Assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate.

The capitalization limit for buildings and building/land improvements is $25,000. The capitalization threshold for infrastructure and internally-generated software is $500,000. The capitalization threshold for intangible assets is $100,000. The capitalization limit for other capital assets is set at $5,000. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

L. Deferred Outflows, Deferred Inflows, and Unearned Revenue

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, derivative investment and pension related components and are reported on both the government-wide and proprietary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue is recognized as a liability on government-wide, governmental and proprietary fund financial statements. Further detail related to Deferred Outflows of Resources and Deferred Inflows of Resources is provided in Note 4.

M. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund in the fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds. Further detail related to Leases/Installment Purchases Payable and State Debt is provided in Note 10 and Note 11, respectively.

N. Capital Leases

A capital lease is a lease which transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, in the government-wide, proprietary fund, and fiduciary fund financial statements, a capital asset and a capital lease liability are recorded at the present value of the future minimum lease payments. In the governmental fund financial statements no asset or liability is recorded related to assets under capital leases. Rather, in the governmental fund financial statements, at the inception of a capital lease, capital outlay expenditures and other financing sources (inception of lease/installment contract) are recorded at the net present value of the minimum lease payments. Further detail related to Capital Leases is provided in Note 10.

O. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the current period for governmental funds in the fund financial statements. Bond proceeds and bond premiums are reported as an other financing source, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to Long-term Debt is provided in Note 11.

P. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to 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. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. The adjusted ending balance of the pool for June 30, 2014, was 22,013 hours. For fiscal year 2015, 1,785 sick leave hours, 180 annual leave hours, and 3,181 excess annual leave hours were contributed to the sick leave pool, and 5,662 hours were withdrawn, leaving a balance of 21,497 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only in the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to Compensated Absences is provided in Note 11.

Q. Nonexchange Financial Guarantee

Governments may extend a financial guarantee for the obligations of another government, a nonprofit entity or a private entity without directly receiving equal to approximately equal value in exchange (a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. No material nonexchange financial guarantees were identified for the year ending June 30, 2015.

R. Fund Balance/Net Position

Fund Balance
The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable.

Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution and external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from state legislation if these constraints can be removed or changed by a similar action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. An example of an assignment is money deposited into an account within the State Special Revenue fund by management and later appropriated by the Legislature. The revenue source is not restricted or committed by legislation but is assigned by executive branch management and later appropriated by the Legislature for a specific purpose. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. Based on the Governor's budget proposal, the fiscal year ending June 30, 2015, the General

Fund balance will be spent down by $75 million when comparing the fiscal year 2015 actual to fiscal year 2016 enacted/proposed budget. This represents management's intention to fund supplementals and other one-time-only expenditures.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds, other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

Minimum General Fund - Fund Balance

The State does not maintain a stabilization fund. However, statute provides a minimum fund balance amount as follows: § 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance is in compliance with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by § 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on state debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Net Position

In funds other than governmental, net position represent the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of $3.1 billion.

S. Property Taxes

Real property taxes are normally levied in October and are normally payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

T. Other Taxes

On the Statement of Activities, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	State Special Revenue Fund	Other Governmental Funds	Business-Type	Total
Accommodations	$ 20,022	$ 27,543	$ -	$ 18	$ 47,583
Agriculture sales	-	7,946	-	-	7,946
Cigarette/tobacco	35,705	47,371	1,754	-	84,830
Contractors gross receipts	3,271	-	-	-	3,271
Energy tax	8,908	-	-	-	8,908
Fire protection	-	3,635	-	-	3,635
Insurance premium	66,536	29,171	-	-	95,707
Liquor tax	5,344	2,147	-	26,422	33,913
Livestock	-	4,468	-	-	4,468
Other taxes	7,864	5,976	-	-	13,840
Public service commission	-	3,264	-	-	3,264
Telephone license	17,945	-	-	-	17,945
Video gaming	59,799	7	-	-	59,806
Total other taxes	$225,394	$131,528	$1,754	$26,440	$385,116

U. Service Concession Arrangements

A Service Concession Arrangement (SCA) is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration, and the operator collects and is compensated by fees from a third party. No material service concession arrangements were identified for the year ending June 30, 2015.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2015, the State of Montana implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. GASB 68 replaces the requirements of GASB Statement No. 27 Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to pension plan obligations for both employers and nonemployer contributing entities. Additionally, GASB 68 defines the related note disclosures and required supplementary information requirements. Further detail, additional information and disclosures related to the implementation of this Statement are provided in Note 6 and in Required Supplementary Information.

For the year ended June 30, 2015, the State of Montana implemented the provisions of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan prior to the implementation of GASB 68.

B. Adjustments to Beginning Net Position

In accordance with GASB 68, Accounting and Financial Reporting for Pensions, the State of Montana, in addition to being an employer of pension plans, is also recognized as having a special funding situation as a nonemployer. Special funding situations are defined as circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan. This Statement requires an employer that has a special funding situation for defined benefit pensions to recognize a pension liability and deferred outflows of resources and deferred inflows of resources related to pensions with adjustments for the involvement of nonemployer contributing entities. As a result of the State's implementation of GASB 68 and GASB 71, as an employer and nonemployer contributing entity, a significant reduction of beginning net position has been reported in the amount of $ 1.564 billion. Further detail related to retirement plans is provided in Note 6 and in Required Supplementary Information.

C. Other Accounting Changes

The State of Montana (Old Fund) was previously reported as part of Montana State Fund, a component unit of the State of Montana. For the year ended June 30, 2015, Old Fund is reported within the governmental activities of the primary government. For the year ended June 30, 2014, a nonexchange financial guarantee was reported between Old Fund and the primary government, creating a liability within the governmental activities of the primary government for Old Fund estimated claims. This nonexchange financial guarantee was removed in fiscal year 2015 upon this reporting change. Therefore, there is no material financial impact on the June 30, 2015, primary government's governmental activities column of the government-wide financial statements. Further detail related to the financial impact of this change on Montana State Fund's financial statement presentation is provided in Note 18.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

Cash/cash equivalents	$ 3,142,812
Equity in pooled investments	$ 12,125,595
Investments	$ 3,174,312

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

The Board of Investments (BOI) was created by the Legislature to manage the Unified Investment Program established by the State Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities only invest in the Short Term Investment Pool (STIP) portion of the program. BOI manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Currently, only nine of the retirement funds and the Montana State Fund (Workers' Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither state law nor the State Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of BOI pursuant to the "Prudent Expert Principle."

To facilitate management of the Investment Program, BOI created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification not otherwise possible. Some Pools are dedicated solely to the state's nine retirement funds, while others are open to other state and local government funds. State agencies, ineligible to participate in a long-term investment pool, have direct fixed income, equity and loan investments. These investments are combined and reported as All Other Funds (AOF) Investments Managed. The Pools, AOF Investments Managed, Pool creation date and eligible participants are shown below:

Pool/Investments Managed Name	Creation Date	Eligible Participants
Retirement Funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Investment Pool (TFIP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds and Local Governments
All Other Funds (AOF) Investments Managed	NA	Non-Pool State Agency Investments

Separately issued external investment pool financial statements may be obtained by contacting:

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

(1) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, un-deposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. In addition to the State Treasurer's pooled cash account, there is the STIP maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed in a manner consistent with the SEC Rule 2a7. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, US government direct obligations, US government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value with a constant unit value of $1.00.

State agencies that are allowed to retain their interest earnings within their funds are required to invest in STIP. Local government participation in STIP is voluntary.

(2) Investment securities are reported by investment portfolio and type in Table 2–Cash Equivalents, Table 3–Equity in Pooled Investments, and Table 4–Investments. The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR), equity derivatives, and commingled funds. The MDEP portfolio is limited to domestic stock investments, while the MTIP portfolio includes holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges as depositary receipts. The MTIP portfolio invests in both developed and emerging markets. The MPEP portfolio includes venture capital, leveraged buyout, mezzanine, distressed debt, special situation, and secondary investments. The MTRP portfolio includes investments in private core, value-added, and opportunistic real estate. The State also invests in cash equivalents to provide a diversified investment portfolio and an overall competitive rate of return.

The value of stocks and bonds are recorded at both "book" and "fair" value. The book or carrying value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the "amortized" cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers' valuation reports. The book or carrying value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Asset Value are at "fair" value.

Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or “convert” the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer’s common stock. ADR investments are receipts issued by a US depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. Equity derivatives, such as futures and options, “derive” their value from underlying equity instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together to reduce management and administration costs. The investor buys shares in the fund.

MPEP investments are made via limited partnership agreements in which BOI and other institutional investors invest as limited partners in funds managed by a general partner. These investments are less liquid because the funds are usually committed for at least ten years. Due to the risk and illiquidity, these investments are limited to sophisticated investors only.

Real estate core investments are the least risky with the lowest return, and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through limited partnership agreements.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. US Government direct-backed securities include direct obligations of the US Treasury and obligations explicitly guaranteed by the US Government. US Government indirect-backed obligations include US Government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of US Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate securities pay a variable rate of interest until maturity. The STIP portfolio’s variable-rate securities reset to LIBOR (London Interbank Offered Rate).

BOI is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust, “the Bank”, to lend BOI’s securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank is required to maintain collateral equal to 102% of the fair value of domestic securities and 105% of the fair value of international securities while the securities are on loan. BOI and the Bank split the earnings, 80/20% respectively, on security lending activities. BOI retains all rights and risks of ownership during the loan period.

During fiscal year 2015, the Bank lent BOI public securities and received as collateral: US dollar cash; US Government and government sponsored agency securities; US corporate debt securities and structured securities rated AA-/Aa3 or higher; sovereign debt securities of the G10 nations; and debt securities issued by certain supranational agencies. The Bank does not have the ability to sell collateral securities unless the borrower defaults.

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2015. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower. There were no losses during fiscal year 2015 resulting from a borrower default.

During fiscal year 2015, BOI and the borrowers maintained the right to terminate all securities lending transactions on notice. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in two investment funds, Quality D Short Term Investment Fund and the Securities Lending Quality Trust. Each is comprised of a liquidity pool and a duration pool. Pension funds participate in the Quality D Short Term Investment Fund and non-pension entities participate in the Security Lending Quality Trust. In March 2015, the Board sold all of the holding within the duration pool of both the Quality D Short Term Investment Fund and the Security Lending Quality Trust, which resulted in a loss of $200 thousand and $26 thousand, respectively. Security lending income offset the entire amount of the loss within each investment fund. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. At fiscal year-end 2015, State Street Bank indemnified BOI's credit risk exposure to borrowers. The private equity and real estate pools do not participate in securities lending.

Average Duration and Average Weighted Final Maturity

	Quality D ST Investment Fund	Security Lending Quality Trust
Liquidity Pool		
Average Duration	28 days	30 days
Average Weighted Final Maturity	109 days	115 days
Duration Pool		
Average Duration	NA	NA
Average Weighted Final Maturity	NA	NA

(3) Investment risk disclosures are described in the following paragraphs and are identified by the specific pools or securities to which they pertain, when applicable.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of US Government securities, the pools' fixed income instruments have credit risk as measured by major credit rating services. BOI's policy requires TFIP fixed income investments to be invested in investment grade securities (Baa3/BBB- or higher) with the exception up to 10% of the pool which may be invested in below investment grade securities. Credit risk for the internal and external managers for the RFBP is as follows:

1. Core Internal Bond Pool (CIBP) – "Securities must be rated investment grade, or no lower than triple-B-minus, by two Nationally Recognized Statistical Rating Organizations (NRSRO) at the time of purchase with the exception of non-rated securities or guaranteed by agencies or instrumentalities of the U.S. government."
2. Reams Asset Management Company LLC – "At time of purchase, securities must be rated at least single-B by one major credit rating agency. At least 80% of portfolio holdings shall be rated investment grade by one major credit rating agency at time of purchase."
3. Aberdeen Asset Management Inc. formerly Artio Global Management LLC – "At time of purchase, securities must be rated at least double-B by one major credit rating agency. At least 80% of portfolio holdings shall be rated investment grade by one major credit rating agency at time of purchase."
4. Neuberger Berman Fixed Income LLC – "At time of purchase, securities must be rated at least triple-C by one major credit rating agency. Securities rated below single-B will be limited to 25% of portfolio value."
5. Post Advisory Group LLC – "At time of purchase, securities must be rated at least triple-C by one major credit rating agency. Securities rated below single-B will be limited to 25% of portfolio value."

As stated in the STIP Investment Policy, "the STIP portfolio will minimize credit risk by:

1. limiting investments to Permissible Securities on the Approved List
2. prequalifying the financial institutions, brokers/dealers, intermediaries and advisers with whom the STIP will conduct business; and
3. diversifying the portfolio so potential losses on individual securities will be minimized."

The US Government guarantees US Government securities directly or indirectly. Obligations of the US Government or obligations explicitly guaranteed by the US Government are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40. The Standard & Poor (S&P) rating service provides the credit ratings presented in the later tables. If an S&P rating is not available, a NRSRO rating is used.

Per the MDEP, RFBP, MPEP, MTRP and MTIP investment policies, cash investments are only allowed in the custodian bank's short-term investment fund, STIP, or any SEC-registered money market fund, all of which specifically address credit risk in their respective investment guidelines.

Of the 18 individual Investment Policy Statements for the funds categorized as the AOF, 14 funds have specific policies associated with credit risk. The remaining funds have no policy addressing credit risk. One fund requires corporate securities be rated A3/A- or higher by NRSRO to qualify for purchase. One fund requires fixed income investments, at the time of purchase, to be rated investment grade as defined either by Moody's or by NRSRO. This fund's investment policy states "the maximum fixed income credit risk will be limited to 2% of the total securities portfolio in any one name." Five funds require, at the time of purchase, "the quality rating of any corporate bond shall be in the top of the single-A rating classification or better at the time of purchase (e.g. A1/A+ or higher) and have at least two ratings. Exposure to the securities of any one U.S. Agency is limited to 5% and in no event will an agency security be purchased if it carries a rating that is less than top-rated (AAA) at the time of purchase." Two funds require "fixed income securities must be rated at least A- or A3 at the time of purchase." A portion of one fund's portfolio may have modest credit risk while the remainder has a low tolerance for credit risk. One fund assumes some risk of loss of principal to provide a return sufficient to fund objectives. Three funds may assume low risk of principal loss.

Asset-backed securities held in the Bond Pools, AOF and STIP portfolios are based on the cash flows from principal and interest payments emanating from a trust containing a pool of underlying auto loan, credit card or other receivables. These securities, while sensitive to prepayments due to interest rate changes, generally have less credit risk than unsecured bonds. Their credit risk is based on the structure itself rather than balance sheet risk. This includes such factors as default rates, overcollateralization, and quality of collateral.

Custodial Credit Risk

BOI's custodial institution must hold short-term and long-term credit ratings by at least one NRSRO with a minimum requirement of A1/P1 (short-term) and A3/A-1 (long-term).

Cash

Custodial risk for cash is the risk that, in the event of the failure of the custodial institution, the cash or collateral securities may not be recovered from an outside party. For any cash balances held as deposits of the custodial bank or sub-custodial bank, they are held in the name of BOI or its accounts. As of June 30, 2015, BOI recorded cash of $4.6 million.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, BOI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2015, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of BOI's custodial bank, State Street Bank. The Equity Index funds, US Bank repurchase agreement, real estate, mortgage and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of the Montana Board of Investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the US Government are excluded from the concentration of credit risk requirement. In October 2008, the US Government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, BOI had no concentration of credit risk exposure to Fannie Mae and Freddie Mac in either the Bond Pools or STIP.

Bond Pools

Both the RFBP Core Internal Bond Portfolios and TFIP Investment Policy Statements (IPS) provide for a 2% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations (Yankee bonds) and a 3% portfolio limit in non-agency Mortgage Pass-through (MBS) securities. The four RFBP external managers are limited to debt obligations of domestic and foreign corporations up to 3% of portfolio assets per issuer.

STIP
The STIP Investment Policy specifies concentration of credit risk exposure by limiting portfolio investment types by 2% per non-government issuer except up to 3% may be invested per issuer as long as not more than 2% is invested in securities maturing in more than seven days.

AOF
With the exception of nine funds, the 18 investment policy statements for various AOF state agencies do not address concentration of credit risk. One fund provides for a concentration limitation pertaining to repurchase obligations. The policy for another fund states, “the fixed income holdings rated lower than A3 or A- are limited to 25% of the fixed income portfolio at the time of purchase.” This same fund is limited to stock investments not to exceed 12% of the book value of its total invested assets. In addition, this fund’s and another fund’s IPS provides for a “2% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations (Yankee bonds) and a 3% portfolio limit in non-agency Mortgage Pass-through (MBS) securities.” One fund’s corporate risk is limited to investing 3% in any one name. The policy for five funds sets “investment limits to reduce the risk of loss on individual corporate bonds, investment purchases in any one credit will be limited to 1% of the market value of the fund at the date of purchase or 2% of the lowest projected fund balance before the securities mature, whichever is lower”. Limits are also set by corporate bond sector for these five funds. Investments by various governmental agencies, pooled as AOF, are excluded from the concentration of credit risk requirement. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2015.

This concentration of credit risk includes the rated securities from Table 2 – Cash Equivalents and Table 4 – Investments.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Although the MTIP, RFBP and MTRP do not have a formal policy to limit foreign currency risk, the MTIP policy provides for the “external managers to hedge currency in a defensive manner. The managers are not allowed to engage in currency speculation, such as over-hedging, reverse hedging, cross-hedging or other trading activity not specifically aimed at minimizing risk versus their benchmark or preserving the US dollar value of investments. The Managers’ Investment Guidelines provide for currency hedging and emerging market limitations. At the pool level, MTIP will be managed on an un-hedged basis”. The MPEP policy does not address foreign currency risk, but identifies “country risk as including all of the risks associated with international alternative investments along with the political, economic and currency risks associated with investing outside of the United States.” As of the June 30, 2015, exchange date, BOI’s foreign currency exposure by forward contracts, deposits and investment type are reported, in US dollars, at fair value in the tables in section C of this note excluding the foreign investments denominated in US dollars for the American Depositary Receipts (ADRs), sovereign debt and commingled index funds.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, BOI uses effective duration as a measure of interest rate risk for the Bond Pool and AOF portfolios. BOI’s analytic software uses “an option-adjusted measure of a bond’s (or portfolio’s) sensitivity to changes in interest rates. Duration is defined as the average percentage change in a bond’s price for a given change in interest rates. Prices move inversely to interest rates. The effective duration method incorporates the effect of embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities).” The TFIP and CIBP’s duration is to remain within 20% of the established Index duration. Duration for two fixed income external managers must be within 25% of the established Index duration. MDEP domestic equity managers are allowed to maintain up to 5% of assets in short-term investments and index domestic equity managers are allowed to maintain up to 3% of assets in short-term investments and individual securities. MTIP international equity managers are allowed to maintain up to 5% of assets in short-term investments. With the exception of three funds, the AOFs’ investment policies do not formally address interest rate risk. One fund limits securities to three years to maturity and repurchase agreements seven days to maturity. A second fund’s policy sets an average duration range of 2-5 years for fixed income securities except in extraordinary circumstances where a shorter duration may be advisable. A third fund’s policy limits securities to 1-5 year US Treasury/Agency securities tolerating modest interest rate risk. Eight funds have the “ability to assume interest rate risk.” According to the STIP investment policy “the STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. investing funds primarily in short-term maturities of money market securities; and
3. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities)."

The fixed coupon holdings in the Bond Pools and AOF accounts pay a fixed rate of interest until maturity while floating rate securities pay a variable rate of interest until maturity. As of June 30, 2015, these three portfolios and the STIP portfolio held certain variable rate issues. Interest payments on these securities are based on an underlying reference rate, e.g., LIBOR.

Bond Pool and AOF investments are categorized to disclose credit and interest rate risk as of June 30, 2015. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). The credit quality ratings have been calculated excluding non-rated investment types. NA (not applicable) indicates if duration has not been calculated.

STIP investments are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2015. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. The short-term credit ratings, provided by S&P's rating services are presented. An A1+ rating is the highest short-term rating by the S&P rating service. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons – the time when investments are due or reset and payable in days, months or years – weighted to reflect the dollar size of the individual investments within an investment type. The WAM is calculated in days.

Legal and Credit Risk

STIP

In January 2007, BOI purchased a $25 million par issue of Orion Finance USA. In April 2007, BOI purchased two issues of Axon Financial Funding totaling $90 million par and another $25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of $140.0 million representing 5.02% of the total portfolio. At the time of purchase and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by S&P and Aaa by Moody's. Since June 30, 2008, and through June 30, 2010, these issues carried a D rating by S&P. On November 20, 2007, Axon Financial Funding declared an insolvency event. Orion Finance USA declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of $140 million. BOI has determined that it is in the best interest of the STIP to continue to hold these securities in the investment portfolio as further described below.

Axon Financial Funding payments totaled $27.5 million since November 2008 to October 2011. On July 6, 2010, Axon Financial Funding foreclosed with the issuance of a promissory note for $66.8 million from AFF Financing LLC with a July 5, 2011, maturity date. Fiscal year 2015 payments from AFF Financing LLC totaled $8.2 million consisting of $8.2 million in principal and $52 thousand in interest. On June 3, 2015, BOI elected to extend the AFF Financing LLC promissory note maturity date to July 2, 2016. In June and December 2009, BOI applied $13.5 million, in total, from the STIP reserve to the outstanding principal for the Axon Financial Funding securities. As of June 30, 2015, the AFF Financing LLC, classified as an Other Asset Backed security, has an outstanding amortized cost balance of $14.7 million. Refer to Note 17–Subsequent Events for additional information.

On October 14, 2009, BOI received its initial payment from Orion Finance USA. From this date through November 2010, payments from Orion Finance USA included principal of $13.4 million and interest compensation of $1.8 million in excess of the $904 thousand accrued interest receivable for a total of $16.1 million. In November 2010, Orion Finance Corporation "granted a security interest in substantially all of its assets (the Collateral) to the Bank of New York Mellon, as Security Trustee." On December 8, 2010, the Security Trustee conducted "a public sale of 60 structured credit and 7 financial securities including but not limited to asset backed securities, collateralized debt obligations, collateralized loan obligations and residential mortgage backed securities included within the Collateral." BOI participated in the sale and collectively holds these individual securities as Orion Finance. From December 2010 through June 2015, BOI received principal and interest payments of $15.9 million and $2.6 million, respectively. In June and December 2009, BOI applied $7.5 million, in total; from the STIP reserve to the outstanding principal for the Orion Finance USA securities. As of June 30, 2015, the Orion Finance collective holding, classified as Other Asset Backed, has an outstanding amortized cost balance of $13.2 million. Refer to Note 17–Subsequent Events for additional information.

STIP, Bond Pool and AOF
The Federal National Mortgage Association and Federal Home Loan Mortgage Corp. remain in conservatorship from September 7, 2008.

Bond Pool and AOF
On September 14, 2008, Lehman Brothers filed for Chapter 11 bankruptcy. The Bond Pool and AOF portfolios held a $15 million position in a Lehman Brothers Holdings, Inc., variable rate security with a May 25, 2010, maturity. The AOF portfolio also includes a $5 million position in Lehman Brothers Holdings, Inc., 5% rate, and January 14, 2011, maturity. As of September 30, 2008, the book value of these bond positions was written down to 80% of par. On October 30, 2008, the book value of these bonds was further written down to 65% of par. Four additional write downs occurred during fiscal year 2009. In May 2009, BOI sold a $5 million position in Lehman Brothers Holdings, Inc., variable rate security, held by the RFBP internal bond pool. This holding, written down to $1 million, was sold at a loss of $313 thousand. As of June 30, 2011, the book value of the remaining bonds represented 20% of par.

BOI sold the $5 million AOF position in Lehman Brothers Holdings, Inc. 5% rate, January 14, 2011, maturity at a price of $26 on December 6, 2011. Due to the fact that the bonds were previously written down to a price of $20, this sale generated a gain of $322 thousand. For the remaining $10 million variable rate position in Lehman Brothers Holdings, Inc. held in the TFIP and AOF portfolios, BOI applied $519 thousand in principal from the October 2013 bankruptcy payment resulting in a book value of $1 each as of June 30, 2014. For fiscal year ending June 30, 2015, BOI recorded a $464 thousand dollar October 2014 payment to gain and a $319 thousand dollar April payment to gain.

In August 2011, S&P downgraded the US AAA bond rating to AA+.

A credit default swap is a contract to transfer credit exposure of fixed income products between parties. A foreign currency forward is a contract to purchase one currency and sell another at an agreed upon exchange rate. Fair value represents the unrealized appreciation/depreciation on foreign currency forward transactions pending as of year-end and is the difference between the execution exchange rate and the prevailing exchange rate as of the report date. Index futures long is an agreement to buy, on a stipulated future date, a specific amount of an indexed financial instrument. Rights represent a privilege granted to existing shareholders to subscribe to shares of a certain security at a specified price. Warrants are a security type, usually issued together with a bond or preferred stock, entitling the owner to purchase additional securities from the issuer.

Counterparty Credit Risk
Credit risk is the risk that the counterparty will not fulfill its obligations.

STIP Reserve

In November 2007, the STIP reserve account was established. The STIP reserve account may be used to offset losses within the STIP portfolio. STIP distributes income to STIP participants based on accrued interest and discount amortization, net of fees and STIP reserve expense. The STIP reserve expense is detailed as follows:

STIP Reserve Expense
(in thousands)

Other income	
Accrued interest received on SIV related assets	$260
Realized gains on sale of any STIP asset	134
Daily reserve accrual	3,757
Total reserve expense	$4,151

The STIP reserve balance was $28.6 million as of June 30, 2015.

B. Cash/Cash Equivalents

(1) Cash Deposits – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 – Cash Deposit Amounts
(in thousands)

	Carrying Amount
Cash held by State/State's agent	$129,512
Uninsured and uncollateralized cash	5,650
Undeposited cash	411
Cash in US Treasury	279,562
Cash in MSU component units	8,306
Cash in UM component units	8,501
Less: outstanding warrants	(66,781)
	$365,161

As of June 30, 2015, the carrying amount of deposits for component units was $150.5 million as included in Table 1.

(2) Cash Equivalents – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents may be under the control of the Board of Investments (BOI) or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value	Credit Quality Rating	WAM in Days
Asset backed commercial paper	$ 779,579	A1	25
Corporate commercial paper	101,299	A1	102
Corporate - variable	571,672	A1+	42
Certificate of deposit – fixed	150,000	A1	259
Certificate of deposit – variable	450,000	A1+	47
Other asset backed	27,821	NR	NA
US government agency fixed	134,334	A1+	236
US government agency variable	239,008	A1+	24
Money market fund unrated	319,185	NR	1
Money market fund rated	3,000	A1+	1
Repurchase agreement (1)	5,141	AA+	0
US government direct obligations	59,910	0	NA
Less: STIP included in pooled investment balance	(63,298)	NR	NA
Total cash equivalents (4)	$ 2,777,651		52
Securities lending collateral investment pool (2)	$ 5,806	NR	(See note 3)

(1) As of June 30, 2015, the repurchase agreement was collateralized at 102% for $5.2 million by a Federal Loan Mortgage Corporation Gold security maturing November 1, 2024. The security carries an AA+ credit quality rating.

(2) As of June 30, 2015, the fair value of the cash equivalents was $5.7 million. Collateral provided for the cash equivalents totaled $5.8 million in cash. See also the Table 4 disclosed in Note 3 D – Investments.

(3) As of June 30, 2015, the Securities Lending Quality Trust liquidity pool has an average duration of 30 days and an average weighted final maturity of 115 days for US dollar collateral. In March 2015, all holdings in Securities Lending Duration Pool were sold.

(4) As of June 30, 2015, local governments invested $574.5 million and component units of the State of Montana invested $360.9 million in STIP.

C. Equity in Pooled Investments

These securities consist of investments held by pooled investment funds. The Montana Domestic Equity Pool (MDEP), Trust Funds Investment Pool (TFIP), Retirement Funds Bond Pool (RFBP), Montana International Equity Pool (MTIP), Montana Private Equity Pool (MPEP), and Montana Real Estate Pool (MTRP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated "Prudent Expert Principle" (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

	Carrying Amount	Fair Value
MDEP:		
Domestic equity pool	$2,586,532	$ 3,983,061
TFIP:		
Trust funds investment pool	2,137,529	2,255,336
RFBP:		
Retirement funds bond pool	2,202,707	2,220,321
MTIP:		
International equity pool	1,384,595	1,667,787
MPEP:		
Private equity pool	961,696	1,075,838
MTRP:		
Real estate pool	787,262	891,291
Total pooled investments	10,060,321	12,093,634
Pool adjustments (net)	31,961	31,961
Total equity in pooled investments	$10,092,282	$12,125,595

As of June 30, 2015, the fair value of the underlying securities on loan was $879.5 million. Collateral provided for the securities on loan totaled $897.3 million consisting of $479.2 million in cash and $418.1 million in securities.

As of June 30, 2015, component units of the State of Montana had equity in pooled investments with a book value of $5.506 billion and a fair value of $9.995 billion as included in Table 3.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2015, as required for applicable pools. Credit risk reflects the bond quality rating, by investment type, as of June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). The credit quality ratings have been calculated excluding non-rated investment types. If duration has not been calculated, duration is indicated by NA (not applicable).

TFIP
Credit Quality Rating and Effective Duration as of June 30, 2015
(in thousands)

Security Investment Type (1)	Fair Value	Credit Quality Rating	Effective Duration
Treasuries	$ 437,060	AA+	7.24
Agency/Government Related	101,462	AA-	7.49
Asset Backed Securities	110,402	AAA	2.19
Mortgage Backed Securities	491,533	AA+	4.63
Commercial Mortgage Backed Securities	185,672	AA+	4.59
Financial – Corporate	214,548	A-	4.59
Industrial – Corporate	327,586	A-	6.44
Utility – Corporate	66,061	BBB	5.85
Short Term Investment Pool (STIP)	41,971	NR	0.14
State Street Repurchase Agreement	6,497	AA-	0.00
Core Real Estate	166,310	NR	NA
High Yield Bond Fund	106,234	B+	4.40
Total Investments	$2,255,336	AA-	5.39
Securities lending collateral investment pool	$ 95,558	NR	.08 (2)

(1) For June 30, 2015, the Security Investment Type categories were changed to more accurately reflect the categories reported to BOI.
(2) Previously the Securities Lending Collateral Investment Pool was comprised of the Securities Lending Quality Trust Liquidity Pool and the Securities Lending Duration Pool. In March 2015 all holdings in the Securities Lending Duration Pool were sold.

RFBP
Credit Quality Rating and Effective Duration as of June 30, 2015
(in thousands)

Security Investment Type (1)	Fair Value	Credit Quality Rating	Effective Duration
Treasuries	$ 458,084	AA+	8.04
Agency/Government Related	113,958	AA-	6.16
Asset Backed Securities	108,113	AA+	2.40
Mortgage Backed Securities	442,453	AA+	5.17
Commercial Mortgage Backed Securities	188,443	AA+	4.19
Financial – Corporate	288,443	A-	3.74
Industrial – Corporate	470,416	BBB	5.84
Utility – Corporate	53,782	BBB-	6.10
Short Term Investment Pool (STIP)	1,143	NR	0.14
State Street Short Term Investment Fund (STIF)	85,807	AAA	0.09
Other	658	BB	3.97
Total fixed-income investments	$ 2,211,300	A+	5.37
Direct Investments			
Montana Mortgages	7,999	NR	NA
Preferred Stock (2)	1,017	BB+	NA
Common Stock (2)	5		
Total Direct Investments	$ 9,021		
Total Investments	$ 2,220,321		
Securities lending collateral investment pool	$ 161,990	NR	.08 (3)

(1) For June 30, 2015, the Security Investment Type categories were changed to more accurately reflect the categories reported to BOI.

(2) Due to a May 2012 bankruptcy restructuring, the RFBP received 259 shares of common stock and 400 warrants for its investment in General Maritime Corporation. In addition to the common stock and warrants, the RFBP held 4,400 shares of Southern Cal Ed as perpetual preferred stock and 15,000 shares of GMAC Capital Trust I as cumulative preferred stock as of June 30, 2015.

(3) Previously the Securities Lending Collateral Investment Pool was comprised of the Securities Lending Quality D Short Term Investment Fund Liquidity Pool and the Securities Lending Duration Pool. In March 2015 all holdings in the Securities Lending Duration Pool were sold.

The derivative instrument disclosures are described in the following paragraphs. The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2015, classified by type, and the changes in the fair value of such derivative instruments for the year ended June 30, 2015, as reported in the 2015 financial statements, are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2015		
Investment Derivatives (1)	Classification	Amount	Classification	Fair Value Amount	Notional
Credit default swaps	Investment Revenue	$ 425	Swaps	$ 69	1,099
Currency forward contracts	Investment Revenue	2,946	LT debt/equity	151	22,750
Index futures long	Investment Revenue	735	Futures	-	4
Rights	Investment Revenue	81	Equity	-	162
Warrants	Investment Revenue	-	Equity	-	-
Total Derivatives		$ 4,187		$ 220	

(1) A credit default swap is a contract to transfer credit exposure of fixed income products between parties. A foreign currency forward is a contract to purchase one currency and sell another at an agreed upon exchange rate. Fair value represents the unrealized appreciation/depreciation on foreign currency forward transactions pending as of year-end and is the difference between the execution exchange rate and the prevailing exchange rate as of the report date. Index futures long are an agreement to buy, on a stipulated future date, a specific amount of an indexed financial instrument. Rights represent a privilege granted to existing shareholders to subscribe to shares of a certain security at a specified price. Warrants are a security type, usually issued together with a bond or preferred stock, entitling the owner to purchase additional securities from the issuer.

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The tables below depicts BOI's counterparty credit risk exposure to its investment derivatives and the applicable counterparty credit ratings and risk concentrations.

Maximum Loss before and after Netting and Collateral (in thousands)	
Maximum amount of loss BOI would face in case of default of all counterparties i.e. aggregated (positive) fair value of Over-the-Counter positions as of June 30, 2015	$ 421
Effect of collateral reducing maximum exposure	-
Liabilities subject to netting arrangements reducing exposure	-
Resulting net exposure	$ 421

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Deutsche Bank London	27%	BBB+	A	A3
Westpac Banking Corp	25%	AA-	AA-	Aa2
Goldman Sachs Capital	16%	A-	A	A3
JP Morgan Chase Bank	12%	A+	AA-	Aa3
Royal Bank of Canada	10%	AA-	AA	Aa3
Citibank N.A.	5%	A	A+	A1
Royal Bank of Scotland	5%	BBB+	BBB+	A3

As of the June 30, 2015, exchange date, BOI's foreign currency exposure by forward contracts, deposits and investment type are reported, in US dollars, at fair value in the table below excluding the foreign investments denominated in US dollars for the American Depositary Receipts, sovereign debt and commingled index funds.

Foreign Currency Exposure by Country
(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	Equities	Private Equity	Real Estate
Australian Dollar	$ 79	$ 1,396	$ 21,298	$ -	$ -
Brazilian Real	57	1,733	9,779	-	-
Canadian Dollar	66	1,579	24,504	-	-
Danish Krone	-	-	8,136	-	-
EMU – Euro	97	4,907	78,700	25,150	10,911
Hong Kong Dollar	284	-	19,899	-	-
Hungarian Forint	1	-	-	-	-
Indonesian Rupiah	1	-	159	-	-
Israeli Shekel	-	-	318	-	-
Japanese Yen	447	-	68,528	-	-
Korean Fortnit	-	-	12,068	-	-
Malaysian Ringgit	17	-	493	-	-
Mexican Peso	67	1,800	2,666	-	-
New Zealand Dollar	11	2,095	-	-	-
New Israeli Sheqel	165	-	767	-	-
Norwegian Krone	8	-	3,956	-	-
Philippine Peso	6	-	3,454	-	-
Polish Zloty	-	-	1,778	-	-
Singapore Dollar	64	-	7,509	-	-
South African Rand	5	-	6,594	-	-
South Korean Won	51	-	-	-	-
Swedish Krona	(1)	-	17,631	-	-
Swiss Franc	41	-	21,309	-	-
New Taiwan Dollar	7	-	11,318	-	-
Thailand Baht	6	-	2,450	-	-
Turkish Lira	17	-	3,080	-	-
UK Pound Sterling	172	916	79,757	-	-
Total Cash and Securities	$1,668	$14,426	$406,151	$25,150	$10,911

Investments in private equity and private real estate are usually made via Limited Partnership Agreements that involve many limited partners and a General Partner who is responsible for all investment decisions. The Limited Partners make an original commitment, after which capital is called as needed by the General Partner to make investments. These Agreements will usually last for a minimum of 10 years. The table below shows the remaining BOI commitments to private equity and private real estate funds. For further details on the balances as of June 30, 2015, as shown below, please refer to the Montana Board of Investments separately issued external investment pool financial statements.

Commitments to Fund Managers
(in thousands)

	Original Commitment	Commitment Remaining	Carrying Value	Fair Value
MPEP Commitments	$ 2,115,722	$ 590,314	$ 906,840	$ 1,011,488
MTRP Commitments	602,598	189,831	283,714	300,000
Total	$ 2,718,320	$ 780,145	$ 1,190,554	$ 1,311,488

D. Investments

Article VIII of Montana's Constitution, with supporting statutes, authorizes the Board of Investments (BOI) to manage the State's Unified Investment Program. Long-term investments are administered by the following agencies, as allowed by state law, Title 17, Chapter 6, Part 201, MCA:

Long-term Investments

Department	Percent Administered
Board of Investments	55.78%
Universities	17.45
MPERA (Montana Public Employee Retirement Administration)	15.88
College Savings Plan	4.40
Montana Board of Housing	3.44
Other (1)	3.05
Total	100.00%

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Natural Resources and Conservation, the Department of Public Health and Human Services, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable.

The PERS Defined Contribution Retirement Plan and the Deferred Compensation Plan's fixed assets were invested and managed on behalf of the plans by Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC) and a third-party insurer, Transamerica. The third party record keeper, Great-West Retirement Services, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies. When participants invest in the fixed investment, they are guaranteed a rate of return. All money invested in the Montana Stable Value Fixed Fund of the PERS-DCRP and Deferred Compensation Plan are invested in the Pooled Trust. The Pooled Trust assets are invested by PIMCO based on an investment guideline schedule as agreed upon in the Pooled Trust Contract and approved by the PERB, PIMCO, and any third party insurers, such as Transamerica. Variable investments are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories.

Table 4 – Investments
(in thousands)

	Carrying Amount	Fair Value
Primary government		
Corporate (1)	$ 40,695	$ 41,055
Asset Backed Securities (1)	130,547	130,514
Agency/Government Related (1)	84,438	86,562
Treasuries (1)	18,114	18,841
Government Securities	9,613	9,823
STIP/SIV Investments	4,366	4,366
Mortgaged Backed Securities (1)	52	55
Other	70,422	70,444
Total	$ 358,247	$ 361,660
Component units/fiduciary funds		
Corporate (1)	$ 635,686	$ 657,115
Asset Backed Securities (1)	50,855	50,857
Mortgage Backed Securities (1)	4,884	5,238
Agency/Government Related (1)	290,330	298,493

Table 4 – Investments
(in thousands)

	Carrying Amount	Fair Value
Treasuries (1)	$ 188,428	$ 196,639
STIP/SIV Investments	8,248	8,248
Other Equities (1)	80,253	170,665
Deferred Compensation	356,836	439,464
Defined Contribution	104,264	141,846
529 College Savings Plan	127,820	127,820
VEBA	4,111	4,394
Investments of MSU Component Units	245,365	245,365
Investments of UM Component Units	261,527	263,414
Real Estate (1)	75,000	84,590
Other	100,060	106,037
State Auditor	12,653	12,467
Total	$ 2,546,320	$ 2,812,652
Total investments	$ 2,904,567	$ 3,174,312
Securities lending collateral investment pool (2)	$ 135,211	$ 135,211

(1) The credit quality rating and duration are included below for the rated investments.

(2) Previously the Securities Lending Collateral Investment Pool was comprised of the Securities Lending Quality Trust Liquidity Pool and the Securities Lending Duration Pool. In March 2015 all holdings in the Securities Lending Duration Pool were sold.

As of June 30, 2015, the fair value of the investments on loan was $218.8 million. Collateral provided for the investments on loan totaled $223.3 million consisting of $135.2 million in cash and $88.1 million in securities.

All Other Funds - Rated Securities
Credit Quality Rating and Effective Duration as of June 30, 2015
(in thousands)

Security Investment Type (1)	Fair Value	Credit Quality Rating	Effective Duration
Treasuries (2)	$ 274,462	AA+	3.47
Agency/Government Related (2)	495,577	AA+	2.85
Asset Backed Securities (2)	59,451	AAA	2.15
Mortgage Backed Securities (2)	5,293	AA+	2.21
Financial – Corporate (2)	347,541	A	3.38
Industrial – Corporate (2)	274,182	A	3.69
Utility – Corporate (2)	48,558	BBB+	4.43
US Bank sweep repurchase agreement (2)(3)	5,141	AA+	0.00
	$1,510,205	AA-	3.26

(1) For June 30, 2015, the Security Investment Type categories were changed to more accurately reflect the categories reported to BOI.

(2) These rated securities are reported on both Table 2–Cash Equivalents and Table 4–Investments.

(3) The US Bank repurchase agreement, per contract, was collateralized at 102% for $5.2 million by a Federal Home Loan Mortgage Corporation Gold security maturing November 1, 2024. This security carries AA+ credit quality ratings.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Accounts receivable, accounts payable, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position as of June 30, 2015, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	General	State Special Revenue	Federal Special Revenue	Coal Severance Tax Permanent	Land Grant Permanent	Nonmajor Governmental	Internal Service
Licenses and permits	$ -	$ 9,061	$ -	$ -	$ -	$ -	$ -
Taxes	351,059	65,598	-	6,931	-	1,751	-
Charges for services/fines/forfeitures	329	6,582	4,547	-	-	-	420
Investment income	374	3,294	-	2,835	1,833	3,481	185
Contributions/premiums	-	8,403	-	-	-	-	2,477
Reimbursements/overpayments	10,997	12,378	362	-	-	-	1
Grants/contracts/donations	-	-	11	-	-	-	-
Other	5,504	195	19,571	-	-	1,209	-
Total receivables	368,263	105,511	24,491	9,766	1,833	6,441	3,083
Less: allowance for doubtful accounts	(115,900)	(22,536)	(1,783)	-	-	(1)	(7)
Receivables, net	$252,363	$82,975	$22,708	$9,766	$1,833	$6,440	$3,076

	Business-type Activities		
	Unemployment Insurance	Economic Development Bonds	Nonmajor Enterprise
Charges for services	$ -	$ -	$22,944
Investment income	-	14,132	119
Contributions/premiums	6,246	-	4,099
Reimbursements/overpayments	1,603	-	-
Other	-	-	13
Total receivables	7,849	14,132	27,175
Less: allowance for doubtful accounts	(3,511)	-	(245)
Receivables, net	$4,338	$14,132	$26,930

B. Accounts Payables

	Governmental Activities				
	General	State Special Revenue	Federal Special Revenue	Nonmajor Governmental	Internal Service
Tax refunds	$144,373	$ -	$ -	$ -	$ -
Vendors/individuals	114,576	98,543	140,858	1,310	12,302
Payroll	17,349	16,182	6,483	8	2,771
Accrued Interest	228	180	4	2,706	11
Payables, net	$276,526	$114,905	$147,345	$4,024	$15,084

	Business-type Activities		
	Unemployment Insurance	Economic Development Bonds	Nonmajor Enterprise
Vendors/individuals	$3,980	$ 1	$17,137
Payroll	-	17	778
Accrued interest	-	82	5
Payables, net	$3,980	$100	$17,920

C. Deferred Outflows of Resources

	Governmental Activities				
	General	State Special Revenue	Federal Special Revenue	Nonmajor Governmental	Internal Service
Pension deferred outflows (1)	$180,853	$38	$4	$ -	$3,498
Refunding deferred outflows	-	-	-	4,044	-
Total deferred outflows	$180,853	$38	$4	$4,044	$3,498

	Business-type Activities	
	Economic Development Bonds	Nonmajor Enterprise
Pension deferred outflows (1)	$23	$874
Total deferred outflows	$23	$874

(1) Further detail regarding pension related deferred outflows of resources is provided in Note 6.

D. Deferred Inflows of Resources

	Governmental Activities (2)				
	General	State Special Revenue	Federal Special Revenue	Nonmajor Governmental	Internal Service
Pension deferred inflows (1)	$293,402	$84	$12	$ -	$10,036
Refunding deferred inflows	-	-	-	1,223	-
Total deferred inflows	$293,402	$84	$12	$1,223	$10,036

	Business-type Activities	
	Economic Development Bonds	Nonmajor Enterprise
Pension deferred inflows (1)	$63	$3,096
Total deferred inflows	$63	$3,096

(1) Further detail regarding pension related deferred inflows of resources is provided in Note 6.
(2) Deferred inflows of resources reported on the governmental fund financial balance sheet includes balances of unavailable revenue as of June 30, 2015.

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2015, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not being depreciated:				
Land	$ 636,483	$ 18,226	$ (252)	$ 654,457
Construction work In progress	890,609	934,750	(834,289)	991,070
Easements	144,434	2,584	-	147,018
Museum and art	65,252	105	-	65,357
Other	11,789	380	-	12,169
Total capital assets not being depreciated	1,748,567	956,045	(834,541)	1,870,071
Capital assets being depreciated:				
Infrastructure	4,525,776	367,893	(172,232)	4,721,437
Land improvements	54,021	3,384	-	57,405
Buildings/improvements	563,685	20,431	(1,578)	582,538
Equipment	347,356	26,936	(18,842)	355,450
Easements - amortized	1,742	-	(73)	1,669
Other	6,628	151	(98)	6,681
Total capital assets being depreciated	5,499,208	418,795	(192,823)	5,725,180
Less accumulated depreciation for:				
Infrastructure	(1,494,914)	(226,571)	172,232	(1,549,253)
Land improvements	(19,896)	(2,428)	-	(22,324)
Buildings/improvements	(317,021)	(21,489)	1,200	(337,310)
Equipment	(222,695)	(20,947)	15,580	(228,062)
Other	(5,114)	(226)	7	(5,333)
Total accumulated depreciation	(2,059,640)	(271,661)	189,019	(2,142,282)
Total capital assets being depreciated, net	3,439,568	147,134	(3,804)	3,582,898
Intangible assets	42,814	14,456	(17,967)	39,303
Governmental activities capital assets, net	$5,230,949	$1,117,635	$(856,312)	$5,492,272

(1) The increases and decreases noted above include adjustments related to prior periods and correction of errors.

Business-type Activities	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not being depreciated:				
Land	$ 800	$ -	$ -	$ 800
Construction work In progress	3,257	1,569	(2,929)	1,897
Other	4,154	204	-	4,358
Total capital assets not being depreciated	8,211	1,773	(2,929)	7,055
Capital assets being depreciated:				
Infrastructure	1,162	2	-	1,164
Land improvements	3,830	-	-	3,830
Buildings/improvements	7,514	-	-	7,514
Equipment	9,904	1,665	(75)	11,494
Total capital assets being depreciated	22,410	1,667	(75)	24,002
Less accumulated depreciation for:				
Infrastructure	(665)	(16)	-	(681)
Land improvements	(1,319)	(149)	-	(1,468)
Buildings/improvements	(5,492)	(253)	-	(5,745)
Equipment	(6,995)	(941)	39	(7,897)
Total accumulated depreciation	(14,471)	(1,359)	39	(15,791)
Total capital assets being depreciated, net	7,939	308	(36)	8,211
Intangible assets	250	-	(66)	184
Business-type activities capital assets, net	$16,400	$2,081	$(3,031)	$15,450

(1) The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

Depreciation expense was charged to governmental functions as follows (in thousands):

	Amount
General Government	$ 10,506
Public Safety	7,957
Transportation including depreciation of the highway system maintained by the state.	229,703
Health and Human Services	2,516
Education	430
Natural Resources (including depreciation of the state's dams)	9,529
Depreciation on capital assets held by the internal service funds is charged to the various functions based on their usage of the assets	11,020
Total depreciation expense – Governmental Activities	$271,661

Depreciation expense was charged to business-type activities as follows (in thousands):

	Amount
Liquor Stores	$ 225
State Lottery	492
Prison Funds	424
West Yellowstone Airport	165
Other Enterprise Funds	53
Total depreciation expense - Business-type Activities	$1,359

Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

NOTE 6. RETIREMENT PLANS

A. General

The funding policies for each plan provide for periodic employee, employer, and State of Montana (State) nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payrolls. Benefits are established by state law and can only be amended by the Legislature.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB), a discretely presented component unit of the State of Montana, oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also supervises two defined contribution plans: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the 457-Deferred Compensation Plan (457 Plan). All of the benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be attained here: http://mpera.mt.gov/. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB, is an independent, seven-member body, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hear and rule on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the PERB, but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability Plan provides disability benefits to disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6. Related disclosures for the PERS-DCRP Disability Plan can be found within Note 7 of this report.

Teachers' Retirement System

The Teachers' Retirement System (TRS), a discretely presented component unit of the State of Montana, is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations and experience studies can be obtained at 1500 East Sixth Avenue, PO Box 200139, Helena, MT 59620-0319; or can be found online at https://trs.mt.gov/.

The TRB consists of six members, all of which are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB members are appointed from the public at large. TRB members serve staggered five-year terms. Three TRB members constitutes a quorum.

A summary of the number of participating employer and nonemployer participating entities as of June 30, 2015, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	539	278	57	32	26	219	365
Nonemployer contributing entity	-	1	-	-	1	1	1	1
Total Participants	7	540	278	57	33	27	220	366

There are approximately 400 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above. If these employees do choose to participate in any of these other plans the State is required to make contributions to the respective plan.

B. Summary of Significant Accounting Policies

MPERA prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from fiduciary net position, the items have been determined on the same accrual basis as they are reported by the MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

C. Public Employee Defined Benefit Retirement Plan

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, PERS-DCRP, and 457-Deferred Compensation covered by benefit terms at June 30, 2015, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS	PERS-DCRP	457-DC
Classification of Member											
Active	55	241	993	28,237	1,336	743	627	1,977	18,316	2,284	4,708
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	11	95	2,925	81	60	21	905	1,664	319	4,000
Nonvested	-	13	235	8,839	342	103	71	-	12,839	549	-
Inactive members and beneficiaries currently receiving benefits:											
Service retirements	64	305	217	20,080	523	694	580	1,371	12,992	20	-
Disability retirements	-	7	4	176	32	21	9	-	204	6	-
Survivor benefits	3	15	10	425	22	29	20	-	1,643	4	-
Total Membership	124	592	1,554	60,682	2,336	1,650	1,328	4,253	47,658	3,182	8,708

A summary of pension liability, pension assets, net pension liability/(asset), pension expense/(income), deferred outflows of resources, and deferred inflows of resources by plan and total for the State as an employer entity reported as of June 30, 2015, based on a June 30, 2014, actuarial valuation, follows with amounts presented in thousands:

System	Employer's Total Pension Liability	Employer's Pension Assets	Employer's Net Pension Liability/(Asset)	Employer's Pension Expense/(Income)	Employer's Deferred Outflows of Resources	Employer's Deferred Inflows of Resources
JRS	$51,632	$84,223	($32,591)	($1,930)	$1,684	$5,453
HPORS	183,133	126,010	57,123	5,169	5,782	8,214
GWPORS	153,864	138,743	15,121	3,526	4,062	8,787
PERS-DBRP	3,293,903	2,630,729	663,174	50,631	59,169	171,609
SRS	18,059	15,755	2,304	129	388	3,365
FURS	7,755	5,949	1,806	200	361	359
TRS	243,448	171,280	72,168	6,853	26,164	11,776
Totals	$3,951,794	$3,172,689	$779,105	$64,578	$97,610	$209,563

(1) State as the Single Employer

Judges' Retirement System – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5, MCA. This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Member rights are vested after five years of service.

Summary of Benefits

Member's current salary[1] or highest average compensation (HAC)[2]

[1]Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;
[2]Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;
[2]Hired on or after July 1, 2013 – HAC during any consecutive 36 months with a 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Age 60, 5 years of membership service;
Any age with 5 years of membership service – involuntary termination, actuarially reduced.

Vesting
5 years of membership service.

Monthly benefit formula
3-1/3% of current salary[1] (non-GABA) or HAC[2] (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system - Contributions are deducted from each member's salary and remitted by the participating employer. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system - As the employer, the State is required to contribute 25.81% of a member's compensation.

Actuarial Assumptions
The total pension liability/(asset) as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability/(asset) to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0%
- Investment Return 7.75%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:
    - 3% for members selecting GABA or hired on or after July 1, 1997
    - Current monthly salary of an active member in the same position, if hired prior to July 1, 1997, and not electing GABA

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate
The discount rate used to measure the total pension asset was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under Montana Code Annotated (MCA). Based on those assumptions, the JRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset. No municipal bond rate was incorporated in the discount rate.

Target Allocations
The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the JRS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the JRS's target asset allocation as of June 30, 2014, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis
In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset) calculated using the discount rate of 7.75%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
JRS Net Pension (Asset)	($27,643)	($32,591)	($36,877)

Net Pension Asset
In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the JRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension asset (NPA), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability (Asset) as of 6/30/13	Net Pension Liability (Asset) as of 6/30/14	Percent of Collective NPA
Employer's Proportionate Share	($23,889)	($32,591)	100%

At June 30, 2015, the employer reported a net pension asset of $32.6 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The employer's proportion of the net pension asset was based on the employer's contributions received by JRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the JRS participating employers. At June 30, 2014, the State's proportion as an employer was 100%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension asset and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension asset.

Other Items Related to and Changes in Net Pension Asset

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2013	$49,237	$72,793	($23,556)
Service Costs	1,594	-	1,594
Interest	3,824	-	3,824
Contributions - employer	-	1,651	(1,651)
Contributions - member	-	481	(481)
Net Investment Income	-	12,421	(12,421)
Benefit Payments	(3,023)	(3,023)	-
Administrative Expense	-	(100)	100
Net Changes	2,395	11,430	(9,035)
Balances at 6/30/2014	$51,632	$84,223	($32,591)

Pension Expense

(in thousands)

	Pension Expense/(Income) as of 6/30/14
Employer's Proportionate Share	($1,930)

At June 30, 2015, the employer recognized a pension expense/(income) of ($1.9) million for the JRS.

Deferred Outflows and Inflows

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $1.7 million.

As of the fiscal year ended June 30, 2015, remaining deferred outflows of resources and deferred inflows of resources related to the JRS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$5,453
Contributions paid to JRS subsequent to the measurement date - FY 2015 Contributions	$1,684	-
Totals	$1,684	$5,453

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($1,363)
2017	(1,363)
2018	(1,363)
2019	(1,364)
2020	-
Thereafter	-

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established in July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after 5 or 10 years of service.

Members, retired prior to July 1, 1991, or their survivors may be eligible for an annual supplemental lump-sum payment distributed each September. Many factors must be considered for eligibility, including the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA. This lump-sum payment is funded by a portion of the fees collected from drivers' license and duplicate drivers' license application fees. It is requested by the PERB from the General Fund through statutory appropriation. This enhancement is limited to non-GABA (Guaranteed Annual Benefit Adjustment) retirees.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2013 – HAC during any consecutive 36 months;
Hired on or after July 1, 2013 – HAC during any consecutive 36 months with a 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
20 years of membership service, regardless of age.

Early Retirement
Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.
Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

Vesting
Hired prior to July 1, 2013 - 5 years of membership service.

Hired on or after July 1, 2013 - 10 years of membership service.

Monthly benefit formula
Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.
Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 - after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

Minimum Monthly Benefit (non-GABA)
If hired prior to July 1, 1997, and member did not elect GABA - monthly benefits are increased each July when the fall below a statutorily guaranteed minimum. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system - Contributions are deducted from each member's salary and remitted by participating employer.
Hired prior to July 1, 1997, and not electing GABA - Plan members are required to contribute 11.00%.

Hired prior to July 1, 1997, and electing GABA - Plan members are required to contribute 11.05%. All active members hired prior to July 1, 1997 have elected GABA.
Effective July 1, 2013, and ending July 1, 2016, all HPORS member contributions, regardless of hired date, will increase 1.0% annually.

Employer contributions to the system - As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation.

Actuarial Assumptions
The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0% to 7.30%
- Investment Return 7.75%
- Postretirement Benefit Increases - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
    - If electing GABA or hired on or after July 1, 1997 - 3.00%
    - Minimum Benefit Adjustment - 50.00% of a newly confirmed officer

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 10.18% of salaries paid by employers, however, this is considered an employer contribution since HPORS is a single-employer type of pension plan. Based on those assumptions, the HPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the HPORS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the HPORS's target asset allocation as of June 30, 2014, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
HPORS Net Pension Liability	$82,333	$57,123	$36,566

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the HPORS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows or resources, and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Employer's Proportionate Share	$65,903	$57,123	100%

At June 30, 2015, the employer reported a liability of $57.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by HPORS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the HPORS participating employers. At June 30, 2014, the State's proportion as an employer was 100%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Other Items Related to and Changes in Net Pension Liability

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2013	$175,594	$109,691	$65,903
Service Costs	3,464	-	3,464
Interest	13,518	-	13,518
Contributions - employer	-	5,736	(5,736)
Contributions - member	-	1,458	(1,458)
Net Investment Income	-	18,677	(18,677)
Benefit Payments	(9,443)	(9,443)	-
Administrative Expense	-	(109)	109
Net Changes	7,539	16,319	(8,780)
Balances at 6/30/2014	$183,133	$126,010	$57,123

Pension Expense

(in thousands)

	Pension Expense as of 6/30/14
Employer's Pension Expense	$5,169

At June 30, 2015, the employer recognized a pension expense of $5.2 million for the HPORS.

Deferred Outflows and Inflows

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $5.7 million.

As of the fiscal year ended June 30, 2015, remaining deferred outflows of resources and deferred inflows of resources related to the HPORS are from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$8,214
Contributions paid to HPORS subsequent to the measurement date - FY 2015 Contributions	$5,782	-
Totals	$5,782	$8,214

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.
Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($2,054)
2017	(2,053)
2018	(2,054)
2019	(2,053)
2020	-
Thereafter	-

Game Wardens' & Peace Officers' Retirement System – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013 – highest average compensation during any consecutive 60 months with a 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement
Age 50, 20 years of membership service.

Early Retirement (reduced benefit)
Age 55, vested members who terminate employment prior to 20 years of membership service.

Vesting
5 years of membership service.

Monthly benefit formula

2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system - Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation.

Employer contributions to the system - State agency and university employers are required to contribute 9.0% of a member's compensation.

Actuarial Assumptions
The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired on or after July 1, 2007
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate
The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the GWPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations
The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the GWPORS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the GWPORS's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Discretely Presented Component Units GWPORS Net Pension Liability	$2,213	859	($252)
Primary Government GWPORS Net Pension Liability	36,754	14,262	(4,188)
Total Employer GWPORS Net Pension Liability	$38,967	$15,121	(4,440)

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the GWPORS. Statement 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

	(dollars presented in thousands)		
	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Discretely Presented Component Unit Share	$1,372	859	5.678375%
Primary Government Employer Proportionate Share	22,772	14,262	94.321625%
Total Employer GWPORS Proportionate Share	$24,144	$15,121	100%

At June 30, 2015, the employer reported a total liability of $15.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by GWPORS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of GWPORS participating employers. At June 30, 2014, the State's proportion as an employer was 100%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Other Items Related to and Changes in Net Pension Liability
The State, as the primary government employer, has the following balances and changes related to the GWPORS's Net Pension Liability:

	(in thousands)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2013	$132,036	$109,263	$22,773
Service Costs	7,404	-	7,404
Interest	10,619	-	10,619
Contributions - employer	-	3,548	(3,548)
Contributions - member	-	4,209	(4,209)
Net Investment Income	-	18,929	(18,929)
Benefit Payments	(4,932)	(4,932)	-
Administrative Expense	-	(153)	153
Net Changes	13,091	21,601	(8,510)
Balances at 6/30/2014	$145,127	$130,864	$14,263

The State's discretely presented component units, as employers, have the following balances and changes related to the GWPORS's Net Pension Liability:

	(in thousands)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2013	$7,949	$6,578	$1,371
Service Costs	446	-	446
Interest	639	-	639
Contributions - employer	-	214	(214)
Contributions - member	-	253	(253)
Net Investment Income	-	1,140	(1,140)
Benefit Payments	(297)	(297)	-
Administrative Expense	-	(9)	9
Net Changes	788	1,301	(513)
Balances at 6/30/2014	$8,737	$7,879	$858

Pension Expense

	(in thousands) Pension Expense as of 6/30/14
Discretely Presented Component Units	$200
Primary Government	3,326
Employer's Total Pension Expense	$3,526

At June 30, 2015, the employer recognized a total pension expense of $3.5 million for its proportionate share of the GWPORS pension expense**.**

Deferred Outflows and Inflows
At June 30, 2015, the State, as a primary government employer, recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $3.6 million.

As of the fiscal year ended June 30, 2015, remaining deferred outflows of resources and deferred inflows of resources for the primary government, as an employer, related to the GWPORS are from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$8,288
Contributions paid to GWPORS subsequent to the measurement date - FY 2015 Contributions	$3,831	-
Totals	$3,831	$8,288

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($2,072)
2017	(2,072)
2018	(2,072)
2019	(2,072)
2020	-
Thereafter	-

The State's discretely presented component units, as employers, recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $216 thousand.

As of the fiscal year ended June 30, 2015, remaining deferred outflows of resources and deferred inflows of resources for the State's discretely presented component units, as employers, related to the GWPORS are from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$499
Contributions paid to GWPORS subsequent to the measurement date - FY 2015 Contributions	$231	-
Totals	$231	$499

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($125)
2017	(125)
2018	(125)
2019	(124)
2020	-

(2) State as an Employer and/or a Nonemployer Contributing Entity to Cost-Sharing Multiple-Employer Plans

Public Employees' Retirement System - Defined Benefit Retirement Plan –The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013 – highest average compensation during any consecutive 60 months with a 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service retirement:
Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:
Hired prior to July 1, 2011: Age 50, 5 years of membership service; or
Any age, 25 years of membership service.
Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting
5 years of membership service

Monthly benefit formula
Members hired prior to July 1, 2011:
Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:
Less than 10 years of membership service: 1.5% of HAC per year of service credit;
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- Members hired on or after July 1, 2013
    a. A maximum of 1.5% for each year PERS is funded at or above 90%;
    b. for each 2% PERS is funded below 90% the 1.5% is reduced by 0.1%; and
    c. 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system: Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

Employer contributions to the system:
State and University System employers are required to contribute 8.27% of member compensation.
Local government entities are required to contribution 8.17% of member compensation.
School district employers contributed 7.90% of members' compensation.

Following the 2013 Legislative Session, PERS employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%.
Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

Effective July 1, 2013, the additional employer contributions for PERS-DCRP and MUS-RP is allocated to the defined benefit plan's unfunded liability.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Non Employer Entity Contributions
Special Funding
The State contributes 0.1% of member compensation on behalf of local government entities.
The State contributes 0.37% of member compensation on behalf of school district entities.

Not Special Funding
The State contributes a portion of Coal Severance Tax income and interest earnings from the Coal Trust Permanent Trust fund in accordance with §15-35-108, MCA.

Actuarial Assumptions

The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%

- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
    - 3% for members hired prior to July 1, 2007
    - 1.5% for members hired on or after July 1, 2007

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the General Fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS-DBRP's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS-DBRP. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS-DBRP's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability (NPL) to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate (in thousands)	1.0% Increase (8.75%)
State as an Employer in PERS-DBRP - Net Pension Liability	$1,055,042	$663,174	$332,672
State as a Nonemployer Contributing Entity to PERS-DBRP - Net Pension Liability	19,055	11,978	6,008

Net Pension Liability
In accordance with GASB 68, employers and nonemployer contributing entities in a special funding situation are required to recognize and report certain amounts associated with their participation in the PERS-DBRP. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity special funding. The Coal Severance Tax collection and interest amounts were not considered in determining proportionate shares as this is not a special funding situation component.

In accordance with GASB 68, the PERS-DBRP has a special funding situation in which the State is legally responsible for making contributions directly to the PERS-DBRP on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

The State also has a funding situation that is not considered a special funding situation whereby the General Fund provides contributions received from the Coal Severance Tax collections and interest accrued on the Coal Tax Permanent Trust Fund. All employers are required to report the portion of Coal Severance Tax and interest attributable to the employer as a grant revenue.

	Net Pension Liability as of 6/30/13 (dollars presented in thousands)	Net Pension Liability as of 6/30/14	Percent of Collective NPL
State's Proportionate Share as an Employer Entity	$853,403	$663,174	53.223780%
State's Proportionate Share as a Nonemployer Contributing Entity	15,414	11,978	0.961287%
State of Montana Totals	$868,817	$675,152	54.185067%

At June 30, 2015, the State reported a liability of $675.2 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The proportion of the net pension liability is based on the employer's and nonemployer's special funding contributions received by the PERS-DBRP during the measurement period of July 1, 2013, through June 30, 2014, relative to the total employer and nonemployer special funding contributions received from all PERS-DBRP participating employers. At June 30, 2014, the State as an employer had a proportionate share of 53.223780% and the nonemployer proportionate share was 0.961287%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Grant Expenses

	(in thousands) Pension Plan Related Expenses as of 6/30/14
Employer's Proportionate Share of Pension Expense	$50,631
State's Grant Expense in relation to Special Funding	912
Total	$51,543

At June 30, 2015, the State as an employer recognized a pension expense of $50.6 million for its proportionate share of the PERS-DBRP's pension expense.

The State as a nonemployer contributing entity recognized grant expense of $912 thousand for special funding support provided by the General Fund for its proportionate share of the PERS-DBRP's pension expense that is associated with other employer participants in the plan.

Support Revenue
As of the fiscal year ended June 30, 2015, the State as an employer recognized grant revenue of $17.9 million for its proportionate share of total nonemployer entity contributions from the Coal Severance Tax and interest nonspecial funding situation.

Deferred Outflows and Inflows
At June 30, 2015, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $51.9 million.

As of the fiscal year ended June 30, 2015, the State as an employer has the following proportionate shares of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$171,353
Changes in proportion differences between Employer contributions and proportionate share of contributions	$594	-
Difference between actual and expected contributions	-	256
Contributions paid to PERS-DBRP subsequent to the measurement date - FY 2015 Contributions	58,575	-
Totals	$59,169	$171,609

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($42,726)
2017	(42,725)
2018	(42,726)
2019	(42,838)
2020	-
Thereafter	-

At June 30, 2015, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $34.9 million.

As of the fiscal year ended June 30, 2015, the State as a nonemployer contributing entity reported its proportionate share of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$3,095
Difference between actual and expected contributions	-	32
Contributions paid to PERS-DBRP subsequent to the measurement date - FY 2015 Contributions	$32,397	-
Totals	$32,397	$3,127

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction to its share of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2016	($785)
2017	(784)
2018	(784)
2019	(774)
2020	-
Thereafter	-

Sheriffs' Retirement System – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Hired on or after July 1, 2013 – highest average compensation during any consecutive 60 months with a 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement
20 years of membership service, regardless of age.

Early Retirement
Age 50, 5 years of membership service, actuarially reduced.

Vesting
5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system - Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 9.245% of member's compensation.

Employer contributions to the system - The employers are required to contribute 10.115% of member compensation. Effective July 1, 2013, employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Actuarial Assumptions

The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
    - For members hired prior to July 1, 2007 3.00%
    - For members hired on or after July 1, 2007 1.50%
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the SRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the SRS's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Employer's SRS Net Pension Liability	$4,848	$2,304	$203

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the SRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

	(dollars presented in thousands)		
	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	$5,911	$2,304	5.535000%

At June 30, 2015, the State as an employer reported a liability of $2.3 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by the SRS during the measurement period, July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of SRS participating employers. At June 30, 2014, the employer's proportion was 5.535000%.

*Changes in actuarial assumptions and methods***:** Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. The plan did report a change in assumption because there was an increase in the discount rate resulting in a decrease in the liability. There were no other changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the Employer's proportionate share of the collective net pension liability.

Pension Expense

	(in thousands) Pension Expense as of 6/30/14
Employer's Pension Expense	$129

At June 30, 2015, the employer recognized a pension expense of $129 thousand for its proportionate share of the SRS pension expense.

Deferred Outflows and Inflows

At June 30, 2015, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $370 thousand.

As of the fiscal year ended June 30, 2015, the State, as an employer, reported its proportionate share of the SRS's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	-	$2,350
Difference between projected and actual earnings on pension plan investments	-	1,015
Contributions paid to SRS subsequent to the measurement date - FY 2015 Contributions	$388	-
Totals	$388	$3,365

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($646)
2017	(645)
2018	(646)
2019	(645)
2020	(392)
Thereafter	(391)

Municipal Police Officers' Retirement System – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service.

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. The balance held by MPERA for DROP participants as of June 30, 2015, was approximately $6.9 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a discretely presented component unit of the State, this CAFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report are meant to reflect the aforementioned relationships.

Summary of Benefits

Member's final average compensation (FAC)
Hired prior to July 1, 1977 - average monthly compensation of final year of service;
Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months.
Hired on or after July 1, 2013 - highest FAC during any consecutive 36 months with a 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit
Service Retirement
20 years of membership service, regardless of age.

Early Retirement
Age 50, 5 years of membership service.

Vesting
5 years of membership service.

Monthly benefit formula
2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired before July 1, 1997, and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer in city where the member was last employed.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions - Contributions are deducted from each member's salary and remitted by the participating Employer. Contribution rates are dependent upon date of hire as a police officer. For fiscal year 2015:

- If employed on or before June 30, 1975, member contributions as a percentage of salary are 5.8%;
- If employed after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.0%;
- If employed after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.5%; and,
- If employed on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary were 9.0%.

Employer Contributions - Employers are required to contribute 14.41% of a member's compensation.

Nonemployer Entity Contributions - The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

Actuarial Assumptions

The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Merit Increases 0% to 7.3%
- Inflation at 3.00%
- Investment Return 7.75%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
    - If electing GABA or hired on or after July 1, 1997 3.00%
    - Minimum Benefit Adjustment 50% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 29.37% of salaries pensionable payroll paid by employers. Based on those assumptions, the MPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability**.** No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the MPORS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the MPORS's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

		(in thousands)	
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
State as a Nonemployer entity Net Pension Liability	$151,544	$105,106	$68,242

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the MPORS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the MPORS has a special funding situation in which the State is legally responsible for making contributions directly to the MPORS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government's collective net pension liability that is associated with the non-State employer.

	(dollars presented in thousands)		
	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
State as a Nonemployer Contributing Entity - Proportionate Share	$119,754	$105,106	66.888728%

At June 30, 2015, the State as a nonemployer contributing entity reported a liability of $105.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The nonemployer's proportion of the net pension liability was based on the nonemployer's special funding contributions received by the MPORS during the measurement period of July 1, 2013, through June 30, 2014, relative to total contributions received from all of the MPORS's participating employers and the nonemployer contributing entity. At June 30, 2014, the State's proportion was 66.888728%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

	(in thousands) Grant Expense as of 6/30/14
Nonemployer Grant Expense	$11,306

The State recognized grant expense of $11.3 million for special funding support provided by the General Fund for its proportionate share of the MPORS's pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2015, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $13 million.

As of the fiscal year ended June 30, 2015, the State as a nonemployer reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$12,904
Contributions paid to MPORS subsequent to the measurement date - FY 2015 Contributions	$13,433	-
Totals	$13,433	$12,904

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2016	($3,226)
2017	(3,226)
2018	(3,226)
2019	(3,226)
2020	-
Thereafter	-

<u>Firefighters' Unified Retirement System</u> – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and either final monthly compensation or final average compensation. Effective July 1, 2005, the benefits are based on highest monthly compensation and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

Summary of Benefits

Member's compensation

Hired prior to July 1, 1981, and not electing GABA - highest monthly compensation (HMC);

Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Eligibility for benefit

Service retirement

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service.

Vesting

5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service; **or**

i) if less than 20 years of service - 2% of HMC for each year of service;

ii) if more than 20 years of service - 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA 2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)
If hired before July 1, 1997, the monthly retirement, disability or survivor's benefit may not be less than 50% of the compensation of a newly confirmed firefighter employed by the city that last employed the member, provided the member has at least 10 years of membership service. If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient.

Contributions to the Plan
Rates are specified by state law for periodic employee, employer and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Member contributions to the system - Contributions are deducted from each member's salary and remitted by the participating Employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.5%;

Hired on or after July 1, 1997, and members electing GABA, member contributions as a percentage of salary are 10.7%.

Employer contributions to the system - Employers are required to contribute 14.36% of member's compensation.

Nonemployer entity contributions to the system - The State contributes 32.61% of a member's compensation from the General Fund.

Actuarial Assumptions
The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- General Wage Growth 4.00%
- Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
  - If electing GABA or hired on or after July 1, 1997 3.00%
  - Minimum Benefit Adjustment 50% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 32.61% of salaries pensionable payroll paid by employers. Based on those assumptions, the FURS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the FURS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the FURS's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

		(in thousands)	
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
State as an Employer in FURS - Net Pension Liability	$2,901	$1,806	$912
State as a Nonemployer Contributing Entity to FURS - Net Pension Liability	106,648	66,384	33,521

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the FURS. GASB 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the FURS has a special funding situation in which the State is legally responsible for making contributions directly to the FURS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or fire district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
State's Proportionate Share as an Employer Entity	$2,311	$1,806	1.850026%
State's Proportionate Share as a Nonemployer Contributing Entity	84,968	66,384	68.005182%
State of Montana Totals	$87,279	$68,190	69.855208%

At June 30, 2015, the State reported a liability of $68.2 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity in relation to the FURS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The proportion of the net pension liability was based on the all employer and nonemployer contributions received by the FURS during the measurement period, July 1, 2013, through June 30, 2014, relative to the total contributions received from all FURS participating employers and the nonemployer contributing entity. At June 30, 2014, the State as employer had a proportion of 1.850026% and the nonemployer proportion was 68.005182%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

(in thousands)

	Pension Plan Related Expenses as of 6/30/14
Employer's Proportionate Share	$200
State's Grant Expense Special Funding	7,369
State of Montana Total	$7,569

At June 30, 2015, the State as an employer recognized pension expense of $200 thousand for its proportionate share of the FURS pension expense.

The State also recognized grant expense of $7.4 million for special funding support provided by the General Fund for its proportionate share of the FURS's pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2015, the State, as an employer, recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $347 thousand.

As of the fiscal year ended June 30, 2015, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the FURS from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$359
Contributions paid to FURS subsequent to the measurement date - FY 2015 Contributions	$361	-
Totals	$361	$359

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($90)
2017	(90)
2018	(90)
2019	(89)
2020	-
Thereafter	-

At June 30, 2015, the State recognized a beginning deferred outflow of resources as a nonemployer contributing entity for fiscal year 2014 contributions of $12.8 million.

As of the fiscal year ended June 30, 2015, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to FURS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$13,185
Contributions paid to FURS subsequent to the measurement date - FY 2015 Contributions	$13,573	-
Totals	$13,573	$13,185

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2016	($3,297)
2017	(3,296)
2018	(3,296)
2019	(3,296)
2020	-
Thereafter	-

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is statewide retirement and disability plan established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and included volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of credited service. Member rights are vested after ten years of service. VFCA also provides limited benefits for death or injuries incurred in the line of duty.

A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit

Age 55, 20 years of credited service;

Age 60, 10 years of credited service.

Additional benefit

As of April 25, 2005, all retirees may receive a benefit equal to $7.50 per month for each year of credited service, up to 30 years of credited service (maximum benefit $225).

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive $7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at $225 a month (30 years of credited service) if the amortization period ` grows to greater than 20 years.

Vesting

10 years of membership service.

Monthly benefit formula

$7.50 per year of credited service.

Contributions to the Plan

Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan. The State, as a Nonemployer contributing entity, is the only contributor to the VFCA. Contributions are five-percent (5%) of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from the General fund to the VFCA fund.

Actuarial Assumptions

The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period of July 1, 2003, to June 30, 2009. Among those assumptions were the following:

- Inflation at 3.00%
- Investment Return 7.75%
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 5% of fire insurance premium taxes paid on certain fire risks. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the VFCA. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the VFCA's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
State as a Nonemployer entity Net Pension Liability	$8,860	$5,089	$1,883

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the VFCA. GASB 68 became effective June 30, 2015, and includes requirements to record and report proportionate shares of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the VFCA has a special funding situation in which the State is legally responsible for making contributions directly to the VFCA on behalf of volunteer employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a volunteer fire company's collective net pension liability that is associated with the non-State volunteer employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
State as a Nonemployer Proportionate Share	$8,506	$5,089	100%

At June 30, 2015, the State reported a liability of $5.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The nonemployer's proportion of the net pension liability was based on the nonemployer's contributions received by the VFCA during the measurement period, July 1, 2013, through June 30, 2014, relative to total contributions received. At June 30, 2014, the State's proportion as a nonemployer contributing entity in a special funding situation was 100%.

Changes in actuarial assumptions and methods: The administrative expense assumption is now explicitly stated as a cost element rather than being included implicitly within the investment return.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the nonemployer's reporting date that are expected to have a significant effect on the nonemployer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

	(in thousands) Grant Expense as of 6/30/14
Nonemployer Grant Expense	$470

The State as a nonemployer contributing entity recognized grant expense of $470 thousand for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERA for its proportionate share of the VFCA pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2015, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $1.8 million.

As of the fiscal year ended June 30, 2015, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to VFCA from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	-	$2,069
Contributions paid to VFCA subsequent to the measurement date - FY 2015 Contributions	$1,913	-
Totals	$1,913	$2,069

Amounts reported as deferred outflows of resources related to pensions resulting from the State's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)
Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2016	($518)
2017	(517)
2018	(517)
2019	(517)
2020	-
Thereafter	-

<u>Teachers' Retirement System</u> - The Teachers' Retirement Board (TRB) is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan, which provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS as an employer does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS and the TRS's staff administer the plan in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members was in litigation and has since been settled.

On June 30, 2015, the court ruled that the GABA will remain at 1.50% for TRS Tier One members. The adjustable GABA (rate determined based on the funding status of the system) will apply to TRS Tier Two members (members hired on or after July 1, 2013). The State entered into a settlement agreement on August 20, 2015, and agreed not to appeal the case to the State Supreme Court nor will either party seek legal fees associated with the matter. See section I. Litigation below for additional detail.

Contributions to the System
All active employees in the System, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 10.95% of compensation provided to an active, nonreemployed member. All school district and other employers are required to contribute 8.57% of an active, nonreemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to §19-20-609, MCA, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

A portion, of the total required statutory contributions, is provided directly from the State for all employers. The employers are considered to be in a special funding situation and the State is treated as a nonemployer contributing entity in the TRS. The TRS receives 2.49% of reportable compensation from the General Fund for school districts and other employers. Additionally, the System receives 0.11% of reportable compensation from the General Fund for State and University employers. Finally, the State is also required to contribute $25 million in perpetuity payable July 1st of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

Actuarial Assumptions
The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- General Wage Growth 4.00%
- Merit Increases 4.51%
- Price Inflation 3.25%
- Investment Return 7.75%
- Postretirement Benefit Increases (starting three years after retirement) 1.50%
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating TRS members, employers, and nonemployer contributing entities will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. In addition to these contributions, the State General Fund will contribute $25 million annually to the System payable July 1st of each year. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

		(in thousands)	
	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
State as an Employer in TRS - Net Pension Liability	$100,264	$72,168	$48,431
State as a Nonemployer Contributing Entity to TRS - Net Pension Liability	829,039	596,724	400,453

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, the TRS has a special funding situation in which the State is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of the System. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
State as an Employer Entity	$83,417	$72,168	4.689747%
State as a Nonemployer Entity	689,737	596,724	38.777294%
State of Montana Total	$773,154	$668,892	43.467041%

At June 30, 2015, the State reported a liability of $668.9 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the State's contributions received by the TRS during the measurement period, July 1, 2013, through June 30, 2014, relative to the all contributions received from the TRS's participating employers and the nonemployer contributing entity. At June 30, 2014, the State as an employer had a proportionate share of 4.689747% and as a nonemployer contributing entity a proportionate share of 38.777294%.

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the total pension liability have been made since the previous measurement date.

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

(in thousands)

	Pension Plan Related Expenses as of 6/30/14
Employer's Proportionate Share	$6,853
State Grant Expense Special Funding	33,412
Total	$40,265

At June 30, 2015, the State as an employer recognized a pension expense of $6.9 million for its proportionate share of the collective TRS pension expense.

The State as a nonemployer contributing entity also recognized grant expense of $33.4 million for special funding support provided by the State's General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the TRS.

Deferred Outflows and Inflows

At June 30, 2015, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2014 contributions of $5 million.

As of the fiscal year ended June 30, 2015, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the TRS from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$714	-
Difference between projected and actual earnings on pension plan investments	-	$11,178
Changes in assumptions	1,636	-
Difference between actual and expected contributions and changes in proportion	7,580	598
Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions	16,234	-
Totals	$26,164	$11,776

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	$366
2017	366
2018	366
2019	(2,944)
2020	-
Thereafter	-

At June 30, 2015, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources as a for fiscal year 2014 contributions of $41.4 million.

As of the fiscal year ended June 30, 2015, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$5,903	-
Changes of assumptions	13,524	-
Difference between projected and actual earnings on pension plan investments	-	$92,424
Difference between actual and expected contributions and changes in proportion	-	12,011
Contributions paid to TRS subsequent to the measurement date - FY 2015 Contributions	42,806	-
Totals	$62,233	$104,435

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions subsequent to the June 30, 2014, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in grant expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense
2016	($19,633)
2017	(19,633)
2018	(19,633)
2019	(26,109)
2020	-
Thereafter	-

D. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, § 15, states that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, over no more than 30 years. As of June 30, 2015, the Sheriffs Retirement System (SRS) and Game Warden & Peace Officers Retirement System (GWPORS) were not in compliance and do not amortize within 30 years.

E. Public Employee Defined Contribution Retirement Plans

Public Employees' Retirement System-Defined Contribution Retirement Plan – The Public Employees' Retirement System - Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. Member and Employer contribution rates are established by state law and may be amended only by the Legislature.

Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5 year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan

forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2015, is $4.9 million and contribution forfeitures were $333 thousand.
Local government entities contribute 8.17% of member compensation. School district employers contributed 7.90% of member compensation. The State contributes 0.1% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.27% of member compensation.

The total contribution rate of 8.27%, referenced in the preceding paragraph, is allocated as follows: 4.19% to the member's retirement account; 2.37% to the defined benefit plan choice rate; an additional 0.37% to eliminate the plan choice rate unfunded actuarial liability; 1.00% to defined benefit plan unfunded liabilities; 0.04% to the defined contribution education fund and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. See Note 7 for additional information related to this portion of the plan.

457-Deferred Compensation Plan – The 457 - Deferred Compensation Plan (457 - Plan) is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) §457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries.

The record keeper for the plan is Empower Retirement. Participants elect to defer a portion of their salary, within Internal Revenue Code limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

F. Montana University System Retirement Program

Montana University System-Retirement Program (MUS-RP) – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21 of the MCA. Combined contributions cannot exceed 13% of the participant's compensation per 19-21-203, MCA.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and the employee life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA-CREF. Total contributions made to the plan by the employer were $13.9 million and the total employee contributions were $15.6 million for the fiscal year ended June 30, 2015.

G. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in investment pools. Each plan owns an equity position in the pools and receives proportionate investment income from the pool in accordance with respective ownership. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on a discounted cash flow. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various brokerage services. Further detail related to investments is provided in Note 3.

H. Long-term Contracts for Contributions

The Montana Legislature enacted a provision of the Employee Protection Act (EPA) (Title 19, Chapter 2, Part 706, MCA), related to the Employee Protection Act, allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their Employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2015, there were 233 employees participating in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by the Montana Public Employee Retirement Administration (MPERA) on the unpaid balance. Total contributions received (including interest) during fiscal year 2015 totaled $119 thousand. The outstanding balance at June 30, 2015, totaled $18 thousand.

I. Litigation

Wrzesien v. State. Three members of PERS who elected to participate in either the PERS Defined Contribution Retirement Plan or the University System's Montana University System Retirement Program (MUS-RP) (formally known as the Optional Retirement Program) have sued the State of Montana and MPERA over the PERS plan choice rate. The complaint alleges equal protection and due process violations, and requests issuance of a declaratory judgment granting plaintiffs the employer contributions paid toward the plan choice rate. Class action certification is also requested. The plaintiffs are represented by Travis Dye of Kalkstein, Johnson & Dye in Missoula, Montana. The State and MPERA are represented by J. Stuart Segrest of the Montana Attorney General's Office. The complaint was subsequently amended to include the 1 % in employer contributions for DCRP plan members that, pursuant to HB 454 (2013), go to the PERS defined benefit retirement plan starting July 1, 2013. In the event plaintiffs prevail, and class action certification is granted, over 3000 PERS DCRP and MUS-RP participants will be paid the contributions previously directed to the plan choice rate. At June 30, 2015, MPERA calculated the contributions from the MUS-RP plan choice at $5.4 million and the contributions from the DCRP Plan Choice at $24 million.

A hearing on the cross motions for summary judgment was held before Judge Reynolds on October 7, 2014. A decision was made in favor of the State granting the motion on November 13, 2014. The Plaintiffs appealed to the State Supreme Court on September 10, 2015, and a briefing schedule has not yet been issued.

Association of Montana Retired Public Employees (AMRPE) v. State. Four Public Employees' Retirement System (PERS) retired members and their retiree association (AMRPE) have sued the State, MPERA, the PERB and Governor Bullock over the reduction of the PERS guaranteed annual benefit adjustment (GABA) decrease enacted by the 2013 Montana Legislature through HB 454. Plaintiffs are represented by Leo Berry, Chad E. Adams and Jessie L. Luther from Browning, Kaleczyc, Berry & Hoven P.C., in Helena, MT. The State, MPERA, PERB and Governor Bullock are represented by J. Stuart Segrest and Michael G. Black of the Montana Attorney General's Office. In November 2014, MPERA's actuary determined that if plaintiffs prevail and the GABA remains at 3%, the PERS's funding ratio would be 74.4% as opposed to 83.9% should plaintiffs be unsuccessful. Similarly, if Plaintiffs prevail, PERS would amortize over 29.3 years as opposed to 10.5 years under HB 454 (2013). Plaintiffs moved for and, following briefing and oral argument, received a Preliminary Injunction blocking implementation of the GABA decrease pending resolution of the underlying lawsuit. Plaintiffs filed a motion for summary judgment and brief in support in September 2014; defendants' response was due by October 20, 2014. A hearing in relation to summary judgments was held January 13, 2015, and a permanent injunction was issued by District Judge James Reynolds blocking the lowering of the GABA on March 4, 2015.

On July 21, 2015, the parties signed a stipulation to dismiss appeals. On August 19, 2015, Judge Reynolds of the First Judicial District issued an order clarifying that the permanent injunction blocking of lowering the GABA only applied to members hired prior to July 1, 2013, the date HB 454 was placed into effect.

Byrne et. al, v. State. On October 11, 2013, the State, the TRB and the TRS were named as defendants in a lawsuit filed by six retired members of TRS and MEA-MFT. Plaintiffs are represented by Karl J Englund, of Karl J, Englund P.C., in Missoula, MT; Jonathan McDonald, of Dix, Hunt and McDonald, in Helena, MT; and Jay E. Sushelsky, of the AARP Foundation Litigation, in Washington, DC. The State, TRS, and TRB are represented by Michael G. Black and Matthew T. Cochenour of the Montana Attorney General's Office. The lawsuit seeks to prevent a 1.0% reduction to the GABA that was included in HB 377 during the 2013 Legislature. A temporary court ordered injunction was issued on December 27, 2013, which prevented the reduction of the GABA until a final determination on the case has been determined by the court.

On June 30, 2015, the court ruled that the GABA will remain at 1.50% for TRS Tier One members. The adjustable GABA (rate determined based on the funding status of the system) will apply to TRS Tier Two members (members hired on or after July 1, 2013). The State entered a settlement agreement on August 20, 2015, and agreed not to appeal the case to the State Supreme Court nor will either party seek legal fees associated with the matter.

J. Subsequent Event

Tadman, et. al. v. State. A retired member of the Sheriffs' Retirement System filed a class action against the State of Montana on October 6, 2015, alleging the inappropriate payment of state and federal income tax on certain line-of-duty disability benefits. Plaintiff is represented by Lawrence A. Anderson, an attorney located in Great Falls, Montana. The State was served with the complaint on November 25, 2015, and will be represented by Eric Biehl and Hanna Warhank from Church, Harris, Johnson, & Williams PC, in Great Falls, Montana and the PERB's legal counsel. The State's response to the complaint was filed on January 25, 2016. As of the date of the printing of this report, no further action has taken place in this matter.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General

The State of Montana and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section 704 to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement plan. Further detail on Retirement Plans is provided in Note 6. Medical, dental, and vision benefits are available through this plan.

In accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704, the Montana University System (MUS) provides post-retirement health insurance benefits to employees who are eligible, to receive retirement benefits from the Teachers Retirement System, the Public Employees' Retirement System, or an annuity under the Optional Retirement Plan, and have been employed by the MUS for at least five years, are age 50, or have worked 25 years with the MUS. Spouses, unmarried dependent children, and surviving spouses are also eligible.

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

B. Plan Descriptions

Both healthcare OPEB plans for the State of Montana and MUS are agent multiple employer plans. The participating employers under the State Plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System (PERS), Montana State Fund, and Teachers' Retirement System (TRS). The participating employers under the MUS plan are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), Miles Community College (Miles CC), Office of Commissioner on Higher Education (OCHE), Montana State University – Billings (MSU-Billings), Montana State University – Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University – Northern (MSU-Northern), University of Montana – Montana Tech (UM-MT Tech), Helena College UM, University of Montana – Missoula (UM-Missoula), and University of Montana – Western (UM-Western). Each participating employer is required by GASB Statement No. 43 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 healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units. Accordingly, reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

The healthcare OPEB plans are reported as agency funds. There are no assets or liabilities as only contributions collected and distributions made are reflected in these funds.

The defined contribution disability plan (PERS-DCRP Disability) is a multiple-employer cost sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19 of Montana Code Annotated. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members and it is accounted for as a fiduciary fund type. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports which include financial statements and required supplemental information for the plan. Those reports may be obtained online (http://mpera.mt.gov) or by contacting the following:

Public Employees' Retirement Administration
P.O. Box 200131
100 North Park, Suite 200
Helena, MT 59620-0131
406-444-3154

Further details on the funding policies are provided in section D. Funding Policies of this note.

C. Basis of Accounting

OPEB is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements and the component unit financial statements. OPEB is not reported on the governmental fund financial statements, as governmental funds are reported on a modified accrual basis. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The healthcare OPEB plan document states "an employee enrolled in the State Plan who (a) is eligible to draw a state retirement benefit at the time he or she leaves active state employment; and (b) makes arrangements with the EBB (Employee Benefits Bureau) within 60 days of the date active employee coverage ends to continue post-retirement coverage, may continue with the state group on a self-pay basis, retroactive back to the date active employee coverage was lost." Therefore, the plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2015.

The number of state participants as of December 31, 2014, follows:

State Plan Participants

Enrollment	State	Facility Finance Authority	Montana Board of Housing	PERS	Montana State Fund	TRS	Total
Active employees	12,821	1	31	48	280	19	13,200
Retired employees, spouses, and surviving spouses (1)	3,569	-	2	1	-	-	3,572
Total	16,390	1	33	49	280	19	16,772

(1) Due to the inability to determine, without considerable effort, the last place an employee worked before retiring, the bulk of retires are listed as State regardless of their last place of employment. Since we are unable to account for all retired employees last place of employment cumulatively, an allocation method was used based on the accrued liability and ARC for active employees by component unit for the determination of the inactive liability by component unit.

The number of MUS participants as of June 30, 2015, follows:

MUS Plan Participants

Enrollment	MSU-Billings	MSU-Bozeman	GFC-MSU	MSU-Northern	OCHE	HC-MSU	UM-Msla	UM-MT Tech	UM-Western	Other	Total
Active employees	512	2,787	139	185	79	108	2,350	414	194	345	7,113
Retired employees, spouses, and surviving spouses	228	1,187	25	99	39	34	830	183	100	93	2,818
Total	740	3,974	164	284	118	142	3,180	597	294	438	9,931

PERS-DCRP participants who are 100% vested in the plan, and become disabled, are entitled benefits as defined in Title 19, Chapter 3, Section 2141, MCA. There have been no significant changes in the number covered or the type of coverage as of June 30, 2015.

The number of PERS-DCRP Disability participants as of June 30, 2015, follows:

PERS-DCRP Disability Plan Participants

Enrollment	Active	Disabled	Retirees and Beneficiaries	Terminated Vested Members	Terminated Non-Vested Members	Total
Participant counts used for valuation	2,284	6	-	-	-	2,290

D. Funding Policies

The State of Montana and MUS pay for postemployment healthcare benefits on a pay-as-you-go basis. Montana Code Annotated, Title 2, Chapter 18, Part 8 gives authority for establishing and amending the funding policy to the Department of Administration. Montana Code Annotated, Title 20, Chapter 25, Part 13 gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan.

As of June 2015, the State Plan's administratively established retiree medical contributions vary between $371 and $1,345 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental contributions vary between $22 and $68.50 and vision hardware contributions vary between $5.76 and $16.76 depending on the coverage selected.

As of June 2015, the MUS plan's administratively established retiree medical premiums vary between $196 and $1,438 per month. Retiree dental premiums vary between $52 and $156 per month while vision premiums vary from $7.11 to $20.73 depending on the types and number of dependents enrolled. The plan provides different coinsurance amounts depending on whether members use in-network or out-of-network providers. After an annual $500 deductible for most non-Medicare-eligible retirees, the MUS plan reimburses 75% for the first $6,000 in medical claims and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. As of June 30, 2015, 1,340 retirees (policyholders) were enrolled in the MUS plan.

The PERS-DCRP Disability plan is funded through a portion of the statutorily required employer contributions in Montana Code Annotated, Title 19, Chapter 3, Section 2117. An amount equal to 0.3% of a PERS-DCRP members' compensation is contributed to this trust fund by each participating employer.

E. Annual Other Postemployment Benefit Cost and Contributions

The annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The current State's

ARC of $35.2 million is 5.54% of annual covered payroll. The State's annual covered payroll is $635.9 million. The current MUS's ARC of $9.7 million is 2.42% of annual covered payroll. The MUS's annual covered payroll is $400.9 million.

There are no long-term contracts for contributions to either plan. Contributions refer to payments made in relation to the ARC. Since the State and MUS do not fund their plans, contributions disclosed as being made herein are an implicit rate subsidy provided through the difference of retiree payments provided to the healthcare plan and claims paid by the plan on a retiree's behalf.

The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB plan for fiscal year 2015 (in thousands):

Annual OPEB Cost & Changes in Net OPEB Obligation

	State	MUS
Annual required contribution/OPEB cost	$ 35,196	$ 9,709
Interest on net OPEB obligation	9,312	4,245
Amortization factor	(7,303)	(3,330)
Annual OPEB cost	37,205	10,624
Retiree claims paid	(10,489)	(3,329)
Increase in net OPEB obligation	26,716	7,295
Net OPEB obligation – beginning of year	219,109	99,891
Net OPEB obligation – end of year	$245,825	$107,186

Note that the amounts in the State and MUS Annual OPEB Cost table above include component unit and community college portions and therefore, they will not match the Statement of Net Position.

The State and MUS annual healthcare OPEB cost, the percentage of annual implicit contributions toward the OPEB cost through retiree claims paid on their behalf, and the net OPEB obligation for fiscal years 2015 through 2012 was as follows (in thousands):

Contribution Ratio

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State	6/30/2015	$37,205	28.2%	$245,825
	6/30/2014	36,823	19.1%	219,109
	6/30/2013	34,544	10.0%	189,327
	6/30/2012	34,150	12.1%	158,244
MUS	6/30/2015	$10,624	31.3%	$107,186
	6/30/2014	10,671	15.9%	99,891
	6/30/2013	13,288	6.9%	90,916
	6/30/2012	12,662	1.6%	78,550

The disability OPEB plan administered for defined contribution pension plan participants has an annual covered payroll, statutorily required contribution amount, and percentage of required contributions paid into the plan for fiscal years 2015 through 2012 as follows for the State and University system plan participants (in thousands):

	Fiscal Year Ended	Covered Payroll	Statutorily Required Contribution Amount	Percentage of Statutorily Required Contribution Funded
State	6/30/2015	$55,339	$166	100%
	6/30/2014	50,083	150	100%
	6/30/2013	46,540	140	100%
	6/30/2012	43,577	131	100%
MUS	6/30/2015	$4,057	$12	100%
	6/30/2014	4,115	12	100%
	6/30/2013	3,901	12	100%
	6/30/2012	3,434	10	100%

F. Actuarial Methods and Assumptions

The State and MUS are required by GASB Statement No. 45 to obtain an actuarial evaluation every other year. An actuarial report was prepared for December 31, 2013, and June 30, 2014, respectively. Therefore, an actuarial evaluation was not prepared for December 31, 2014, or June 30, 2015, respectively.

As of December 31, 2013, the State's actuarially accrued liability (AAL) for benefits was $366.739 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $366.739 million, and the ratio of the UAAL to the covered payroll was 59.52%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the December 31, 2013, actuarial valuation, the projected unit cost funding method was used for the State. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is initially 10.00% for both medical and prescription drugs. Both medical costs and prescription drugs are reduced by decrements to a rate of 5.00%, medical costs after eleven years and prescription drugs after six years.

As of June 30, 2014, the MUS actuarially accrued liability (AAL) for benefits was $100.247 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $100.247 million, and the ratio of the UAAL to the covered payroll was 25.06%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the June 30, 2014, actuarial valuation, the projected unit cost funding method was used for MUS. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is 10.00% for both medical and prescription drugs, initially. Both medical costs and prescription drugs are reduced by decrements to a rate of 5.00%, medical costs after ten years and prescription drugs after five years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting progress are based on the substantive plan (*the plan as understood by the employer and the plan members*). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Additional information as of the latest actuarial valuation for the State follows:

Other Postemployment Benefits
State Agent Multiple-Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands)		
Before Medicare eligibility	$8,857	$2,950
After Medicare eligibility	3,709	2,931
Actuarial valuation date	1/1/2013 (ARC calculated through December 31, 2013)	
Actuarial cost method	Projected unit cost funding	
Amortization method	Level percent of payroll, open	
Remaining amortization period	30 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 43 or 45	
Actuarial assumptions:		
Discount rate	4.25%	
Projected payroll increases	2.50%	
Participation		
Future retirees	55%	
Future eligible spouses	60%	
Marital status at retirement	70%	

Additional information as of the latest actuarial valuation for MUS follows:

Other Postemployment Benefits
MUS Agent Multiple-Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands)		
Before Medicare eligibility	$7,284	$3,036
After Medicare eligibility	3,357	2,311
Actuarial valuation date	7/1/2013 (ARC Calculated through June 30, 2014)	
Actuarial cost method	Projected unit cost funding	
Amortization method	Level percent of payroll, open	
Remaining amortization period	30 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 43 or 45	
Actuarial assumptions:		
Discount rate	4.25%	
Projected payroll increases	2.50%	
Participation		
Future retirees	55%	
Future eligible spouses	60%	

Other Postemployment Benefits
MUS Agent Multiple-Employer Plan

	Retiree/Surviving Spouse	Spouse
Marital status at retirement	70%	

G. Termination Benefits

During the year ended June 30, 2015, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for four employees provided for up to twelve months, one-time lump-sum incentive payments for six employees, paid administrative leave for three employees, and continuation of retirement plan contributions for one employee. In determining termination benefit liability related to the continued coverage of group health insurance benefits, it was assumed that these benefits would be paid for the entire period of the arrangement.

During the year ended June 30, 2015, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for twenty-three employees.

During the year ended June 30, 2015, the cost of termination benefits for the fiscal year was $189 thousand and $1.1 million for State and its component units, respectively.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise fund. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 1,219 policies during the 2015 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2015 growing season, with a 95% share of premiums and losses allotted to the Reinsurer and a 5% share of each is allotted to the State Hail Insurance. The fund recorded a liability of $17,403 which is 5% of the total estimated claims, $270,352 plus adjustment expenses through June 30, 2015. The amount deducted from the estimated claims as of June 30, 2015, for reinsurance was $256,834, 95% of estimated claims. The premiums ceded to the reinsurer through June 30, 2015, were $2.2 million which was 95% of total premiums of $2.3 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

(2) Montana University System (MUS) Group Insurance Plan –This plan is authorized by the Regents and in Title 20, Chapter 25, Part 13 of the Montana Code Annotated. The Plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term care, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and MedImpact is the administrator for the prescription drug program. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source are the three third-party claims administrators for the self-insured managed care plan. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source have contracts for utilization management: the utilization management program consists of hospital pre-authorization and medical necessity review as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Enterprise Fund. The claims liability is calculated by Actuaries Northwest and estimated to be $7.3 million as of June 30, 2015, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers Compensation Program – This plan was formed to provide self-insured workers compensation coverage for employees of the Montana University System. The Montana University System Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Title 39, Chapter 71, Part 2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of $750,000 per occurrence ($500,000 for claims occurring prior to July 1, 2013) and $1,000,000 per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1,000,000 above the self-insured amount of $750,000 ($500,000 for claims occurring prior to July 1, 2013). During fiscal year 2015, the program ceded $308,947 in premiums to reinsurers.

Premium rates for all participating campuses are established by the MUS Workers' Compensation Program Committee based on actuarial calculations of premium need and premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of $8.3 million for estimated claims at June 30, 2015. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, and claims reserve development including the effects of inflation and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment, by offering a financial incentive to employers to hire SIF-certified individuals. The program is funded through an annual assessment on Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The assessment and surcharge rates; set by the Employment Relations Division of the Department of Labor and Industry, annually, are based on the total amount of paid losses reimbursed by SIF in the preceding calendar year, plus the expenses of administration, less other income earned. Employers covered by Plans 1, 2 & 3 share in the reimbursement of SIF based on the percentage of the compensation and medical benefits paid in Montana by their insurers in the preceding calendar year.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. When the 104 weeks is reached, SIF may assume liability for the claim. The benefit to an insured employer is that since the insurer's liability is limited to 104 weeks on the claim, it can favorably impact the employer's modification factor, which in turn can keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2015, the amount of this liability was estimated to be $3.5 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	Hail Insurance		MUS Group Insurance Plan		MUS Workers Compensation	
	2015	2014	2015	2014	2015	2014
Unpaid claims and claim adjustment expenses at beginning of year	$ 226	$ 340	$ 6,400	$ 6,700	$ 7,619	$ 8,048
Incurred claims and claim adjustment expenses: provision for insured events of the current year	6,660	13,511	87,768	72,340	3,417	3,329
Increase (decrease) in provision for Insured events of prior years	523	709	-	-	(556)	(1,398)
Total incurred claims and claim adjustment expenses	7,183	14,220	87,768	72,340	2,861	1,931
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(6,643)	(13,285)	(86,868)	(72,640)	(701)	(1,011)
Claims and claim adjustment expenses attributable to insured events of prior years	(749)	(1,049)	-	-	(1,490)	(1,349)
Total payments	(7,392)	(14,334)	(86,868)	(72,640)	(2,191)	(2,360)
Total unpaid claims and claim adjustment expenses at end of year	$ 17	$ 226	$ 7,300	$ 6,400	$ 8,289	$ 7,619

B. Entities Other Than Pools

(1) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund is a risk financing insurance entity, however the participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Towers Watson, as of June 30, 2015, estimated the cost of settling claims that have been reported, but not settled, and claims that have been incurred, but not reported. At June 30, 2015, $41.6 million of unpaid claims and claim adjustment expenses were reported at face value.

(2) Employee Group Benefits Plans – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Cigna and Delta Dental as administrators for medical and dental coverage. MedImpact is the administrator for the prescription drug program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments, and are recorded as revenue in the Employee Group Benefits Internal Service Fund. At June 30, 2015, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were $18.0 million based on a formula provided by Actuaries Northwest, a consulting actuarial firm, of which $17.8 million is estimated to be paid in fiscal year 2016.

(3) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and state-administered foreclosure of housing units. The State self-insures the $2,000,000 deductible per occurrence for most property insurance, as well as various deductible amounts for other state property. The State also self-insures against losses of property below $2,000,000 of value, with state agencies paying the first $1,000. Commercial property insurance protects approximately $5.3 billion of state-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of $2,000,000 for earthquake and $2,000,000 for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study, prepared by Towers Watson Company, and issued for the accident period July 1, 2005, through June 30, 2015, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2015, estimated claims liability was $17.0 million.

(4) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred, but not reported, claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	State of Montana Old Fund		Employers Group Benefits Plan		Administration Insurance Plans	
	2015	2014	2015	2014	2015	2014
Amount of claims liabilities at the beginning of each fiscal year	$ 45,034	$ 51,026	$ 22,103	$ 14,640	$ 17,550	$ 16,909
Incurred claims:						
Provision for insured events of the current year	-	-	167,770	163,170	5,278	7,100
Increase (decrease) in provision for insured events of prior years	4,618	1,398	(7,182)	6,763	1,834	1,497
Total incurred claims	4,618	1,398	160,588	169,933	7,112	8,597
Payments:						
Claims attributable to insured events of the current year	-	-	(148,342)	(142,392)	(937)	(3,037)
Claims attributable to insured events of prior years	(8,055)	(7,390)	(16,321)	(20,078)	(6,772)	(4,919)
Total payments	(8,055)	(7,390)	(164,663)	(162,470)	(7,709)	(7,956)
Total claims liability at end of each fiscal year	$ 41,597	$ 45,034	$ 18,028	$ 22,103	$ 16,953	$ 17,550

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2015, the Department of Transportation had contractual commitments of approximately $181.1 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matched with state special revenue funds.

B. Capital Construction

At June 30, 2015, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $34.7 million for capital projects construction. The primary government will fund $27.6 million of these projects, with the remaining $7.1 million funding coming from the Montana University System.

C. Loan and Mortgage Commitments

The Board of Investments (BOI) makes firm commitments to fund commercial loans and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2015, the BOI had committed, but not yet purchased, $8.2 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $73.4 million for loans as of June 30, 2015. As of June 30, 2015, $1.1 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

As of June 30, 2015, the BOI has committed from the Coal Severance Trust Permanent Fund, but not yet funded $1.5 million to the Department of Natural Resources and Conservation to purchase tax bonds to finance two projects.

The BOI makes reservations to fund mortgages from the state's pension funds. The Montana Retirement Funds Bond Pool holds the residential mortgages in its portfolio. As of June 30, 2015, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

The BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2015, total $38.0 million.

D. Department of Corrections Bond Commitments

At June 30, 2015, the outstanding tax-exempt bonds issued by the Facility Finance Authority were issued in the amount of $21.6 million of which $3.2 million is scheduled to be paid by June 30, 2015. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest payments in regard to these outstanding bonds.

E. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (*in thousands*):

Proprietary Fund Commitments

Enterprise Funds	Amount
Liquor Warehouse	$ 64
Prison Industries	147
State Lottery	22
Other	2
Subtotal-Enterprise funds	$235

Internal Service Funds	
Administration Central Services	$ 2
Administration Supply	181
Commerce Central Services	17
Employee Group Benefit	126
Information Technology Services	43
Labor Central Services	12
Payroll Processing	49
Print and Mail Services	26
Prison Industries	942
Subtotal-Internal Service funds	$ 1,398

F. Encumbrances

As of June 30, 2015, the State of Montana encumbered expenditures as presented in the table below (*in thousands*):

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Nonmajor Governmental Funds	Total
Encumbrances	$11,230	$70,412	$37,508	$392	$119,542

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2015, were as follows (in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2016	$ 395	$ 268
2017	373	208
2018	309	208
2019	157	208
2020	40	16
2021-2025	-	-
Total minimum payments	1,274	908
Less: interest	(88)	(72)
Present value of minimum payments	$1,186	$836

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

Asset Class	
Buildings	$ 1,596
Equipment	5,349
Less: Accum Depreciation	(3,718)
Net Book Value	$ 3,227

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2015 totaled $ 26.3 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2016	$ 24,225	$ 422
2017	20,972	426
2018	18,216	262
2019	15,906	215
2020	28,024	257
2021-2025	21,268	348
2026-2030	6,911	23
Thereafter	1,872	-
Total future rental payments	$137,394	$1,953

NOTE 11. STATE DEBT

A. General Information

The State has no constitutional limit on its power to issue obligations or incur debt, other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No state debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

During fiscal year 2015, the State issued two bond anticipation notes. The proceeds of Drinking Water – 2014A were used to fund water system improvements and rehabilitation. Drinking Water – 2015B was authorized, however it had zero activity as of June 30, 2015. The State issued one bond anticipation note during fiscal year 2014 that was still active at the end of fiscal year 2015. The following schedule summarizes the activity for the year ended June 30, 2015 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
BANS				
Water / Wastewater – 2012A	$500	$ -	$500	$ -
Water / Wastewater – 2012B	381	619	1,000	-
Drinking Water – 2013B	761	-	761	-
Water / Wastewater – 2014A	527	2,115	-	2,642
Drinking Water – 2014A	-	2,150	600	1,550

The Board of Investments (BOI) of the State of Montana is authorized to issue Intermediate Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than $190 million as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for the BOI to make loans to eligible government units. The bonds are limited obligations of the BOI, payable solely from (1) repayments of principal and interest on loans made by the BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and are included in short-term debt. The amounts issued and outstanding at June 30, 2015, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2015
1997	$10,000	$ 9,035
1998	12,500	11,695
2000	15,000	14,335
2003	15,000	14,430
2004	18,500	18,200
2007	15,000	14,775
2010	12,000	11,975
2013	12,000	12,000
		$106,445

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2015 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$106,450	$ -	$5	$106,445

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding at June 30, 2015, were as follows (in thousands):

Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Principal Payments Fiscal Year 2016	Principal Payments In Year of Maturity (2)	Balance June 30, 2015
General obligation bonds						
Hard Rock Mining Reclamation	2002C	$ 2,500	3.5-4.7	$ 135	200 (2023)	$ 1,325
Long-Range Bldg Program Refunding	2003G	26,610	2.0-5.0	2,215	2,310 (2017)	4,525
Long-Range Bldg Program Refunding	2005A	14,945	3.0-5.25	1,595	1,595 (2016)	1,595
Energy Conservation Program (5)	2005C	2,500	3.25-4.0	290	290 (2016)	290
CERCLA Program (6)	2005D	2,000	3.25-4.3	95	140 (2026)	1,280
Drinking Water Revolving Fund (3)	2005F	3,875	4.0-4.75	275	350 (2021)	1,865
Water Pollution Control Revolving Fund (3)	2005G	2,110	4.0-4.75	640	640 (2016)	640
Long-Range Bldg Program Refunding	2005H	10,055	3.0-5.0	1,060	1,060 (2016)	1,060
Energy Conservation Program (5)	2006B	3,750	4.0-6.0	260	330 (2022)	2,060
CERCLA Program (6)	2006C	1,000	4.0	115	120 (2017)	235
Renewable Resource Program (4)	2006D	950	5.6-6.0	65	90 (2022)	545
Long-Range Bldg Program Refunding	2007A	16,740	4.25-5.0	2,220	2,465 (2018)	7,025
Long-Range Bldg Program	2008D	3,100	3.375-4.35	130	220 (2028)	2,195
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	585	710 (2021)	3,885
Drinking Water Revolving Fund Refunding (3)	2010B	5,400	2.0-4.0	450	110 (2026)	3,630
Water Pollution Control Revolving Fund Refunding (3)	2010C	6,450	2.0-4.0	2,255	575 (2020)	4,450
Trust Land	2010F	21,000	1.55-4.9	875	1,450 (2031)	17,860
Long-Range Bldg Program	2010G	550	1.5-2.7	55	60 (2021)	345
Renewable Resource Program (Taxable) (4)	2010H	1,000	1.0-3.85	100	115 (2021)	640
Long-Range Bldg Program Refunding	2011D	5,755	3.0 -3.25	565	720 (2023)	5,125
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	575	115 (2025)	6,095
Water Pollution Control Revolving Fund	2013D	1,035	0.4-3.7	100	120 (2024)	955
Water Pollution Control Revolving Fund (3)	2013E	5,000	2.0-3.0	475	575 (2024)	4,655
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,335	820 (2028)	28,810
Long-Range Bldg Program Refunding	2015A	9,340	2.0-4.0	-	1,260 (2020)	9,340
Water Pollution Control Revolving Fund (3)	2015C	24,365	3.0-5.0	-	1,860 (2036)	24,365
Total general obligation bonds		$ 225,840		$ 17,465		$ 134,795

Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Principal Payments Fiscal Year 2016	Principal Payments In Year of Maturity (2)	Balance June 30, 2015
Special revenue bonds						
State Hospital Project (7)	1997	$ 25,915	4.0-5.05	$ 1,360	1,820 (2022)	$ 11,055
Developmental Center Project Refunding (7)	2003	11,510	3.0-5.0	845	970 (2019)	3,625
Renewable Resource Program (8)	2003A	3,000	1.05-4.05	150	215 (2024)	1,630
U.S. Highway 93 GARVEES (9)	2008	44,670	3.5-5.0	2,905	3,925 (2023)	26,945
Broadwater Power Proj Refunding (8)	2010A	10,180	3.0-4.0	1,490	1,605 (2018)	4,645
Renewable Resource Program (8)	2010B	1,730	2.0-3.6	75	115 (2031)	1,450
Renewable Resource Program (Taxable) (8)	2010C	6,720	0.9-4.2	345	170 (2031)	5,380
U.S. Highway 93 GARVEE (9)	2012	50,915	0.9-1.9	9,365	11,040 (2020)	50,915
Renewable Resource Program (8)	2013A	2,255	2.0-3.625	130	185 (2029)	2,130
Renewable Resource Program (Taxable) (8)	2013B	3,390	1.0-4.75	190	290 (2029)	3,200
Total special revenue bonds		$ 160,285		$ 16,855		$110,975
Notes payable						
Water Conservation (Petrolia Project) (10)		50	5.0	2	2 (2016)	2
Middle Creek Dam Project (11)		3,272	8.125	78	227 (2034)	2,279
Tongue River Dam Project (12)		11,300	-	290	290 (2038)	6,664
ITSD Software Licenses		1,004	3.44	346	335 (2018)	1,004
Total notes payable		$ 15,626		$ 716		$ 9,949
Subtotal governmental activities, before unamortized balances						255,719
Unamortized discount						(12)
Unamortized premium						13,015
Total governmental activities		$ 401,751		$ 35,036		$268,722

(1) The interest range is over the life of the obligation.

(2) Year of maturity refers to fiscal year.

(3) These bonds provide matching funds to enable the State to obtain capitalization grants from the U.S Environmental Protection Agency for water system development loans to state political subdivisions.

(4) The general obligation Renewable Resource Program Bonds are secured additionally by a pledge of, and payable from, certain coal severance taxes. The bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.

(5) Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.

(6) The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued for the purpose of financing the costs of State of Montana participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.

(7) Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana Developmental Center Project and the Montana State Hospital Project.

(8) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.

(9) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. Repayment of the bonds is secured by a pledge of certain federal aid revenues.

(10) Loans obtained from Farmers Home Administration for the purpose of rehabilitating the Petrolia Reservoir and Canal in the vicinity of Winnett, Montana (Petrolia Project). A portion of the revenues generated by the facilities is pledged for repayment of the loans.

(11) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.

(12) Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2015, were as follows (in thousands):

	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 17,465	$ 4,619	$ 16,855	$ 4,203	$ 716	$ 45
2017	16,095	4,550	17,560	3,564	695	67
2018	14,265	4,020	18,255	2,932	709	56
2019	10,935	3,580	17,360	2,267	378	45
2020	10,155	3,225	17,085	1,606	382	45
2021-2025	34,815	11,575	20,165	2,591	1,969	224
2026-2030	19,695	5,388	3,410	389	2,095	224
2031-2035	9,510	1,547	285	7	2,136	179
2036-2040	1,860	47	-	-	869	-
Total	$134,795	$ 38,551	$110,975	$ 17,559	$ 9,949	$ 885

E. Summary of Changes in Long-term Liabilities Payable

Primary government long-term liability activity for the year ended June 30, 2015, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	$ 127,840	$ 62,515	$ 55,560	$ 134,795	$ 17,465	$ 117,330
Special revenue bonds	128,020	-	17,045	110,975	16,855	94,120
Notes payable	9,311	1,004	366	9,949	716	9,233
	265,171	63,519	72,971	255,719	35,036	220,683
Unamortized discount	(13)	-	(1)	(12)	-	(12)
Unamortized premium	9,105	7,131	3,221	13,015	-	13,015
Total bonds/notes payable (6)	274,263	70,650	76,191	268,722	35,036	233,686
Other liabilities						
Lease/installment purchase payable	764	810	388	1,186	355	831
Operating lease rent holiday	79	47	72	54	9	45
Pension benefits payable	4	-	-	4	2	2
Compensated absences payable (1)	96,639	59,554	54,648	101,545	54,369	47,176
Arbitrage rebate tax payable (1)	97	-	-	97	-	97
Estimated insurance claims (1) (4)	84,688	172,318	180,427	76,579	29,675	46,904
Pollution remediation (3)	256,325	29,061	15,488	269,898	30,614	239,284
Pension liability (5)	1,736,918	-	313,512	1,423,406	-	1,423,406
OPEB implicit rate subsidy (2)	211,336	35,411	10,080	236,667	-	236,667
Total other liabilities	2,386,850	297,201	574,615	2,109,436	115,024	1,994,412
Total governmental activities Long-term liabilities	$2,661,113	$367,851	$ 650,806	$2,378,158	$ 150,060	$2,228,098
Business-type activities						
Lease/installment purchase payable	141	936	241	836	237	599
Compensated absences payable	1,684	1,150	967	1,867	967	900
Arbitrage rebate tax payable	9	69	78	-	-	-
Estimated insurance claims	17,755	97,811	96,501	19,065	10,315	8,750
Pension liability (5)	11,425	-	2,062	9,363	-	9,363
OPEB implicit rate subsidy (2)	3,730	623	185	4,168	-	4,168
Total business-type activities Long-term liabilities	$ 34,744	$ 100,589	$ 100,034	$ 35,299	$ 11,519	$ 23,780

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The early retirement benefits payable will be liquidated by the general, state special revenue, and federal special revenue funds. The arbitrage rebate tax payable will be liquidated by debt service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an “implicit rate” subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units.

(3) Pollution remediation beginning balance was restated due to correction of an error.

(4) Estimated insurance claims beginning balance was restated to reflect inclusion of the Old Fund activity. Additionally, the previous year’s non-exchange financial guarantee was eliminated.

(5) The implementation of GASB Statement No. 68 required reporting a net pension liability beginning in fiscal year 2015. Further detail related to pension liability is provided in Note 6.

(6) Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

F. Refunded and Early Retired Debt

Prepayments
The Department of Natural Resources and Conservation (DNRC) used current available resources to make two prepayments resulting in payoff: $625,000 on special revenue series 2001B and $275,000 on special revenue series 2001F.

Defeased Debt Outstanding
The State of Montana has defeased certain general obligation and special revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2015, $69.6 million of bonds outstanding was considered defeased.

Refundings
On July 17, 2014, the State of Montana issued general obligation series 2014 Bonds in the amount of $28.8 million to make an advanced refunding totaling $32.9 million, comprised of $1.1 million series 2005B Bonds, $22.1 million series 2006A Bonds and $9.6 million series 2007D Bonds. The refunding resulted in an economic gain of $1.6 million and a difference in cash flow requirements of $1.6 million. On May 5, 2015, the State of Montana issued general obligation series 2015A Bonds in the amount of $9.3 million to make a current refunding totaling $9.7 million, comprised of $4.7 million series 2005A Bonds and $4.9 million series 2005H Bonds. The refunding resulted in an economic gain of $624,017 and a difference in cash flow requirements of $624,017.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Montana Board of Investments (BOI)
The BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act. The revenues, and in some cases, the taxing power of the borrower are pledged to repay the bonds. At June 30, 2015, QZAB debt outstanding aggregated $10.0 million.

The BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act. The revenues of the borrower are pledged to repay the bonds. At June 30, 2015, QSCB debt outstanding aggregated $6.6 million.

The industrial revenue bonds, QZAB debt, and QSCB debt issued by the BOI does not constitute a debt, liability, obligation, or pledge of faith and credit of the State.

Beginning Farm Loan Program
The Montana Department of Agriculture is authorized to request issuance of bonds by the BOI to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 2015, was as follows: Hershberger Project – issued $129,412, outstanding $59,512.

H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates were derived using the expected cash flows method as well as technical estimates from record of decisions, consent decrees and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State’s obligation.

The State’s estimated pollution remediation liability as of June 30, 2015, was $269.9 million. Of this liability, $27 million resulted in settlement agreements to provide restoration of natural resources, water supplies and natural resource-based recreational opportunities up to the settlement amount; $235.2 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and PCB contamination, as well as removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute Montana's total acceptance of the liability or responsibility on these matters.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

A. Balances Due From/To Other Funds

Balances due from/to other funds arise when there is a time lag between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system, and the dates on which payments are made. Balances also arise when there is a time lag between the dates that transfers between funds are recorded, and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Economic Development Bonds Fund to other funds, under the Board of Investments INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from the date of the financial statements.

Balances due from/to other funds at June 30, 2015, consisted of the following (in thousands):

	Due to Other Funds		
	Coal Severance Tax	General Fund	Internal Service Funds
Due from Other Funds			
Economic Development Bonds	$ -	$ -	$1,166
Federal Special Revenue	-	-	-
General Fund	-	-	-
Internal Service Funds	36	-	-
Nonmajor Governmental Funds	-	91	-
State Special Revenue	-	44	-
Total	$36	$135	$1,166

	Due to Other Funds (cont)			
	Nonmajor Enterprise Funds (3)	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds (cont)				
Economic Development Bonds	$ -	$ 30	$ 656	$ 1,852
Federal Special Revenue	-	-	57	57
General Fund	14,065	-	17,304	31,369
Internal Service Funds	1	-	-	37
Nonmajor Governmental Funds (1)	-	-	78	169
State Special Revenue (2)	-	490	-	534
Total	$14,066	$520	$18,095	$34,018

(1) Total due from the non-major governmental funds on the financial statements is reported as $2.1 million. The difference of $2.0 million between the amount reported above of $169,000 and the amount reported in the fund financial statements relates to long-term receivables. The receivables are reported in the fund financial statement and the long-term liabilities are reported in the government-wide statement.

(2) Total due from the state special revenue fund on the fund financial statement is reported as $8.4 million. The difference of $7.9 million between the amount reported above of $534,000 and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported in the fund financial statement and the long-term liabilities are reported in the government-wide statement.

(3) Total due to the non-major enterprise funds on the fund financial statement is reported as $14.4 million. The difference of $356,000 between the amount reported above of $14.1 million and the amount reported on the fund financial statement relates to loans payable. The receivables are reported in the government-wide and the liabilities are reported in the fund financial statement.

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of the financial statements.

Interfund loans receivable/payable at June 30, 2015, consisted of the following (in thousands):

	Interfund Loans Payable					
	Coal Severance Tax	Federal Special Revenue	Internal Service Fund	Nonmajor Governmental Funds	State Special Revenue	Total
Interfund Loans Receivable						
General Fund	$1,437	$ 46,091	$ -	$310	$21,384	$ 69,222
State Special Revenue	-	66,029	133	-	-	66,162
Total	$1,437	$112,120	$133	$310	$21,384	$135,384

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of the financial statements. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Economic Development Bond Fund to other funds, under the Board of Investments INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2015, consisted of the following (in thousands):

	Advances from Other Funds					
	Federal Special Revenue	Internal Service Funds	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Advances to Other Funds						
Economic Development Bond	$ -	$3,737	$ -	$ 4,192	$ 1,717	$ 9,646
General Fund	430	-	-	-	377	807
Internal Service Funds	-	-	160	-	-	160
Nonmajor Governmental Funds	-	-	-	-	10,256	10,256
State Special Revenue	19,366	-	-	6,828	-	26,194
Total	$19,796	$3,737	$160	$11,020	$12,350	$47,063

Additional detail for certain advance balances at June 30, 2015, follows (in thousands):

Advances from the Economic Development Bonds Fund under the INTERCAP Loan Program

Department	Balance
Natural Resources and Conservation	$4,192
Justice	1,717
Transportation	3,737
Total	$9,646

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2015, consisted of the following (in thousands):

	Transfers In				
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant
Transfers Out					
Coal Severance Tax	$ -	$ -	$21,168	$ -	$ -
Federal Special Revenue	-	-	149	-	-
General Fund	-	-	-	6,883	-
Internal Service Funds (1)	-	-	-	907	-
Land Grant	-	-	7	-	-
Nonmajor Enterprise Funds	-	-	43,381	2	-
Nonmajor Governmental Funds	914	-	-	-	-
State Special Revenue	-	2,816	13,365	3,467	534
Total	$914	$2,816	$78,070	$11,259	$534

	Transfers In (cont)			
	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers Out (cont)				
Coal Severance Tax	$ -	$ 880	$ 17,767	$ 39,815
Federal Special Revenue	-	19,894	31,400	51,443
General Fund	-	14,390	39,001	60,274
Internal Service Funds (1)	-	240	3	1,150
Land Grant	-	972	68,882	69,861
Nonmajor Enterprise Funds	-	-	6,740	50,123
Nonmajor Governmental Funds	-	4,107	23,624	28,645
State Special Revenue	106	13,854	-	34,142
Total	$106	$54,337	$187,417	$335,453

(1) Total transfers-out for internal service funds on the fund financial statements is reported as $1.4 million. The difference of $265,000 between the amount reported above of $1.2 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

NOTE 13. FUND DEFICITS

The following funds have a deficit fund balance/net position remaining at June 30, 2015, as follows (in thousands):

Fund Type/Fund	Deficit
Internal Service Funds	
Information Technology Services	$ (16,160)
Building and Grounds	(1,813)
Admin Central Services	(1,761)
Labor Central Services	(6,100)
Commerce Central Services	(1,278)
OPI Central Services	(866)
DEQ Indirect Cost Pool	(3,871)
Payroll Processing	(772)
Warrant Processing	(201)
Investment Division	(2,873)
Aircraft Operation	(1,108)
Justice Legal Services	(555)
Personnel Training	(158)
Other Internal Services	(370)
Enterprise Fund	
State Lottery	(1,930)
Subsequent Injury	(2,323)
Secretary of State Business Services	(54)
Local Government Audits	(103)

NOTE 14. MAJOR PURPOSE PRESENTATION

Special Revenue and Fund Balances Classifications by Purpose – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2015.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 66,880	$32,197	$ 24,514	$ 2,162	$ 171	$ 69,248	$ 195,172
Taxes	226,751	4,203	226,898	-	(23)	16,049	473,878
Charges for services	24,363	10,533	12,125	32,310	1,864	17,086	98,281
Investment earnings	202	6,124	30	109	473	10,497	17,435
Securities lending income	-	93	-	1	6	109	209
Sale of documents/merchandise/property	547	2,565	100	113	2	2,476	5,803
Rentals/leases/royalties	244	14	410	56	4	189	917
Contributions/premiums	24,105	-	-	-	-	-	24,105
Grants/contracts/donations	2,042	729	1,334	11,292	1,291	3,576	20,264
Federal	9,182	17	1	1,907	-	-	11,107
Federal indirect cost recoveries	-	-	37,001	19	-	4,166	41,186
Other revenues	1,020	521	380	367	188	212	2,688
Transfers in	56,407	3,810	2,143	6,974	886	117,197	187,417
Total State Special Revenue	$411,743	$60,806	$304,936	$55,310	$4,862	$240,805	$1,078,462

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	$ 742	$ 5	$ -	$ 4,143	$ 30,131	$ 18	$ 35,039
Investment earnings	196	2	-	-	19	86	303
Securities lending income	-	-	-	-	-	5	5
Sale of documents/merchandise/property	1	-	-	-	-	1	2
Rentals/leases/royalties	-	-	-	-	-	14	14
Grants/contracts/donations	-	-	-	-	-	(51)	(51)
Federal	113,664	8,734	468,949	1,245,086	176,383	99,456	2,112,272
Federal indirect cost recoveries	2	-	-	71,177	-	345	71,524
Other revenues	7	8	-	546	5	17	583
Transfers in	-	1,775	-	991	-	50	2,816
Total Federal Special Revenue	$114,612	$10,524	$468,949	$1,321,943	$206,538	$99,941	$2,222,507

Governmental Fund Balance By Function, June 30, 2015
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances							
Nonspendable							
Inventory	$ 2,514	$ 22,623	$ -	$ -	$ -	$ -	$ 25,137
Permanent fund principal	8	501	-	527,939	667,730	297,715	1,493,893
Long-term notes/receivables	817	-	-	-	-	-	817
Prepaid expense	1,329	382	95	-	-	-	1,806
Total nonspendable	4,668	23,506	95	527,939	667,730	297,715	1,521,653
Restricted							
General government	-	3,803	-	-	-	2,783	6,586
Transportation	-	47,750	-	-	-	-	47,750
Health and human services	-	8,919	595	-	-	13,300	22,814
Natural resources	-	705,780	-	-	-	10,514	716,294
Public safety	-	251,245	-	-	-	761	252,006
Education	-	7,339	10,484	-	-	73	17,896
Total restricted	-	1,024,836	11,079	-	-	27,431	1,063,346
Committed							
General government	-	118,375	-	506,914	-	87,478	712,767
Transportation	-	3,856	-	-	-	-	3,856
Health and human services	-	28,226	-	-	-	-	28,226
Natural resources	-	312,248	-	-	-	34,302	346,550
Public safety	-	30,207	-	-	-	-	30,207
Education	-	8,249	-	-	-	-	8,249
Total committed	-	501,161	-	506,914	-	121,780	1,129,855
Assigned							
General government	-	892	-	-	-	4,469	5,361
Public safety	-	-	-	-	-	599	599
General Fund Spend Down FY16 (1)	75,000	-	-	-	-	-	75,000
Encumbrance	11,230	-	-	-	-	-	11,230
Total assigned	86,230	892	-	-	-	5,068	92,190
Unassigned	380,436	-	-	-	-	-	380,436
Total fund balance	$471,334	$1,550,395	$11,174	$1,034,853	$667,730	$451,994	$4,187,480

(1) In fiscal year 2015, the General Fund unassigned fund balance was $380 million. An additional $75 million was reported as assigned fund balance pertaining to the projected General Fund spend down of fund balance in fiscal year 2016. The 2013 Legislature projected $300 million of unassigned fund balance for fiscal year 2015.

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, which governs the Montana Guaranteed Student Loan Program (MGSLP), guarantees loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a nonprofit corporation operating exclusively for the purpose of acquiring student loans. MHESAC has no employees. Its business operations are managed by the Student Assistance Foundation (SAF). Approximately 71.89%, or $939.6 million of MGSLP's outstanding loan volume is held by MHESAC.

The Montana Association of Health Care Purchasers (MAHCP) has a member from the Department of Administration (DOA), Health Care and Benefits Division as well as a member from the Montana University System. Both serve on the board of MAHCP and receive no remuneration for their services. DOA paid this association $1.25 per health care plan member per year to maintain its membership. DOA also paid a monthly fee of $0.55 per health care plan member per month for data aggregation and analysis and consulting services performed by the association staff on behalf of member employers. DOA also paid $0.71 per pharmacy script to MAHCP for administration of the URx program, which includes the Ask-A-Pharmacist Program.

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school’s foundation is governed by a board of directors that yearly approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A school employee is the person approving the expenses to be paid by the foundation based on its budget. The employee submits the approved invoices to the foundation’s bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Office of the State Public Defender rents the office space that is leased to one of its regional deputies. The Deputy Public Defender leases it from a third party and the Office of the State Public Defender reimburses the Deputy Public Defender for the lease payment. The lease ended on November 1, 2014, and the amount paid during fiscal year 2015 was $7,844.

The Department of Labor and Industry Workforce Services Division rents space in Libby, MT from Mineral Plaza, LLC, in which one of the owners is Johnette Watkins, a local job service manager. The term of the lease is four years beginning July 1, 2013, and ending June 30, 2017. The annual lease amount is currently set at $21,330.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

In State of Montana v. Philip Morris, Inc., No. CDV 97-306 (Mont. 1st Jud. Dist. Lewis & Clark County), the State of Montana filed various claims against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties, and attorney's fees. The lawsuit was resolved eventually through two settlements. The State first settled its claims against one of the manufacturers, Liggett & Meyers, Inc., for $1 million to be paid over a 20-year period. Next, Montana was among the Settling States that signed onto the 1998 Master Settlement Agreement (MSA) and settled its claims against the remaining manufacturers for a base settlement amount of $832 million payable over 26 years. The base amount was augmented by $90 million in 1999, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007.

The settlement provides that the cigarette manufacturers may offset against their payment in any year certain amounts of money if it is found that the original settling manufacturers (known as OPMs) have lost more than 2% of their market share to non-settling manufacturers (known as NPMs), and that the disadvantages imposed by the settlement were a "significant factor" in the market share loss. The settlement further provides that the offset, known as the "NPM adjustment" may not be taken against the payments to any state that has enacted a "qualifying statute" and diligently enforced the statute during the year in question. Montana enacted such a qualifying statute in 1999, Title 16, Chapter 11, Parts 401 – 404, Montana Code Annotated (MCA).

In March 2006, a determination was made pursuant to the settlement that the OPMs had lost sufficient market share in 2003 to trigger an NPM adjustment analysis, and that disadvantages caused by the settlement were a significant factor in the market share loss. Similar findings have been made or agreed to for years 2004 through 2006. The State filed a motion in the lawsuit seeking a declaration that it diligently enforced its qualifying statute during 2003. The OPMs moved to compel arbitration of the question. District Court ordered arbitration, but was overruled on appeal to the Montana Supreme Court. Virtually all of the other Settling States filed similar motions or new actions in their various court systems preferring to litigate their diligent enforcement disputes in court rather than in the tobacco companies' proposed nationwide arbitration. Montana was the only state to prevail on its argument against arbitration before its highest state court. Montana then successfully defended the favorable ruling from a petition for rehearing in Montana and ultimately a *certiorari* petition to the U.S. Supreme Court filed by tobacco companies which the Court rejected.

Simultaneously, arbitration between the other Settling States and the tobacco companies commenced and proceeded to discovery. After the U.S. Supreme Court denied *cert* regarding Montana's participation in the arbitration, the tobacco companies sought and received a stay of Montana's litigation pending completion of the nationwide arbitration, effectively shutting Montana out of any opportunity for input or influence over standards for determining what constitutes "diligent enforcement," and potentially subjecting Montana to whatever standards may ultimately result from the ongoing nationwide arbitration for lack of any alternative interpretative precedent. Thereafter, the Montana Supreme Court granted Montana's writ for supervisory control, overturned the stay, and allowed the State's district court action to proceed through discovery.

The Montana litigation ended with entry of a stipulated consent decree on June 25, 2012, reflecting the tobacco companies' determination after discovery that they would not contest Montana's diligent enforcement during 2003. In the nationwide arbitration, and as applied to Montana's consent decree, a "no contest" determination for an individual state means that state will not participate in the NPM Adjustment for 2003, *i.e.* as a "no contest" state Montana will have no reduction to its annual OPM settlement payments for 2003.

However, the "no contest" for 2003 has no precedential effect in any subsequent year for Montana or any other state's case. Accordingly, Montana will not be subject to the 2003 NPM Adjustment, but the consent decree specifically articulates that Defendants' consent to its terms "is not a factual concession that Montana, in fact, did or did not diligently enforce the Montana Qualifying Statute in 2003 or any other year."

Despite Montana's successful defense of its 2003 enforcement actions, no precedential protections exist, and the State remains vulnerable to further expected, though not yet filed, litigation challenging its diligent enforcement in 2004, 2005, and 2006, for which years the PMs have already received a determination that Master Settlement terms were a "substantial factor" reducing their market share and triggering an NPM Adjustment analysis with the potential to reduce annual payments for those Settling States which failed to diligently enforce their statutes.

Factual arguments exist to show that Montana enacted a qualifying statute within the meaning of the Master Settlement Agreement which was in full force and effect and diligently enforced during 2004-2006 and thereafter to date. However, legal and procedural uncertainties exist that make an adverse determination reasonably possible. An adverse determination on the diligent enforcement issue could result in the loss of some or all of the OPM's annual payments to the State for years 2004 through 2006, which would be recouped through an offset of payments to Montana due in future years. The OPMs have asserted claims for NPM adjustments for later years as well. The outcome of these claims is also uncertain.

In 2015, certain Settling States and certain tobacco product manufacturers commenced multi-state arbitration of the issue of diligent enforcement for calendar year 2004. Montana is not a party to this arbitration. The arbitration was put on hold by R.J. Reynolds Tobacco Company filing challenges to the arbitration in multiple states' courts. Neither Montana nor any tobacco product manufacturers have yet initiated litigation to determine the State's diligent enforcement for 2004.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork and Madison rivers. The case originated in 2003, when a group of parents of school age children sued PPL in Federal Court alleging that the company must pay rent for the use of state owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for use of the riverbeds at issue. The state intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State land trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability and the case proceeded to trial on the issue of compensation for use of trust lands. In June of 2008 the Court issued its ruling and ordered that PPL owed the state almost $41 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court, and in March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Jeffrey Sherlock presiding. The case number is BDV 2004-846.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the $41 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome on this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with $1.2 million for PPL's costs relating to the appellate proceedings. All but approximately $31,000 relate to premiums that PPL paid for a supersedeas bond in support of staying the $41 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for $31,263. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court is able to rule on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible. At this time, no further potential liability to the State is expected relative to this action and no additional updates are necessary in regards to the outstanding litigation.

Spoklie v. Montana Department of Fish, Wildlife and Parks, Sheridan County Docket No. 11013, is the final pending case challenging the constitutionality of Initiative Measure 143, which banned the issuance of new licenses for game farms in Montana, prohibited the transfer of existing licenses, and prohibited game farm licenses from allowing the shooting of game farm animals on a game farm for a fee or other remuneration. The State moved for summary judgment and that motion is still pending. In the opinion of counsel, good defenses exist to all claims, and the possibility of an outcome adverse to the state is very remote.

Spoklie is the last in a long line of case that were filed after passage of I-143. The following cases have been concluded in favor of the state: Kafka v. Montana Department of Fish Wildlife, and Parks, Hill County Docket No. DV-02-059, Buhmann et al. v. State of Montana et al., Lewis and Clark Docket No. DV-2002-555, Royal Tine Ranch v. State, Flathead County Docket No. DV-02-606C, and Mesaros v. Department of Fish, Wildlife and Parks, Cascade County Docket No. BDV 03-0119. Wallace v. State of Montana, Ravalli County Docket No. 02-254, and Bowman v. Montana Fish, Wildlife and Parks, Fergus County Docket No. DV-2002-02, were previously dismissed without prejudice and have not been refilled. No other updates in relation to this pending action are known at this time.

In October 2008 a lawsuit, Diaz et al. v. Blue Cross and Blue Shield of Montana et al., was filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, Rachel Laudon, individually and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, Plaintiffs filed with the District court a motion for class certification. The District Court Judge denied Plaintiffs' motion for class certification on December 16, 2009. Plaintiffs appealed this decision to the Montana Supreme Court. As part of review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws codified in §§ 2-18-902 and 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. Plaintiffs appealed this decision.

On December 21, 2011 the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under §§ 2-18-901 to -902, MCA, or under a third party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012 Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits within eight years before the filing of the Plaintiffs' complaint.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012, decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State conform its health plans, procedures, notices and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel are currently working on the notice.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10% per annum. For claims arising before December 24, 2009, interest will begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015 the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Since the case is ongoing, the State at this point does not have sufficient information to determine the cost impact.

Kohoutek, Inc. v. Montana involves a class action constitutional challenge to the state's statute governing compensation for mandatory case-lot sales of liquor. Agency liquor stores are required by statute to provide an 8% discount to liquor licensees for sales of unbroken case-lots. Section 16-2-101(2)(b)(ii)(B), MCA, provides for a weighted average discount ratio to offset for some or all of this mandatory case lot discount. The weighted average discount ratio is based on FY1994 sales. Plaintiffs contend that this provision, rooted in 1994 rather than based on actual sales, violates their rights to substantive due process and equal protection, and constitutes a taking.

Plaintiffs filed a Complaint for Declaratory, Injunctive, and Class Relief on March 25, 2014, before the Eighth Judicial District Court, ADV-14-181. The District Court for the Eighth Judicial District granted class certification by Order dated August 21, 2014. The case has been bifurcated into two parts—constitutionality and damages. The Court heard oral argument on the Plaintiffs' Motion for Partial Summary Judgment, addressing its constitutional claims, on January 20, 2015, and will decide on that issue in the near future.

On May 28, 2015, the District Court determined that § 16-2-101(2)(b)(ii)(B), MCA, violated the plaintiffs' rights to substantive due process and to equal protection of the law because the state has continued to use 1994 sales information to reimburse agency liquor stores for the mandatory case lot discounts. Trial on the issue of damages is set for February 4 and 5, 2016. Potential damages have been estimated at as much as $30 million.

Montana Department of Revenue v. Priceline, et. al. is a case that was initially filed on November 8, 2010, in the First District Court of Montana (Cause No. CDV-2010-1056) involving the determination of whether online travel companies (OTCs) are required to collect and remit Lodging Facility Use Taxes and Sales Accommodations Taxes, based on fees the OTCs charge in relation to their companies transacting business on a service provider's behalf. The Supreme Court (Cause No. DA 14-0260) ruled on August 21, 2015, that the OTCs do not need to collect and remit the Lodging Facility Use Taxes to the Department of Revenue (Department), but that the OTCs were responsible to collect and remit Sales Accommodations Taxes on the fees charged to accommodation providers. The Department utilized outside counsel in the case and they performed their services on a 20% contingency basis. As a result of the favorable decision to the Department, it will collect a minimum of $1.3 million in revenue from the OTCs and remit a minimum of $300,000 of this to the outside counsel as a result of the contingency fee agreement.

Ronald Mashek et al, Compliance Specialists, Department of Health and Human Services, Child Support Enforcement Division v. Department of Public Health and Human Services, State Human Resources Division, Department of Administration, is a case currently filed with the Montana Supreme Court (Cause No. DA 15-0410) regarding pay classifications for DPHHS compliance specialists.

On May 4, 2011, a group of Montana Department of Public Health and Human Services (“DPHHS”) employees who constitute the majority of the Compliance Specialists, Band 6, in the State of Montana (“Grievants”) filed an Amended Complaint alleging they were not paid in compliance with the Broadband pay classification plan (§§ 2-18-201 and -301, MCA) and wage payment statutes (§ 39-3-201, MCA, et seq.). Ronald Mashek v. Department of Public Health and Human Services, BDV 2011-385 (Montana 1st Judicial Dist. Court).

The Grievants belong to MEA-MFT Local 4573, a bargaining unit of approximately 500 state employees. The collective bargaining agreements to which MEA-MFT Local 4573 and the State are parties have two-year terms, beginning on July 1 of odd years following the Legislative session, and ending two years later, on June 30th. Both parties’ exclusive representatives negotiate the collective bargaining agreement based on the totality of the circumstances at the time and the totality of the contract, knowing the contract is binding until the next biennium. An employer must maintain the “status quo” regarding pay at the end of the term of a collective bargaining agreement until a new agreement is reached. MEA-MFT Local 4573 negotiated collective bargaining agreements with the State that covered the 2007-2009, 2009-2011, and 2011-2013 contract years. These negotiations included discussions about wages, which are a mandatory subject of bargaining. See Section 39-31-305(2), MCA. The Pay Addenda in the 2009-2011 and 2011-2013 contracts state: “This addendum represents the parties’ full and complete agreement for all provisions of the Broadband pay Plan for the term of this contract.”

On November 3, 2011, the District Court certified as a class union and non-supervisory DPHHS pay band 6 compliance specialists with the Child Support Enforcement Division employed from January 2007 to the present. DPHHS and the Department of Administration (“DOA”) subsequently moved to dismiss the Amended Complaint on the basis that the employees had failed to exhaust their administrative remedies by filing a grievance with the Board of Personnel Appeals (“BOPA”). The District Court granted the motion on July 18, 2012, and dismissed the case without prejudice.

On July 25, 2012, the employees filed a grievance with BOPA against DPHHS and the Department of Administration (collectively the “State”), alleging they were not paid in compliance with the Broadband pay program. A hearing officer was assigned to the matter who determined before the grievance hearing that only those employees whom DPHHS employed at the time they filed their complaint in District Court could maintain a grievance with the Board of Personnel Appeals. The matter then proceeded to a hearing in May 2013, with only those grievants in the group identified by the hearing officer.

The Grievants argued at hearing that § 2-18-301(4) MCA required internal equity in their compensation in comparison to the compensation received by other compliance specialists employed by other departments, and that DPHHS violated this by paying them less on average than others in the same job code in some other state agencies. The State argued that §§ 2-18-301 to -303, MCA contemplate that union employees may negotiate their pay, that the Grievants negotiated their pay in collective bargaining each biennium since 2001 when broadband became an optional pay plan, that Grievants negotiated their pay in collective bargaining each biennium since 2007 when broadband became mandatory, that the pay the Grievants negotiated was within the parameters of pay rules set out in each final and binding collective bargaining agreement, and that internal equity is only one of 4 factors which § 2-18-301(4), MCA, required the parties to the collective bargaining agreement to consider.

Following the hearing, the Hearing Officer issued his Findings of Fact, Conclusions of Law, and Recommended Order (“Recommended Order”) on November 27, 2013, holding that the Grievants were aggrieved, that they have and the State violated a substantive right to internal equity requiring the same pay for a job code across all state agencies, and that the Grievants cannot explicitly waive this right in collective bargaining agreements. The hearing officer awarded damages in the form of percentage calculation which the Grievants estimate would result in damages of approximately $6 to $8 million.

Both parties submitted to BOPA their objections to the Recommended Order. BOPA consists of five members appointed by the Governor, all of whom must be actively engaged in a collective bargaining workplace. Two members must be appointed from labor and two must be appointed from management, and the chair must be an attorney experienced in labor law. In other words, BOPA members are all highly qualified as subject matter experts. With this expertise, BOPA issued a unanimous Final Order on June 3, 2014, reversing the Recommended Order and dismissing the grievance, holding:

- Internal equity is not a substantive right but one of four considerations about pay;
- The only way to interpret internal equity when Broadband allows each agency to set its own pay is to consider the pay relationships within the agency and work unit;
- Broadband does not require identical pay across state agencies; and
- The collective bargaining agreements were final and binding.

The Grievants filed a petition for judicial review of the BOPA Final Order to the Montana First Judicial District Court. The district court issued an Order on Petition for Judicial Review on May 5, 2015, granting the Grievants' petition, vacating BOPA's decision, and adopting the Recommended Order as a modified final order. The district court focused almost exclusively on the manner in which BOPA discussed the matter and drafted its order rather than the substance of the order, and held that BOPA violated Grievants' due process rights by discussing during deliberations the effect the Hearing Officer's decision would have on state employee collective bargaining, and by not stating with particularity the reasons BOPA changed some findings of fact. The court did not address the merits of BOPA's conclusions of law to determine if BOPA's interpretation of the law was correct, as required in a petition for judicial review. State Personnel Div. v. Dep't of Public Health and Human Servs., 2002 MT 46, ¶ 20, 308 Mont. 365, 43 P.3d 305.

Both parties filed further motions with the district court. The Grievants filed a motion under Rule 59(a), M.R.Civ.P., requesting the district court to apply its Order on Judicial Review to the class that was originally certified and seeking attorney fees. The State filed a Rule 60(a) motion requesting remand to BOPA. The district court denied the motions in its Order of Various Post-Order Motions, dated June 29, 2015.

The State has appealed to the Montana Supreme Court from the district court's Order on Judicial Review and the Order on Various Post-Order Motions, and filed their opening brief on September 30, 2015. The Grievants have appealed the district court's Order on Various Post-Order Motions and are scheduled to file their reply to the State's opening brief and their own opening brief on their cross appeal on December 1, 2015.

An unfavorable outcome is reasonably possible given that an unfavorable district court order is in place. The grounds for the State's appeal, nevertheless, are strong. While the parties brought significant legal issues for resolution, the district court order failed to address them substantively, and instead resolved the case on the basis of the manner in which BOPA discussed them and drafted its final order reversing the hearing officer's recommended order. The State argues strongly that it deserves the right to have the issues resolved on the merits, not on the basis of the conduct of BOPA, and that in any event, BOPA acted correctly.

The district court held that BOPA violated the Grievants' due process rights by discussing the effect the Hearing Officer's decision would have on state employee collective bargaining, reasoning that the Grievants never had a chance to discuss the effect of collective bargaining at the hearing. The State argues the Grievants had every chance to discuss collective bargaining in this case, which involves negotiated, executed and ratified collective bargaining agreements, and in which those agreements were entered into evidence and their validity put in issue. The district court also concluded BOPA's final order violated Grievants' due process rights by not stating with particularity the reasons BOPA changed some findings of fact. BOPA's treatment of the findings of fact the hearing officer set forth in the recommended order (which BOPA noted were "replete" with incorrect legal conclusions) properly discussed the findings of fact. Finally, the district court did not address the merits of BOPA's conclusions of law, and did not directly address whether BOPA's conclusions of law were correct. Dep't of Public Health and Human Servs., 2002 MT 46, ¶ 20, 308 Mont. 365, 43 P.3d 305.

The district court order on judicial review, and the recommended order of the hearing officer which the district court reinstated, present a thin and troubling basis for overturning compensation which the Grievants negotiated and agreed to in multiple collective bargaining agreements. The Supreme Court has historically relied upon the expertise of BOPA, especially when BOPA decides a case unanimously, as it did here. The Court could resolve the case summarily by concluding that the Grievants' compensation should be that which they agreed to in the collective bargaining agreements, as BOPA determined, and dismissing the case. Alternatively, the Supreme Court could remand the matter to BOPA with instructions that it address more clearly its basis for reversing the findings and conclusions in the recommended order.

While it is possible the Supreme Court will let the district court order stand, the DPHHS believes the legal grounds it set forth for reversing that order are strong and that the Supreme Court will view those arguments favorably. We believe the Court will, consistent with its historical practice, rely upon the expertise of BOPA in its unanimous reversal of the hearing officer's recommended order and resolve this case in the DPHHS's favor.

The Public Employee Retirement Board (PERB) has one item of outstanding litigation in relation to the Public Employees' Retirement System - Defined Contribution Retirement Plan. PERB and Teachers' Retirement System have settled one respective case each in relation to retiree GABA rates. Refer to Note 6(I) for additional disclosure in relation to their various legal proceedings.

Federal Contingencies

Food Distribution Program - The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #10.570) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2015, Montana distributed $629,349 of food commodities under CFDA #10.567 to other states.

The State of Montana distributed $9.8 million in commodities in fiscal year 2015. The value at June 30, 2015, of commodities stored at the state's warehouse is $2.1 million for which the state is liable in the event of loss. The state has insurance to cover this liability.

Miscellaneous Contingencies

Loan Enhancements – As of June 30, 2015, the Board of Investments (BOI) had provided loan enhancements from the Coal Severance Tax Permanent Fund to the Municipal Finance Consolidation Act Bond Fund and the Facility Finance Authority, (a component unit of the State of Montana), totaling $193.3 million. The BOI's exposure to bond issues of the Municipal Finance Consolidation Act Bond Fund was $106.4 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority was $86.9 million.

Gain Contingencies - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2015, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General	State Special Revenue	Debt Service	Capital Projects	Nonexpendable Trust
Corporation Tax	$34,111	-	-	-	-
Coal Severance Tax	659	$206	$23	$295	$1,276
Resource Indemnity Trust Tax	-	64	-	-	-
Total	$34,770	$270	$23	$295	$1,276

Collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporation tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporation tax assessments is distributed to the General Fund and is included in the assessment total above.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2015. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2015, these include $5.8 million of General Fund corporation tax refunds.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2015. As of June 30, 2015, these include $1.3 million of protested property taxes recorded in the General Fund and $1.5 million recorded in State Special Revenue Fund. In addition, certain companies have appealed an additional $5.8 million in regular property taxes recorded in the General Fund on the State's financial statements.

Settlement Contingent on Congressional Approval – The 2015 Legislature passed Senate Bill 262 which ratifies a water rights Compact between the Confederated Salish and Kootenai Tribes, the State of Montana, and the United States to settle existing claims to water of or on behalf of the Tribes. (§85-20-1901, MCA) The Compact is effective upon approval of by the Tribes, the State, and the US Congress. The State will contribute an estimated $55 million payable over several fiscal years, as set forth in Article VI of the Compact, $3 million of which has already been appropriated for this purpose; however, the Parties to the Compact recognize that the structure of the State funding is contingent on future action of the Montana Legislature. (§85-20-1901 (Art. VI), MCA)

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

From July 1 through February 19, 2016, AFF Financing LLC payments total $2.523 million, representing $2.481 million in principal and $42,000 in interest. For the same period, the Board of Investments (BOI) received payments associated with the Orion Finance collective holding of $1,071,000 with $831,000 and $240,000 applied to principal and interest, respectively.

On August 3, 2015, the BOI terminated one manager for poor relative performance in RFBP. Another manager was hired to liquidate much of the portfolio and transferred cash and securities to the Core Internal Bond Portfolio. Market value of the transfer was approximately $105 million.

On August 12, 2015, the BOI, through the Coal Severance Tax (CST) Permanent Fund, purchased $1.5 million Department of Natural Resources and Conservation CST bonds in the Renewable Resource Program, 2015 Series B Taxable.

August 18, 2015, the BOI approved a $24 million in-state loan program request.

On October 1, 2015, the BOI received a bankruptcy payment of $238,000 related to the Lehman Brothers Holdings, Inc.

During the October 6, 2015, board meeting, the BOI wrote down $922,000 in Montana Science and Technology Alliance (MSTA) loans.

On October 6, 2015, the BOI approved, that for financial reporting purposes the STIP portfolio will be reported on a Net Asset Value basis beginning with the month of October 2015 versus amortized cost.

The BOI’s Chief Investment Officer (CIO) retired October 9, 2015. The new CIO started November 2, 2015.

Other Subsequent Events

On August 16, 2015, Governor Bullock declared by executive order a fire emergency for the state of Montana. Pursuant to the executive order, the declaration allows for mobilization of state resources and the Montana National Guard to combat fires, as well as expend funds to meet contingencies and needs that may arise from them.

NOTE 18. COMPONENT UNITS

A. Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2015 (in thousands):

Condensed Statement of Net Position
Component Units

	Montana Board of Housing	Facility Finance Authority	Montana State Fund (1)	Montana State University	University of Montana	Total Component Units
Assets:						
Cash, investments and other assets	$644,894	$4,925	$1,666,082	$535,763	$469,864	$3,321,528
Due from primary government	-	-	-	302	1,192	1,494
Due from component units	-	-	-	-	69	69
Capital assets (net) (Note 18C)	5	28	29,328	433,157	341,911	804,429
Total assets	644,899	4,953	1,695,410	969,222	813,036	4,127,520
Deferred Outflows of Resources	720	12	1,614	25,454	18,210	46,010
Liabilities:						
Accounts payable and other liabilities	8,153	24	157,604	59,570	64,228	289,579
Due to primary government	-	5	-	2,358	971	3,334
Due to component units	-	-	-	69	-	69
Advances from primary government	-	-	-	21,242	11,433	32,675
Long-term liabilities (Note 18I)	485,419	217	998,083	354,928	266,711	2,105,358
Total liabilities	493,572	246	1,155,687	438,167	343,343	2,431,015
Deferred Inflows of Resources	311	34	4,357	16,354	17,235	38,291
Net Position:						
Net investment in capital assets	5	28	29,328	282,500	228,128	539,989
Restricted	151,731	-	-	242,095	275,729	669,555
Unrestricted	-	4,657	507,652	15,560	(33,189)	494,680
Total net position	$151,736	$4,685	$ 536,980	$540,155	$470,668	$1,704,224

(1) The State of Montana (Old Fund) is reported within the governmental activities of the primary government, effective June 30, 2015. This reporting change resulted in a $45 million reduction of liabilities for the Montana State Fund, a component unit of the State, as presented above.

Condensed Statement of Activities
Component Units

	Montana Board of Housing	Facility Finance Authority	Montana State Fund (1)	Montana State University	University of Montana	Total Component Units
Expenses	$ 24,577	$ 377	$151,660	$ 527,197	$ 427,096	$1,130,907
Program Revenues:						
Charges for services	1,186	890	164,557	245,341	184,166	596,140
Operating grants and contributions	24,752	38	-	161,804	152,704	339,298
Capital grants and contributions	-	-	-	1,873	5,393	7,266
Total program revenues	25,938	928	164,557	409,018	342,263	942,704
Net (expense) program revenues	1,361	551	12,897	(118,179)	(84,833)	(188,203)
General Revenues:						
Unrestricted grants and contributions	-	-	-	55	-	55
Unrestricted investment earnings	-	-	42,990	1,697	2,878	47,565
Payment from State of Montana	33	4	1,270	121,319	101,545	224,171
Gain (loss) on sale of capital assets	-	-	(19)	93	-	74
Miscellaneous	106	-	82	-	-	188
Contributions to term and permanent endowments	-	-	-	6,296	12,305	18,601
Total general revenues and contributions	139	4	44,323	129,460	116,728	290,654
Change in net position	1,500	555	57,220	11,281	31,895	102,451
Total net position – July 1 – as previously reported	151,750	4,287	455,323	603,565	521,703	1,736,628
Adjustments to beginning net position	(1,514)	(157)	24,437	(74,691)	(82,930)	(134,855)
Total net position – July 1 – as restated	150,236	4,130	479,760	528,874	438,773	1,601,773
Total net position – June 30	$151,736	$4,685	$536,980	$ 540,155	$ 470,668	$1,704,224

(1) The State of Montana (Old Fund) is reported within the governmental activities of the primary government, effective June 30, 2015. This reporting change resulted in a $45 million adjustment to beginning net position for the Montana State Fund, a component unit of the State, as presented above.

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments and investments are included with the primary government in Note 3.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	$ 6,669	$ 8,226	$ 1,139	$ 16,034
Construction Work In Progress	30,581	15,507	-	46,088
Capitalized Collections	9,085	17,823	-	26,908
Livestock for educational purposes	3,661	-	-	3,661
Total Capital Assets not being depreciated	49,996	41,556	1,139	92,691
Capital assets being depreciated:				
Infrastructure	43,212	8,342	-	51,554
Land Improvements	22,285	15,322	-	37,607
Buildings/Improvements	580,897	536,618	27,973	1,145,488
Equipment	155,109	88,028	7,639	250,776
Livestock	-	10	-	10
Library Books	64,986	59,851	-	124,837
Leasehold Improvements	1,451	-	-	1,451
Total Capital Assets being depreciated	867,940	708,171	35,612	1,611,723
Total accumulated depreciation	(494,245)	(412,672)	(7,919)	(914,836)
Total Capital Assets being depreciated, net	373,695	295,499	27,693	696,887
Intangible Assets	836	2,413	529	3,778
MSU Component Unit Capital Assets, net	8,630	-	-	8,630
UM Component Unit Capital Assets, net	-	2,443	-	2,443
Discretely Presented Component Units capital assets, net	$ 433,157	$ 341,911	$29,361	$ 804,429

D. Other Postemployment Benefits (OPEB)

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons component unit OPEB is included in Note 7.

E. Risk Management

Montana State Fund (MSF) is the only component unit risk pool. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

(1) Montana State Fund (MSF) – This fund provides liability coverage to employers for injured employees who are insured under the Workers' Compensation and Occupational Disease Acts of Montana and workers' compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive state fund, and functions as the guaranteed market. At June 30, 2015, approximately 24,400 employers were insured with MSF. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by Towers Watson, as of June 30, 2015, estimated the cost of settling claims that have been reported, but not settled, and claims that have been incurred, but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques in order to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of June 30, 2015, $895.5 million of unpaid claims and claim adjustment expenses were presented at face value.

Montana Code Annotated, Title 39, Chapter 71, Section 2311 requires MSF to set premiums at least annually at a level sufficient to insure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the fiscal year ended June 30, 2015, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. For fiscal year 2015, the excess of loss contract provides coverage up to $100 million in which MSF retains the first $5 million for the first layer of reinsurance coverage. The excess of loss protection applies to an individual occurrence with the maximum of $5 million on any one life.

The term of the current aggregate stop loss contract is July 1, 2014, through December 31, 2016. The contract provides coverage based on MSF's premium levels not to exceed 15% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of $11.3 million in fiscal year 2015.

Estimated claim reserves were reduced by $13.3 million for fiscal year 2015 for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. In fiscal year 2015, estimated claim reserves were reduced by an additional $22.3 million for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the aggregate stop loss contract.

(2) Changes in Claims Liabilities for the Past Two Years – As indicated above, this fund establishes liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable. The information presented is at face value and has not been discounted.

	Montana State Fund	
	2015	2014
Unpaid claims and claim adjustments expenses at beginning of year	$ 924,598	$ 902,848
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	135,111	150,940
Increase (decrease) in provision for insured events of prior years	(45,914)	(18,620)
Total incurred claims and claim adjustment expenses	89,197	132,320
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(24,150)	(26,807)
Claims and claim adjustment expenses attributable to insured events of prior years	(94,102)	(83,763)
Total payments	(118,252)	(110,570)
Total unpaid claims and claim adjustment expenses at end of year	$ 895,543	$ 924,598

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2015, were as follows (in thousands):

Fiscal Year Ending June 30	Discretely Presented Component Units
2016	$260
2017	182
2018	112
2019	36
2020	7
2021-2025	-
Total minimum pmts	597
Less: interest	(41)
Present value of minimum payments	$556

G. Operating Leases

Future rental payments under operating leases at June 30, 2015, are as follows (in thousands):

Fiscal Year Ending June 30	Discretely Presented Component Units
2016	$ 4,446
2017	3,742
2018	2,395
2019	2,151
2020	2,020
2021-2025	3,514
2026-2030	1,449
Thereafter	2,898
Total future rental payments	$22,615

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2015, were as follows (in thousands):

	Montana Board of Housing		Montana State University		University of Montana	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 13,215	$ 17,904	$ 8,913	$ 6,213	$ 7,949	$ 3,833
2017	14,020	17,588	8,952	5,944	8,207	3,587
2018	14,725	17,218	8,995	5,685	8,506	3,293
2019	15,265	16,785	13,135	5,417	8,825	2,964
2020	15,900	16,300	9,065	5,107	9,220	2,611
2021-2025	89,865	72,553	36,945	21,059	49,586	7,359
2026-2030	105,870	53,457	27,030	14,329	11,725	1,544
2031-2035	106,640	31,641	23,630	9,277	2,770	225
2036-2040	78,335	11,598	14,710	4,901	-	-
2041-2045	23,905	1,485	13,065	1,347	-	-
Total	$477,740	$256,529	$164,440	$79,279	$106,788	$25,416

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2015, was as follows (in thousands):

	Beginning Balance (3)	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
Montana Board of Housing	$ 528,979	$ 20,153	$ 66,409	$ 482,723	$ 13,215	$ 469,508
Montana State University (MSU)	179,214	373	10,864	168,723	8,913	159,810
University of Montana (UM)	116,505	20,500	28,335	108,670	7,983	100,687
Total bonds/notes payable (1)	824,698	41,026	105,608	760,116	30,111	730,005
Other liabilities						
Lease/installment purch pay	870	122	436	556	237	319
Compensated absences pay	59,570	29,448	28,706	60,312	30,073	30,239
Arbitrage rebate tax payable	551	353	-	904	-	904
Prevailing wage claim	15	-	15	-	-	-
Estimated insurance claims (5)	924,598	89,197	118,252	895,543	125,271	770,272
Due to federal government	32,963	238	-	33,201	-	33,201
Derivative instrument liability	4,035	572	-	4,607	-	4,607
Reinsurance funds withheld	67,162	12,197	1,639	77,720	-	77,720
Unearned compensation	293	78	-	371	-	371
Pension liability (6)	164,321	11,970	13,113	163,178	-	163,178
OPEB implicit rate subsidy (2)	99,141	10,893	3,386	106,648	-	106,648
Total other liabilities	1,353,519	155,068	165,547	1,343,040	155,581	1,187,459
	$2,178,217	$196,094	$271,155	$2,103,156	185,692	1,917,464
Long-term liabilities of Montana University System component units (4)					(137)	2,339
Total discretely presented component units Long-term liabilities					$185,555	$1,919,803

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an “implicit rate” subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units. OPEB is reported as a single line item on the financial statements.

(3) Beginning balances are taken from component unit financial statements.

(4) Interentity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

(5) Estimated insurance claims beginning balance was restated to reflect exclusion of the Old Fund, which is now reported within the primary government.

(6) The implementation of GASB Statement No. 68 required reporting a net pension liability beginning in fiscal year 2015. Further detail related to pension liability is provided in Note 6.

J. Refunded and Early Retired Debt

Universities

Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2015, $123.0 million of bonds outstanding were considered defeased.

K. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Facility Finance Authority (FFA)

The FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by the FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project and the Montana Developmental Center Project included in Note 11. At June 30, 2015, revenue bonds outstanding aggregated $1.0 billion and notes payable outstanding aggregated $4.6 million.

The Board of Investments and the FFA have entered into a capital reserve account agreement for certain bond issues. See Note 16 for more information.

Montana Board of Housing (MBOH)

The MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of the MBOH. These bonds issued by the MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2015, bonds outstanding aggregated $14.2 million.

L. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2015. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 (GASB 53), or as investment derivative instruments if they do not.

Derivative Description	Trade Date	Effective Date	Termination Date	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	*11/15/2035	Deutsche Bank AG*
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Morgan Stanley Capital Services Inc.

*Counterparty may opt out in 2016

As of June 30, 2015, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the million basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In Addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory.” The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The time value is equal to the option value minus the intrinsic value. The option value was estimated using a trinomial option pricing model. Incorporating market volatility data, the trinomial model calculates all possible changes in the value of the underlying swap for each future cash flow period (up, down or unchanged) to form a trinomial tree. This tree is used to calculate the current value of the option.

On September 10, 2010, the Series J bonds were converted to index bonds. While in index mode the interest rate is reset weekly at a rate of Securities Industry and Financial Markets Association (SIFMA) plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to the issuer; the current spread as of June 30, 2015, was 0.65%. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative. The counterparty to the fixed payer swap has the right to terminate the swap at $0 on December 14, 2016 (a European option). Upon entering into the transaction, MSU received consideration from the counterparty in the form of an off-market (lower) fixed swap rate. A portion of the consideration received was a result of the option being in-the-money at inception; that is, the option had intrinsic value as the cancelable swap's fixed rate of 3.953% was lower than the at-market rate of 4.110% on the trade date. The remainder of the up-front consideration reflects the time value the counterparty pays for holding the option. To MSU, the time value portion represents deferred investment revenue. The intrinsic value of the cancelable swap is considered a loan receivable for financial reporting purposes and is treated as an asset in the accompanying financial statements. Interest accrues to the balance of the asset each year and amortizes with each swap payment.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2015 (in thousands):

		Activity During 2015 Increase (Decrease)		Fair Values at June 30, 2015	
Cash flow hedges:	Notional	Classification	Amount	Classification	Amount
Cash flow hedge – Pay fixed interest rate swap	$21,800	Interest expense	$ 18	Loan receivable	$ 288
		Investment income	162	Derivative liability	4,605
		Deferred outflow	733		
Investment derivative – Basis swap	$21,800	Investment loss	$280	Investment (excluding interest accrued)	$1,279

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2015, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/ Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series J 2005 Bonds	$21,800	7/21/2005	11/15/2035	-	Pay 3.953% Receive SIFMA

Credit Risk

It is MSU's policy to enter into derivative agreements with highly rated counterparties. As of June 30, 2015, counterparty ratings were A2 and Baa1 by Moody's and A+ and A- by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than $5 million and the counterparty is rated A+ or A, by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk
Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap. As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk
The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk
MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2015, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Rollover Risk
MSU's hedging derivative includes a cancelation option which allows the counterparty to cancel the swap on December 14, 2016. Should the counterparty exercise its option, MSU would be exposed to rollover risk as exercise would only be likely in a rate environment higher than that at the time the trade was originally entered into.

Foreign Currency Risk
All hedging derivatives are denominated in US Dollars and therefore MSU is not exposed to foreign currency risk.

Market Access Risk
Market access risk is the risk that the MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

M. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club and the Montana Tech Alumni Association.

The associations and booster club operate exclusively for the purpose of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with, UM. For the year ended June 30, 2015, $108,091 was transferred from or expended by the Montana Tech Booster Club for scholarships and construction projects. In exchange, UM provides the associations and booster club with office space, staff and some related office expenses.

MonTEC was established as a nonprofit 501(C) 3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised equally of members appointed by MAEDF and UM.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. Friends of Montana Public Television provided $1.0 million during 2015 and Friends of KEMC Public Radio provided $850,000 during 2015 in support of MSU's television and radio stations.

N. Litigation Contingencies

Susan Hensley v. Montana State Fund Montana State Fund received a Petition for Hearing that was filed before the Workers' Compensation Court in October, 2013. The matter is Susan Hensley vs. Montana State Fund, WCC No. 2013-3235. Under HB 334, as passed by the legislature in 2011 and codified in 39-71-703 (2), MCA, when a claimant receives a Class I impairment, it is not payable unless the claimant has an actual wage loss as a result of the compensable injury or occupational disease. The law was effective July 1, 2011, and applicable to claims that occurred on or after that date. The petitioner in this matter is challenging the constitutionality of 39-71-703 (2), MCA. State Fund anticipates the chances are remote, but as with any litigated matter there is the possibility of an adverse decision. Should the statute be held unconstitutional, determined to be applicable to other claims and also determined to be retroactively applicable, potential liability is estimated to be at least $2.2 million per year, as based on NCCI initial pricing, and current estimated business volumes.

Montana State Fund received another Petition for Hearing that was filed before the Workers' Compensation Court. The matter is Steven Hanson vs. Montana State Fund, WCC No. 2014-3398. This is a companion case to Susan Hensley v. Montana State Fund and has been held in abeyance pending a decision in Hensley.

In April 2015, Montana State Fund received a third Petition for Hearing that was filed before the Workers' Compensation Court asserting a constitutional challenge to the Class I impairment statute. The case is Jeremy Holm v. Montana State Fund, WCC No. 2015-3564. The implications of the case are similar to that of the Hensley case above.

O. Subsequent Events

On August 4, 2015, approximately $4.2 million Revenue Bonds Series 2015A were issued by the Facility Finance Authority (FFA) for the benefit of St. John's Lutheran Ministries (a long-term care facility) to refinance bonds previously issued.

Montana State Fund commuted two of its excess of loss reinsurance contracts with Canada Life during August 2015. In exchange for $855 thousand, $1.2 million of reinsurance recoverables were removed from the estimated claims payable liability.

In September 2015, the Board of Regents authorized the Montana State University (MSU)-Billings campus to execute the purchase of real property in support of its campus master plan. The property will be purchased with non-state funds and the final purchase will be executed by MSU-Billings upon the review and approval by MSU, MUS Legal Counsel, the President of MSU, and the Commissioner of Higher Education. The offer price was $315,000 and closed on November 10, 2015.

In September 2015, the Board of Regents authorized Montana State University (MSU) to purchase real property including land and a building designed to house laboratories and offices in Bozeman. The purchase of this property will allow MSU to vacate existing leased space as those leases expire in the next several years. MSU expects to house laboratory and offices in the building. The listed price for the property is $4.8 million and the purchase closed at the listed price on November 30, 2015.

In September 2015, the Board of Regents authorized MSU to proceed with the issuance of debt in an amount up to $11.5 million to obtain the financing necessary to construct a parking facility and to purchase a building (as listed above) for lab and office space. Debt is expected to be issued in February of 2016.

On September 10, 2015, approximately $18 million Hospital Facilities Revenue Bonds, Series 2015C were issued by the FFA for the benefit of Bozeman Deaconess Health Services to refinance bonds issued in 2005.

On September 29, 2015, approximately $5.1 million Prerelease Center Revenue Refunding Bonds, Series 2015 were issued by the FFA for the benefit of Alternatives, Inc. (a prerelease center) to refinance bonds issued in 2006.

On October 29, 2015, the Montana Board of Housing (MBOH) issued $64.4 million of Single Family Mortgage Bonds Series 2015 B. The bonds will mature on June 1, 2016, through December 1, 2026, with interest rates from 0.50% to 3.125%. Bond proceeds of $30.0 million will be used to purchase single family mortgage loans for the MBOH's ownership program. Bond proceeds of $34.4 million, were issued in order to refund existing bond issues.

On November 20, 2015, the Montana State Fund Board of Directors declared a $35 million dividend at their board meeting. The dividend payments were issued in January 2016 to eligible policyholders for the 2013 policy year.

On November 24, 2015, approximately $6.2 million Refunding Revenue Bond, Series 2015 were issued by the FFA for the benefit of Community, Counseling, and Correctional Services, Inc. (a prerelease center) to refinance bonds issued in 2006.

An additional $6.0 million of debt was authorized in November 2015 to construct a new dining hall on the Bozeman campus. In combination with the $11.5 million debt previously authorized, MSU expects to issue debt in February 2016.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

Constitutionality of Retirement Plan Funding

The Montana Constitution, Article VIII, §15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. As of June 30, 2015, the Sheriffs' Retirement System (SRS), Game Warden & Peace Officers' Retirement System (GWPORS), and Public Employees' Retirement Benefit Defined Contribution Disability Other Post Employment Benefit (PERS-DCRP Disability) plans were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in less than 30 years as of fiscal year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 122,919	$ 122,919	$ 122,946	$ 27
Taxes:				
Natural resource	123,637	123,637	116,169	(7,468)
Individual income	1,104,794	1,104,794	1,158,636	53,842
Corporate income	155,022	155,022	171,836	16,814
Property	253,642	253,642	247,365	(6,277)
Fuel	-	-	-	-
Other	229,054	229,054	225,392	(3,662)
Charges for services/fines/forfeits/settlements	40,306	40,306	37,701	(2,605)
Investment earnings	-	-	3,650	3,650
Sale of documents/merchandise/property	373	373	368	(5)
Rentals/leases/royalties	13	13	18	5
Contributions/premiums	-	-	-	-
Grants/contracts/donations	3,766	3,766	9,777	6,011
Federal	29,589	29,589	27,784	(1,805)
Federal indirect cost recoveries	167	167	204	37
Other revenues	12,088	12,088	479	(11,609)
Total revenues	2,075,370	2,075,370	2,122,325	46,955
EXPENDITURES				
Current:				
General government	396,077	396,077	350,877	45,200
Public safety	300,696	300,696	291,093	9,603
Transportation	-	-	-	-
Health and human services	485,011	485,011	446,541	38,470
Education	993,229	993,229	985,103	8,126
Natural resources	36,590	36,590	32,582	4,008
Debt service:				
Principal retirement (RSI-1)	-	-	17	(17)
Interest/fiscal charges (RSI-1)	-	-	184	(184)
Capital outlay (Note RSI-1)	-	-	2,761	(2,761)
Total expenditures	2,211,603	2,211,603	2,109,158	102,445
Excess of revenue over (under) expenditures	(136,233)	(136,233)	13,167	149,400
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
General capital asset sale proceeds	36	36	130	94
Bond premium	-	-	-	-
Bond proceeds	-	-	-	-
Energy conservation loans	-	-	-	-
Transfers in (Note 12)	71,836	71,836	78,070	6,234
Transfers out (Note 12)	(257,268)	(257,268)	(60,274)	196,994
Total other financing sources (uses)	(185,396)	(185,396)	17,926	203,322
Net change in fund balances				
(Budgetary basis)	(321,629)	(321,629)	31,093	352,722
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	-	-	88	88
2. Securities lending costs	-	-	(10)	(10)
3. Inception of lease/installment contract	-	-	29	29
4. Adjustments for nonbudgeted activity	-	-	-	-
Net change in fund balances	-	-	-	-
(GAAP basis)	(321,629)	(321,629)	31,200	352,829
Fund balance - July 1	-	-	442,476	442,476
Adjustments to beginning fund balance	-	-	(2,500)	(2,500)
Increase (decrease) in inventories	-	-	158	158
Fund balances - June 30	$ (321,629)	(321,629)	471,334	792,963

The notes to the required supplementary information are an integral part of this schedule.

Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
$ 190,296 $	190,296 $	195,172 $	4,876 $	- $	- $	- $	-
146,143	146,143	101,316	(44,827)	-	-	-	-
-	-	-	-	-	-	-	-
6	6	3	(3)	-	-	-	-
16,850	16,850	14,167	(2,683)	-	-	-	-
214,501	214,501	226,892	12,391	-	-	-	-
132,165	132,165	131,500	(665)	3	3	-	(3)
90,189	90,189	98,281	8,092	37,336	37,336	35,039	(2,297)
-	-	17,435	17,435	-	-	303	303
5,914	5,914	5,803	(111)	1	1	2	1
645	645	917	272	14	14	14	-
23,039	23,039	24,105	1,066	-	-	-	-
14,278	14,278	20,264	5,986	50	50	(51)	(101)
9,838	9,838	11,107	1,269	2,152,416	2,152,416	2,112,272	(40,144)
49,088	49,088	41,186	(7,902)	68,604	68,604	71,524	2,920
4,563	4,563	2,688	(1,875)	428	428	583	155
897,515	897,515	890,836	(6,679)	2,258,852	2,258,852	2,219,686	(39,166)
405,143	405,143	221,453	183,690	327,589	327,589	102,206	225,383
97,313	97,313	93,298	4,015	26,901	26,901	10,659	16,242
337,509	337,509	226,645	110,864	640,651	640,651	113,798	526,853
188,465	188,465	158,040	30,425	1,516,008	1,516,008	1,320,150	195,858
125,898	125,898	109,312	16,586	319,345	319,345	206,692	112,653
316,681	316,681	184,773	131,908	152,320	152,320	65,787	86,533
-	-	560	(560)	-	-	13	(13)
-	-	672	(672)	-	-	8	(8)
-	-	68,304	(68,304)	-	-	348,923	(348,923)
1,471,009	1,471,009	1,063,057	407,952	2,982,814	2,982,814	2,168,236	814,578
(573,494)	(573,494)	(172,221)	401,273	(723,962)	(723,962)	51,450	775,412
502	502	2,586	2,084	-	-	-	-
217	217	1,898	1,681	-	-	11	11
-	-	2,897	2,897	-	-	-	-
27,262	27,262	24,365	(2,897)	-	-	-	-
-	-	2,120	2,120	-	-	-	-
248,441	248,441	187,417	(61,024)	22,225	22,225	2,816	(19,409)
(91,530)	(91,530)	(34,142)	57,388	(83,558)	(83,558)	(51,443)	32,115
184,892	184,892	187,141	2,249	(61,333)	(61,333)	(48,616)	12,717
(388,602)	(388,602)	14,920	403,522	(785,295)	(785,295)	2,834	788,129
-	-	209	209	-	-	5	5
-	-	(38)	(38)	-	-	(1)	(1)
-	-	300	300	-	-	15	15
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(388,602)	(388,602)	15,391	403,993	(785,295)	(785,295)	2,853	788,148
-	-	1,523,740	1,523,740	-	-	14,739	14,739
-	-	13,949	13,949	-	-	(6,418)	(6,418)
-	-	(2,685)	(2,685)	-	-	-	-
(388,602)	(388,602)	1,550,395	1,938,997	(785,295)	(785,295)	11,174	796,469

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2015, reverted governmental fund appropriations were as follows: General Fund - $32.4 million, State Special Revenue Fund - $158.4 million, and Federal Special Revenue Fund - $274.8 million. Agencies are allowed to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous nonbudgeted activity.

Required Supplementary Information
State of Montana as an Employer Entity

Judges' Retirement System
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios[1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Total Pension Liability (TPL)	
Service costs	$1,594
Interest	3,824
Benefit payments	(3,023)
Net change in total pension liability	$2,395
Total pension liability - beginning	49,237
Total pension liability - ending	$51,632
Plan Fiduciary Net Position	
Contributions - employer	$1,651
Contributions - member	481
Net investment income	12,421
Benefit payments	(3,023)
Administrative expense	(100)
Net change in plan fiduciary net position	$11,430
Plan fiduciary net position - beginning	72,793
Plan fiduciary net position - ending	$84,223
Net Pension (Asset) - Beginning	($23,556)
Net Pension (Asset) - Ending	($32,591)
Plan fiduciary net position as a percentage of TPL	163.12%
Pensionable payroll	$6,355
Net pension (asset) as a percentage of pensionable payroll	(513%)

Judges' Retirement System
Schedule of Employer Contributions[1]
For the Fiscal Year Ended June 30
(in thousands)

	2015
Contractually required contributions	$1,684
Contributions made in relation to the contractually required contributions	1,684
Contribution deficiency/(excess)	-
Covered-employee payroll	$6,525
Contributions as a percentage of covered-employee payroll	26%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Judges' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Highway Patrol Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Total Pension Liability (TPL)	
Service costs	$3,464
Interest	13,518
Benefit payments	(9,443)
Net change in total pension liability	$7,539
Total pension liability - beginning	175,594
Total pension liability - ending	$183,133
Plan Fiduciary Net Position	
Contributions - employer	$5,736
Contributions - member	1,458
Net investment income	18,677
Benefit payments	(9,443)
Administrative expense	(109)
Net change in plan fiduciary net position	$16,319
Plan fiduciary net position - beginning	$109,691
Plan fiduciary net position - ending	$126,010
Net Pension Liability - Beginning	$65,903
Net Pension Liability - Ending	$57,123
Plan fiduciary net position as a percentage of TPL	69%
Pensionable payroll	$14,149
Net pension liability as a percentage of pensionable payroll	404%

Highway Patrol Officers' Retirement System
Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Contractually required contributions	$5,782
Contributions in relation to the contractually required contributions	5,782
Contribution deficiency/(excess)	-
Covered-employee payroll	$14,549
Contributions as a percentage of covered-employee payroll	40%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Highway Patrol Officers' Retirement System
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.0 - 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Game Wardens' and Peace Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Total Pension Liability (TPL)	
Service costs	$7,850
Interest	11,258
Benefit payments	(5,229)
Net change in total pension liability	$13,879
Total pension liability - beginning	139,985
Total pension liability - ending	$153,864
Plan Fiduciary Net Position	
Contributions - employer	$3,762
Contributions - member	4,462
Net investment income	20,069
Benefit payments	(5,229)
Administrative expense	(162)
Net change in plan fiduciary net position	$22,902
Plan fiduciary net position - beginning	115,841
Plan fiduciary net position - ending	$138,743
Net Pension Liability - Beginning	$24,144
Net Pension Liability - Ending	$15,121
Plan fiduciary net position as a percentage of TPL	90%
Pensionable payroll	$41,637
Net pension liability as a percentage of pensionable payroll	36%

Game Wardens' and Peace Officers' Retirement System
Schedule of Employer Contributions
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Contractually required contributions	$4,040
Contributions in relation to the contractually required contributions	4,040
Contribution deficiency/(excess)	-
Covered-employee payroll	$44,885
Contributions as a percentage of covered-employee payroll	9%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Game Wardens' and Peace Officers' Retirement System
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.0 - 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2015
Employer's proportion of the net pension liability	53.223780%
Employer's proportionate share of the net pension liability	$663,174
Employer's covered-employee payroll	$597,083
Employer 's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111%
Plan fiduciary net position as a percentage of the total pension liability	80%

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Contractually required contributions	$58,575
Contributions in relation to the contractually required contributions	58,575
Contribution deficiency/(excess)	-
Covered-employee payroll	$620,286
Contributions as a percentage of covered-employee payroll	9%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Public Employees' Retirement System-Defined Benefit Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.0 - 6.0%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Nonemployer's proportion of the net pension liability	0.961287%
Nonemployer's proportionate share of the net pension liability	$11,978
Plan fiduciary net position as a percentage of the total pension liability	80%

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Nonemployer Contributions
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$32,397
Contributions in relation to the contractually required contributions	32,397
Contribution deficiency/(excess)	-

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Public Employees' Retirement System-Defined Benefit Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2014, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per §19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per §19-3-319, MCA.

Not Special Funding

The State contributes a portion of Coal Severance Tax income and interest earnings from the Coal Trust Permanent Trust fund in accordance with §15-35-108, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Sheriffs' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2015
Employer's proportion of the net pension liability	5.535%
Employer's proportionate share of the net pension liability	$2,304
Employer's covered-employee payroll	$3,580
Employer 's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64%
Plan fiduciary net position as a percentage of the total pension liability	87%

Sheriffs' Retirement System
Schedule of Employer Contributions
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Contractually required contributions	$388
Contributions in relation to the contractually required contributions	388
Contribution deficiency/(excess)	-
Covered-employee payroll	$3,836
Contributions as a percentage of covered-employee payroll	10%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Sheriffs' Retirement System
Notes to Required Supplementary Information
For the Year ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.0 - 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2015
Nonemployer's proportion of the net pension liability	66.888728%
Nonemployer's proportionate share of the net pension liability	$105,106
Plan fiduciary net position as a percentage of the total pension liability	67%

Municipal Peace Officers' Retirement System
Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2015
Contractually required contributions	$13,433
Contributions in relation to the contractually required contributions	13,433
Contribution deficiency/(excess)	-

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Municipal Peace Officers' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2014, are as follows:

> The State contributes 29.37% of member compensation on behalf of all employer entities per §19-9-702, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Employer's proportion of the net pension liability	1.850026%
Employer's proportionate share of the net pension liability	$1,806
Employer's covered-employee payroll	$735
Employer 's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246%
Plan fiduciary net position as a percentage of the total pension liability	77%

Firefighters' Unified Retirement System
Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$142
Contributions in relation to the contractually required contributions	142
Contribution deficiency/(excess)	-
Covered-employee payroll	$986
Contributions as a percentage of covered-employee payroll	14%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Firefighters' Unified Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
General wage growth	4.00%
Inflation	3.00%
Merit salary increases	0.0 - 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Nonemployer's proportion of the net pension liability	68.005182%
Nonemployer's proportionate share of the net pension liability	$66,384
Plan fiduciary net position as a percentage of the total pension liability	77%

Firefighters' Unified Retirement System
Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$13,573
Contributions in relation to the contractually required contributions	13,573
Contribution deficiency/(excess)	-

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Firefighters' Unified Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of statutorily determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2014, are as follows:

> The State contributes 32.61% of member compensation on behalf of all employer entities per §19-13-604, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Volunteer Firefighters' Compensation Act
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Nonemployer's proportion of the net pension liability	100%
Nonemployer's proportionate share of the net pension liability	$5,089
Plan fiduciary net position as a percentage of the total pension liability	87%

Volunteer Firefighters' Compensation Act
Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$1,913
Contributions in relation to the contractually required contributions	1,913
Contribution deficiency/(excess)	-

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Volunteer Firefighters' Compensation Act
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of actuarially determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2014, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per §19-17-301, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Employer's proportion of the net pension liability	4.689747%
Employer's proportionate share of the net pension liability	$72,168
Employer's covered-employee payroll	$32,937
Employer 's proportionate share of the net pension liability as a percentage of its covered-employee payroll	219%
Plan fiduciary net position as a percentage of the total pension liability	70%

Teachers' Retirement System
Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$16,234
Contributions in relation to the contractually required contributions	16,234
Contribution deficiency/(excess)	-
Covered-employee payroll	$31,252
Contributions as a percentage of covered-employee payroll	52%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Teachers' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of assumptions: The following changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:

- For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
- For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Salary increase	4.00 to 8.51 percent, including inflation for Non- University Members and 5.00% for University Members
Inflation	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2015
Nonemployer's proportion of the net pension liability	38.777294%
Nonemployer's proportionate share of the net pension liability	$596,724
Plan fiduciary net position as a percentage of the total pension liability	70%

Teachers' Retirement System
Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2015
Contractually required contributions	$42,806
Contributions in relation to the contractually required contributions	42,806
Contribution deficiency/(excess)	-

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Teachers' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2014, are as follows:

The State contributes 0.11% of member compensation on behalf of State government and University entities per §19-20-604, MCA.

The State contributes 2.49% of member compensation on behalf of school district and community college entities per §19-20-604 and §19-20-607, MCA.

The State contributes a $25 million payment from the General Fund per §19-20-607, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units.

In accordance with GASB Statement No. 45, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans.

Other Postemployment Benefits Plan Information
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
State Agent Multiple Employer Plan						
1/1/2009	$ -	$357,664	$357,664	0.00%	$526,794	67.89%
1/1/2011	$ -	$337,274	$337,274	0.00%	$521,881	64.63%
1/1/2013	$ -	$366,739	$366,739	0.00%	$616,158	59.52%
MUS Agent Multiple Employer Plan						
7/1/2009	$ -	$183,230	$183,230	0.00%	$386,751	47.40%
7/1/2011	$ -	$109,831	$109,831	0.00%	$371,802	29.54%
7/1/2013	$ -	$100,247	$100,247	0.00%	$400,017	25.06%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2015
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
ASSETS				
Cash/cash equivalents	$ 11,514	$ 87,828	$ 470	$ 99,812
Receivables (net)	3,806	1,761	855	6,422
Due from other funds	1,975	169	-	2,144
Equity in pooled investments	-	-	317,774	317,774
Long-term loans/notes receivable	21,932	-	-	21,932
Advances to other funds	10,256	-	-	10,256
Investments	6,724	527	3	7,254
Securities lending collateral	-	142	13,510	13,652
Total assets	$ 56,207	$ 90,427	$ 332,612	$ 479,246
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	14	1,299	4	1,317
Interfund loans payable	-	-	310	310
Due to other funds	30	-	490	520
Advances from other funds	11,020	-	-	11,020
Securities lending liability	-	142	13,510	13,652
Total liabilities	11,064	1,441	14,314	26,819
DEFERRED INFLOWS OF RESOURCES	432	1	-	433
Fund balances:				
Nonspendable	-	-	297,715	297,715
Restricted	10,010	8,318	9,103	27,431
Committed	34,416	75,884	11,480	121,780
Assigned	285	4,783	-	5,068
Total fund balances	44,711	88,985	318,298	451,994
Total liabilities, deferred inflows of resources, and fund balances	$ 56,207	$ 90,427	$ 332,612	$ 479,246

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
REVENUES				
Taxes:				
Natural resource	$ 2,163	$ 7,372	$ -	$ 9,535
Other	-	1,753	-	1,753
Charges for services/fines/forfeits/settlements	93	415	11,728	12,236
Investment earnings	8,040	78	9,267	17,385
Securities lending income	-	-	121	121
Sale of documents/merchandise/property	4,445	-	-	4,445
Total revenues	14,741	9,618	21,116	45,475
EXPENDITURES				
Current:				
General government	-	2,296	-	2,296
Public safety	-	511	-	511
Health and human services	-	1,237	-	1,237
Education	-	-	9	9
Natural resources	2	-	-	2
Debt service:				
Principal retirement	33,398	-	-	33,398
Interest/fiscal charges	10,482	-	-	10,482
Capital outlay	-	23,917	35	23,952
Securities lending	-	-	26	26
Total expenditures	43,882	27,961	70	71,913
Excess of revenue over (under) expenditures	(29,141)	(18,343)	21,046	(26,438)
OTHER FINANCING SOURCES (USES)				
General capital asset sale proceeds	-	-	5	5
Proceeds of refunding bond	38,150	-	-	38,150
Payment to refunding bond escrow agent	(42,603)	-	-	(42,603)
Bonds premium	4,233	-	-	4,233
Transfers in	40,617	13,720	-	54,337
Transfers out	(13,115)	(5,131)	(10,399)	(28,645)
Total other financing sources (uses)	27,282	8,589	(10,394)	25,477
Net change in fund balances	(1,859)	(9,754)	10,652	(961)
Fund balances - July 1 - as previously reported	46,570	98,398	307,646	452,614
Adjustments to beginning fund balances	-	341	-	341
Fund balances - July 1 - as restated	46,570	98,739	307,646	452,955
Fund balances - June 30	$ 44,711	$ 88,985	$ 318,298	$ 451,994

NONMAJOR DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for the payment of general long-term obligation principal and interest. A brief description of each debt service fund follows:

Coal Tax – This fund accounts for payments on special revenue renewable resource program (coal severance tax) bonds.

Long-Range Building Program – This fund accounts for payments on general obligation long-range building program bonds.

Water & Wastewater Development – This fund accounts for payments on the following general obligation bonds: wastewater treatment works revolving fund, renewable resource program, drinking water revolving fund, and water pollution control revolving fund.

Water Conservation – This fund accounts for payments on water conservation loans issued for the following projects: Little Dry and Petrolia.

Health Care – This fund accounts for payments on the following special revenue bonds: Montana State Hospital and Montana Developmental Center.

Energy Conservation Program – This fund accounts for payments on general obligation bonds issued for State Building Energy Conservation Projects.

Environmental Reclamation – This fund accounts for payments on the following general obligation bonds: hard rock mining reclamation and CERCLA program.

Highway – This fund accounts for payments on the U.S. Highway 93 GARVEES special revenue bonds.

Trust Lands – This fund accounts for payments on taxable trust lands bonds.

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	WATER CONSERVATION
ASSETS				
Cash/cash equivalents	$ 6,119	$ 299	$ 3,309	$ -
Receivables (net)	622	-	2,479	-
Due from other funds	-	-	-	-
Long-term loans/notes receivable	8,973	-	12,957	2
Advances to other funds	6,529	-	3,727	-
Investments	-	-	3,852	-
Total assets	22,243	299	26,324	2
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	-	14	-	-
Due to other funds	-	-	30	-
Advances from other funds	-	-	11,020	-
Total liabilities	-	14	11,050	-
DEFERRED INFLOWS OF RESOURCES	175	-	257	-
Fund balances:				
Restricted	-	-	5,716	-
Committed	22,068	-	9,301	2
Assigned	-	285	-	-
Total fund balances	22,068	285	15,017	2
Total liabilities, deferred inflows of resources and fund balances	$ 22,243	$ 299	$ 26,324	$ 2

HEALTH CARE	ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	TOTAL
$ 1,423	$ 95	$ 269	$ 11,514
-	39	666	3,806
-	1,975	-	1,975
-	-	-	21,932
-	-	-	10,256
2,871	1	-	6,724
4,294	2,110	935	56,207
-	-	-	14
-	-	-	30
-	-	-	11,020
-	-	-	11,064
-	-	-	432
4,294	-	-	10,010
-	2,110	935	34,416
-	-	-	285
4,294	2,110	935	44,711
$ 4,294	$ 2,110	$ 935	$ 56,207

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	WATER CONSERVATION
REVENUES				
Taxes:				
Natural resource	$ -	$ -	$ 584	$ -
Charges for services/fines/forfeits/settlements	-	-	-	-
Investment earnings	569	-	7,299	-
Sale of documents/merchandise/property	4,445	-	-	-
Total revenues	5,014	-	7,883	-
EXPENDITURES				
Current:				
Resource/recreation/environment	-	-	-	-
Debt service:				
Principal retirement	3,000	12,695	2,253	2
Interest/fiscal charges	607	3,037	1,193	-
Total expenditures	3,607	15,732	3,446	2
Excess of revenue over (under) expenditures	1,407	(15,732)	4,437	(2)
OTHER FINANCING SOURCES (USES)				
Bond premium	-	4,233	-	-
Proceeds of refunding bond	-	38,150	-	-
Payment to refunding bond escrow agent	-	(42,603)	-	-
Transfers in	2,250	16,051	2,185	-
Transfers out	(3,559)	(364)	(7,932)	-
Total other financing sources (uses)	(1,309)	15,467	(5,747)	-
Net change in fund balances	98	(265)	(1,310)	(2)
Fund balances - July 1 - as previously reported	21,970	550	16,327	4
Fund balances - June 30	$ 22,068	$ 285	$ 15,017	$ 2

HEALTH CARE	ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
$ -	$ -	$ 1,579	$ -	$ -	$ 2,163
-	93	-	-	-	93
172	-	-	-	-	8,040
-	-	-	-	-	4,445
172	93	1,579	-	-	14,741
-	1	1	-	-	2
2,103	532	330	11,623	860	33,398
837	109	129	3,877	693	10,482
2,940	642	460	15,500	1,553	43,882
(2,768)	(549)	1,119	(15,500)	(1,553)	(29,141)
-	-	-	-	-	4,233
-	-	-	-	-	38,150
-	-	-	-	-	(42,603)
2,717	361	-	15,500	1,553	40,617
-	(200)	(1,060)	-	-	(13,115)
2,717	161	(1,060)	15,500	1,553	27,282
(51)	(388)	59	-	-	(1,859)
4,345	2,498	876	-	-	46,570
$ 4,294	$ 2,110	$ 935	$ -	$ -	$ 44,711

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital project funds are used to account for financial resources used for the acquisition or construction of major governmental general capital assets. A brief description of each capital project fund follows:

Long-Range Building Program – This fund is maintained to account for resources received and expended for the State's long-range building program. The long-range building program includes costs for the acquisition, construction, and improvement of major capital assets financed by general obligation bonds and interest earned on bond proceeds.

Information Technology Projects – This fund accounts for resources received and expended for information technology projects for various upgrade and replacement activities.

Federal/Private Construction Grants – This fund accounts for federal grants, private donations, and federal matching funds that are restricted to general capital asset construction.

Capital Land Grant – This fund accounts for revenues and expenditures from the Capital Land Grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a debt service fund for the payment of principal and interest on bonds issued for capital building construction.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	CAPITAL LAND GRANT	TOTAL
ASSETS				
Cash/cash equivalents	$ 69,077	$ 15,959	$ 2,792	$ 87,828
Receivables (net)	1,761	-	-	1,761
Due from other funds	169	-	-	169
Investments	527	-	-	527
Securities lending collateral	142	-	-	142
Total assets	71,676	15,959	2,792	90,427
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	1,260	39	-	1,299
Securities lending liability	142	-	-	142
Total liabilities	1,402	39	-	1,441
DEFERRED INFLOWS OF RESOURCES	1	-	-	1
Fund balances:				
Restricted	4,887	639	2,792	8,318
Committed	61,202	14,682	-	75,884
Assigned	4,184	599	-	4,783
Total fund balances	70,273	15,920	2,792	88,985
Total liabilities, deferred inflows of resources and fund balances	$ 71,676	$ 15,959	$ 2,792	$ 90,427

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
REVENUES					
Taxes:					
Natural resource	$ 7,372	$ -	$ -	$ -	$ 7,372
Other	1,753	-	-	-	1,753
Charges for services/fines/forfeits/settlements	415	-	-	-	415
Investment earnings	78	-	-	-	78
Total revenues	9,618	-	-	-	9,618
EXPENDITURES					
Current:					
General government	369	1,927	-	-	2,296
Public safety	122	389	-	-	511
Health and human services	1,237	-	-	-	1,237
Capital outlay	18,118	2,405	3,384	10	23,917
Total expenditures	19,846	4,721	3,384	10	27,961
Excess of revenue over (under) expenditures	(10,228)	(4,721)	(3,384)	(10)	(18,343)
OTHER FINANCING SOURCES (USES)					
Transfers in	8,887	-	3,861	972	13,720
Transfers out	(4,499)	(243)	-	(389)	(5,131)
Total other financing sources (uses)	4,388	(243)	3,861	583	8,589
Net change in fund balances	(5,840)	(4,964)	477	573	(9,754)
Fund balances - July 1 - as previously reported	75,772	20,884	(477)	2,219	98,398
Adjustments to beginning fund balances	341	-	-	-	341
Fund balances - July 1 - as restated	76,113	20,884	(477)	2,219	98,739
Fund balances - June 30	$ 70,273	$ 15,920	$ -	$ 2,792	$ 88,985

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NONMAJOR PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support state government programs. A brief description of each permanent fund follows:

Resource Indemnity – Taxes paid by persons engaging in or carrying on the business of mining, extracting, or producing minerals are deposited in this fund. Only the net earnings of the trust may be appropriated until the principal reaches $100 million. Interest earnings are expended from a Special Revenue fund. This fund is administered by the Department of Revenue.

Cultural Trust – A portion of coal severance taxes are credited to these funds by the Department of Revenue. The Montana Arts Council uses income from the trusts for the protection of works of art in the State Capitol and for other cultural projects.

Noxious Weed Management – The Department of Agriculture accounts for revenues and interest earned on fees charged for the control of noxious weeds. Funds in this trusts that were established as permanent funds by legislature have been reclassified as State Special Revenue Funds.

Historical Society Trusts – The fund accounts for memorials, bequests, and various other contributions to the Montana Historical Society. Includes the following trust funds: James H. Bradley Memorial, Thomas Teakle, Merritt-Wheeler Memorial, Historical Society Acquisitions, Sobotka Memorial, and Edger I. and Jane R. Stewart.

Tobacco Settlement – In addition to the principle, this fund holds interest earned by investing the Tobacco Settlement Principal.

Heritage Trust – This fund accounts for the proceeds from sales of the Montana Heritage Commission Board property in order to provide historical properties benefits.

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED MANAGEMENT
ASSETS			
Cash/cash equivalents	$ 23	$ 72	$ -
Receivables (net)	310	-	-
Equity in pooled investments	111,480	-	10,002
Investments	-	1	-
Securities lending collateral	4,726	-	460
Total assets	116,539	73	10,462
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Interfund loans payable	310	-	-
Due to other funds	-	-	2
Securities lending liability	4,726	-	460
Total liabilities	5,036	-	462
Fund balances:			
Nonspendable	100,000	66	10,000
Restricted	23	7	-
Committed	11,480	-	-
Total fund balances	111,503	73	10,000
Total liabilities and fund balances	$ 116,539	$ 73	$ 10,462

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	HERITAGE TRUST	TOTAL
$ 65	$ 278	$ 32	$ 470
4	541	-	855
1,327	194,965	-	317,774
-	2	-	3
56	8,268	-	13,510
1,452	204,054	32	332,612
4	-	-	4
-	-	-	310
-	488	-	490
56	8,268	-	13,510
60	8,756	-	14,314
1,327	186,290	32	297,715
65	9,008	-	9,103
-	-	-	11,480
1,392	195,298	32	318,298
$ 1,452	$ 204,054	$ 32	$ 332,612

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED MANAGEMENT
REVENUES			
Charges for services/fines/forfeits/settlements	$ -	$ -	$ -
Investment earnings	3,541	-	-
Securities lending income	45	-	-
Total revenues	3,586	-	-
EXPENDITURE			
Current:			
Education	-	1	-
Capital outlay	-	-	-
Securities lending	10	-	-
Total expenditures	10	1	-
Excess of revenue over (under) expenditures	3,576	(1)	-
OTHER FINANCING SOURCES (USES)			
General capital asset sale proceeds	-	-	-
Transfers out	(4,175)	-	-
Total other financing sources (uses)	(4,175)	-	-
Net change in fund balances	(599)	(1)	-
Fund balances - July 1 - as previously reported	112,102	74	10,000
Fund balances - June 30	$ 111,503	$ 73	$ 10,000

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	HERITAGE TRUST	TOTAL
$ -	$ 11,728	$ -	$ 11,728
41	5,685	-	9,267
1	75	-	121
42	17,488	-	21,116
8	-	-	9
35	-	-	35
-	16	-	26
43	16	-	70
(1)	17,472	-	21,046
5	-	-	5
-	(6,224)	-	(10,399)
5	(6,224)	-	(10,394)
4	11,248	-	10,652
1,388	184,050	32	307,646
$ 1,392	$ 195,298	$ 32	$ 318,298

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that provide goods or services to the public on a user charge basis. A brief description of each enterprise fund follows:

Liquor Warehouse – This fund accounts for activities related to the sale and distribution of alcoholic beverages and licensing within the State. Profits and license fees are used to finance General Fund expenditures.

Hail Insurance – Any producer engaged in the growing of crops subject to damage by hail may participate in the hail insurance program. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and benefits paid by the Department of Agriculture.

State Lottery – This fund accounts for the operations of Montana's lottery.

Prison Industries – These operations provide training and employment for inmates. The products produced are sold to state agencies, non-profit organizations, and other customers in accordance with state policies.

MUS Group Insurance – This fund accounts for employee contributions to the Montana University System's medical/dental self-insurance plan.

MUS Workers Compensation – This fund accounts for self-insured workers compensation coverage for employees of the Montana University System.

Subsequent Injury – This fund accounts for the assessments collected from employers and benefits paid to workers who are certified as vocationally handicapped and are injured on the job.

Secretary of State Business Services – This fund accounts for the Business and Government Services activities and the Administrative Code Program of the Secretary of State's Office.

Historical Society Publications – This fund accounts for the Historical Society's sales from "Montana, The Magazine of Western History"; books; publications; and merchandise from the Historical Society store.

Surplus Property – The Department of Administration accounts for intragovernmental sales of state and federal surplus property to state agencies, local governments, and designated non-profit organizations.

West Yellowstone Airport – This fund, administered by the Department of Transportation, accounts for operations of the airport at West Yellowstone. User airlines are assessed rental and landing fees.

Local Government Audits – This fund accounts for the costs incurred by the Department of Administration for audits of local governments, required under Sections 2-7-501 through 522 of the Montana Code Annotated, and the fees assessed the local governments for the audits.

Flexible Spending Administration – This fund accounts for the fees collected from the participants in the Flexible Spending Programs and the related administrative costs of the plans administered by the Department of Administration and the Office of the Commissioner of Higher Education.

HUD Section 8 Housing – This fund accounts for a program that provides rental assistance to low-income families throughout Montana.

Other Enterprise Funds – This category includes several small enterprise funds administered by various agencies.

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
ASSETS				
Current assets:				
Cash/cash equivalents	$ 3,637	$ 4,296	$ 3,288	$ 2,713
Receivables (net)	20,133	3,620	1,847	378
Due from other governments	-	-	-	-
Inventories	400	-	362	4,171
Securities lending collateral	-	7	5	-
Other current assets	43	-	83	-
Total current assets	24,213	7,923	5,585	7,262
Noncurrent assets:				
Long-term investments	-	25	21	-
Long-term notes/loans receivable	-	-	-	-
Other long-term assets	-	-	1,302	295
Capital assets:				
Land	-	-	-	690
Land improvements	-	-	-	731
Buildings/improvements	2,044	-	60	4,804
Equipment	992	-	2,982	5,917
Infrastructure	-	-	-	1,164
Construction in progress	-	-	-	493
Intangible assets	-	-	-	-
Other capital assets	-	-	-	4,358
Less accumulated depreciation	(2,397)	-	(2,550)	(7,994)
Total capital assets	639	-	492	10,163
Total noncurrent assets	639	25	1,815	10,458
Total assets	$ 24,852	$ 7,948	$ 7,400	$ 17,720
DEFERRED OUTFLOWS OF RESOURCES	234	23	127	62
LIABILITIES				
Current liabilities:				
Accounts payable	$ 6,968	$ 6,309	$ 394	$ 209
Lottery prizes payable	-	-	2,134	-
Due to other governments	-	-	-	-
Due to other funds	11,356	(1)	3,065	-
Unearned revenue	1,159	235	103	236
Current lease liability	-	-	54	178
Amounts held in custody for others	40	-	-	-
Securities lending liability	-	7	5	-
Estimated insurance claims	-	17	-	-
Compensated absences payable	174	11	158	136
Total current liabilities	19,697	6,578	5,913	759
Noncurrent liabilities:				
Advances from other funds	-	-	-	160
Long term lease liability	-	-	-	599
Lottery prizes payable	-	-	1,149	-
Estimated insurance claims	-	-	-	-
Compensated absences payable	221	11	74	220
Pension liability	2,084	231	1,370	752
OPEB implicit rate subsidy	755	84	597	633
Total noncurrent liabilities	3,060	326	3,190	2,364
Total liabilities	22,757	6,904	9,103	3,123
DEFERRED INFLOWS OF RESOURCES	1,277	60	354	195
NET POSITION				
Net investment in capital assets	639	-	438	9,387
Restricted for:				
Other purposes	-	1,007	-	-
Unrestricted	413	-	(2,368)	5,077
Total net position	$ 1,052	$ 1,007	$ (1,930)	$ 14,464

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ 9,590	$ 18,960	$ 993	$ 2,983	$ 307
703	9	137	1	10
-	-	-	3	-
-	-	-	12	559
3,233	42	2	6	1
7	111	-	-	-
13,533	19,122	1,132	3,005	877
28,135	155	6	24	29
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	514	11
-	-	-	-	-
-	-	-	1,346	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(438)	(10)
-	-	-	1,422	1
28,135	155	6	1,446	30
$ 41,668	$ 19,277	$ 1,138	$ 4,451	$ 907
30	-	-	221	10
$ 3,008	$ 50	$ -	$ 258	$ 32
-	-	-	-	-
-	-	-	-	-
1	-	-	-	-
12	-	-	16	90
-	-	-	5	-
-	-	-	11	-
3,233	42	2	6	1
7,300	1,748	1,250	-	-
23	5	-	240	3
13,577	1,845	1,252	536	126
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,541	2,209	-	-
69	2	-	101	15
341	-	-	2,410	122
92	15	-	1,056	122
502	6,558	2,209	3,567	259
14,079	8,403	3,461	4,103	385
88	-	-	623	31
-	-	-	1,418	1
27,531	10,874	(2,323)	-	-
-	-	-	(1,472)	500
$ 27,531	$ 10,874	$ (2,323)	$ (54)	$ 501

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
ASSETS				
Current assets:				
Cash/cash equivalents	$ 382	$ 397	$ 209	$ 8,219
Receivables (net)	8	-	94	9
Due from other governments	-	-	-	-
Inventories	198	-	-	-
Securities lending collateral	-	-	-	1
Other current assets	-	-	-	1
Total current assets	588	397	303	8,230
Noncurrent assets:				
Long-term investments	-	-	-	5
Long-term notes/loans receivable	-	-	-	-
Other long-term assets	-	-	-	-
Capital assets:				
Land	-	110	-	-
Land improvements	-	3,099	-	-
Buildings/improvements	118	488	-	-
Equipment	110	718	-	-
Infrastructure	-	-	-	-
Construction in progress	-	58	-	-
Intangible assets	-	-	-	-
Other capital assets	-	-	-	-
Less accumulated depreciation	(163)	(2,052)	-	-
Total capital assets	65	2,421	-	-
Total noncurrent assets	65	2,421	-	5
Total assets	$ 653	$ 2,818	$ 303	$ 8,235
DEFERRED OUTFLOWS OF RESOURCES	20	9	22	-
LIABILITIES				
Current liabilities:				
Accounts payable	$ 25	$ 49	$ 18	$ 312
Lottery prizes payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	1
Current lease liability	-	-	-	-
Amounts held in custody for others	-	-	-	-
Securities lending liability	-	-	-	1
Estimated insurance claims	-	-	-	-
Compensated absences payable	33	16	26	-
Total current liabilities	58	65	44	314
Noncurrent liabilities:				
Advances from other funds	-	-	-	-
Long term lease liability	-	-	-	-
Lottery prizes payable	-	-	-	-
Estimated insurance claims	-	-	-	-
Compensated absences payable	30	13	9	-
Pension Liability	217	103	234	-
OPEB implicit rate subsidy	86	35	80	-
Total noncurrent liabilities	333	151	323	-
Total liabilities	391	216	367	314
DEFERRED INFLOWS OF RESOURCES	56	27	61	-
NET POSITION				
Net investment in capital assets	65	2,421	-	-
Restricted for:				
Other purposes	-	163	-	5,849
Unrestricted	161	-	(103)	2,072
Total net position	$ 226	$ 2,584	$ (103)	$ 7,921

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 7,628	$ 1,425	$ 65,027
(21)	2	26,930
114	-	117
-	177	5,879
18	-	3,315
2	-	247
7,741	1,604	101,515
64	2	28,466
133	-	133
-	-	1,597
-	-	800
-	-	3,830
-	-	7,514
10	236	11,490
-	-	1,164
-	-	1,897
-	184	184
-	-	4,358
(10)	(175)	(15,789)
-	245	15,448
197	247	45,644
$ 7,938	$ 1,851	$ 147,159
88	28	874
$ 72	$ 216	$ 17,920
-	-	2,134
85	-	85
-	-	14,421
-	61	1,913
-	-	237
-	-	51
18	-	3,315
-	-	10,315
87	25	937
262	302	51,328
-	-	160
-	-	599
-	-	1,149
-	-	8,750
72	35	872
942	312	9,118
371	173	4,099
1,385	520	24,747
1,647	822	76,075
243	81	3,096
-	245	14,614
6,447	44	49,592
(311)	687	4,656
$ 6,136	$ 976	$ 68,862

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Operating revenues:				
Charges for services	$ 89,184	$ (1)	$ 52,341	$ 7,952
Investment earnings	-	1	4	-
Securities lending income	-	-	-	-
Contributions/premiums	-	6,260	-	-
Grants/contracts/donations	-	-	-	-
Other operating revenues	128	18	1	-
Total operating revenues	89,312	6,278	52,346	7,952
Operating expenses:				
Personal services	3,067	432	1,999	2,842
Contractual services	235	604	6,531	151
Supplies/materials	74,445	5	1,123	3,000
Benefits/claims	300	7,206	195	179
Depreciation	225	-	492	424
Amortization	-	-	-	-
Utilities/rent	160	9	630	185
Communications	76	10	594	39
Travel	32	33	44	9
Repair/maintenance	96	1	22	482
Grants	-	-	-	-
Lottery prize payments	-	-	29,256	-
Securities lending expense	-	-	-	-
Interest expense	11	-	5	31
Other operating expenses	38	3	195	427
Total operating expenses	78,685	8,303	41,086	7,769
Operating income (loss)	10,627	(2,025)	11,260	183
Nonoperating revenues (expenses):				
Tax revenues	26,440	-	-	-
Non-employer pension revenue	40	6	37	21
Gain (loss) on sale of capital assets	15	-	(2)	113
Increase (decrease) value of livestock	-	-	-	1,304
Total nonoperating revenues (expenses)	26,495	6	35	1,438
Income (loss) before contributions and transfers	37,122	(2,019)	11,295	1,621
Capital contributions	-	-	-	-
Transfers in	4	-	-	-
Transfers out	(37,673)	-	(12,367)	-
Change in net position	(547)	(2,019)	(1,072)	1,621
Total net position - July 1 - as previously reported	4,802	3,297	99	13,743
Adjustments to beginning net position	(3,203)	(271)	(957)	(900)
Total net position - July 1 - as restated	1,599	3,026	(858)	12,843
Total net position - June 30	$ 1,052	$ 1,007	$ (1,930)	$ 14,464

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ -	$ -	$ -	$ 5,347	$ 875
586	23	1	3	1
13	-	-	-	-
72,904	4,603	1,400	-	-
-	-	-	-	1
611	-	-	19	11
74,114	4,626	1,401	5,369	888
431	95	-	3,580	190
9,068	577	-	2,185	81
392	1	-	127	239
75,719	2,835	817	382	23
-	-	-	21	-
-	-	-	-	-
48	7	-	222	19
20	1	-	185	39
54	1	-	28	10
-	-	-	14	5
-	-	-	50	-
-	-	-	-	-
5	-	-	-	-
-	-	-	-	-
802	611	-	47	80
86,539	4,128	817	6,841	686
(12,425)	498	584	(1,472)	202
-	-	-	-	-
9	-	-	65	4
-	-	-	-	-
-	-	-	-	-
9	-	-	65	4
(12,416)	498	584	(1,407)	206
-	-	-	-	-
-	-	-	-	-
-	-	(42)	-	(2)
(12,416)	498	542	(1,407)	204
40,340	10,373	(2,865)	4,819	441
(393)	3	-	(3,466)	(144)
39,947	10,376	(2,865)	1,353	297
$ 27,531	$ 10,874	$ (2,323)	$ (54)	$ 501

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Operating revenues:				
Charges for services	$ 693	$ 53	$ 373	$ 84
Investment earnings	-	-	-	1
Securities lending income	-	-	-	-
Contributions/premiums	-	-	-	17,968
Grants/contracts/donations	-	5	-	-
Other operating revenues	-	227	91	-
Total operating revenues	693	285	464	18,053
Operating expenses:				
Personal services	341	156	337	-
Contractual services	75	79	121	425
Supplies/materials	798	5	6	-
Benefits/claims	34	14	37	15,046
Depreciation	13	165	-	-
Amortization	-	-	-	-
Utilities/rent	11	26	32	-
Communications	11	4	13	-
Travel	1	4	-	-
Repair/maintenance	9	10	-	-
Grants	-	-	-	-
Lottery prize payments	-	-	-	-
Securities lending expense	-	-	-	-
Interest expense	-	-	-	-
Other operating expenses	10	5	17	9
Total operating expenses	1,303	468	563	15,480
Operating income (loss)	(610)	(183)	(99)	2,573
Nonoperating revenues (expenses):				
Tax revenues	-	-	-	-
Non-employer pension revenue	6	3	6	-
Gain (loss) on sale of capital assets	-	-	-	-
Increase (decrease) value of livestock	-	-	-	-
Total nonoperating revenues (expenses)	6	3	6	-
Income (loss) before contributions and transfers	(604)	(180)	(93)	2,573
Capital contributions	685	250	-	-
Transfers in	-	106	-	-
Transfers out	-	-	-	-
Change in net position	81	176	(93)	2,573
Total net position - July 1 - as previously reported	402	2,531	267	5,348
Adjustments to beginning net position	(257)	(123)	(277)	-
Total net position - July 1 - as restated	145	2,408	(10)	5,348
Total net position - June 30	$ 226	$ 2,584	$ (103)	$ 7,921

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ -	$ 2,138	$ 159,039
15	-	635
-	-	13
-	-	103,135
38,206	-	38,212
-	-	1,106
38,221	2,138	302,140
1,326	663	15,459
1,455	831	22,418
46	227	80,414
36,857	57	139,701
-	19	1,359
-	63	63
90	32	1,471
58	210	1,260
59	45	320
98	32	769
-	-	50
-	-	29,256
-	-	5
-	-	47
301	52	2,597
40,290	2,231	295,189
(2,069)	(93)	6,951
-	-	26,440
25	8	230
-	-	126
-	-	1,304
25	8	28,100
(2,044)	(85)	35,051
-	-	935
-	(4)	106
-	(39)	(50,123)
(2,044)	(128)	(14,031)
9,294	1,468	94,359
(1,114)	(364)	(11,466)
8,180	1,104	82,893
$ 6,136	$ 976	$ 68,862

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	$ 88,831	$ 8,725	$ 52,398	$ 7,916
Payments to suppliers for goods and services	(74,404)	26	(9,391)	(4,773)
Payments to employees	(3,287)	(446)	(1,568)	(2,884)
Grant receipts (expenses)	-	-	-	-
Cash payments for claims	-	(7,382)	-	-
Cash payments for prizes	-	-	(29,660)	-
Other operating revenues	128	18	1	-
Other operating payments	(38)	(3)	(195)	(428)
Net cash provided by (used for) operating activities	11,230	938	11,585	(169)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	26,440	-	-	-
Tranfer to other funds	(37,673)	-	(12,367)	-
Transfer from other funds	4	-	109	-
Payment of interfund loans and advances	-	-	-	(80)
Payment of principal and interest on bonds and notes	(11)	-	(70)	(31)
Proceeds from nonemployer pension contributions	40	6	37	20
Net cash provided by (used for) noncapital financing activities	(11,200)	6	(12,291)	(91)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(172)	-	(30)	(190)
Proceeds from sale of capital assets	-	-	-	-
Net cash used for capital and related financing activities	(172)	-	(30)	(190)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	-	(11)	11	-
Proceeds (loss) from securities lending transactions/investments	-	-	-	-
Interest and dividends on investments	-	1	4	-
Payment of securities lending costs	-	-	-	-
Net cash provided by (used for) investing activities	-	(10)	15	-
Net increase (decrease) in cash and cash equivalends	(142)	934	(721)	(450)
Cash and cash equivalents, July 1	3,779	3,362	4,009	3,163
Cash and cash equivalents, June 30	$ 3,637	$ 4,296	$ 3,288	$ 2,713

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ 72,935	$ 4,615	$ 1,368	$ 5,350	$ 902
(11,312)	(649)	-	(2,964)	(514)
(475)	(97)	-	(3,818)	(192)
-	-	-	(52)	1
(74,788)	(2,165)	(868)	-	-
-	-	-	-	-
611	-	-	19	11
(803)	(611)	-	(48)	(80)
(13,832)	1,093	500	(1,513)	128
-	-	-	-	-
-	-	(42)	-	(3)
-	-	-	-	-
-	-	(1)	-	-
-	-	-	-	-
9	-	-	65	3
9	-	(43)	65	-
-	-	-	-	-
-	-	-	973	-
-	-	-	973	-
5,178	26	(1)	12	(4)
13	-	-	-	-
586	23	1	3	1
(5)	-	-	-	-
5,772	49	-	15	(3)
(8,051)	1,142	457	(460)	125
17,641	17,818	536	3,443	182
$ 9,590	$ 18,960	$ 993	$ 2,983	$ 307

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	$ 688	$ 51	$ 310	$ 18,131
Payments to suppliers for goods and services	(916)	(158)	(172)	(766)
Payments to employees	(344)	(159)	(360)	-
Grant receipts (expenses)	-	5	-	-
Cash payments for claims	-	-	-	(15,047)
Cash payments for prizes	-	-	-	-
Other operating revenues	-	227	90	-
Other operating payments	(10)	(5)	(17)	(10)
Net cash provided by (used for) operating activities	(582)	(39)	(149)	2,308
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	-	-	-	-
Tranfer to other funds	-	-	-	-
Transfer from other funds	-	106	-	-
Payment of interfund loans and advances	-	-	-	-
Payment of principal and interest on bonds and notes	-	-	-	-
Proceeds from nonemployer pension contributions	6	3	6	-
Net cash provided by (used for) noncapital financing activities	6	109	6	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(9)	-	-
Proceeds from sale of capital assets	685	-	-	-
Net cash used for capital and related financing activities	685	(9)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	-	-	-	2
Proceeds (loss) from securities lending transactions/investments	-	-	-	-
Interest and dividends on investments	-	-	-	1
Payment of securities lending costs	-	-	-	-
Net cash provided by (used for) investing activities	-	-	-	3
Net increase (decrease) in cash and cash equivalends	109	61	(143)	2,311
Cash and cash equivalents, July 1	273	336	352	5,908
Cash and cash equivalents, June 30	$ 382	$ 397	$ 209	$ 8,219

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 89	$ 2,286	$ 264,595
(1,754)	(1,474)	(109,221)
(1,385)	(715)	(15,730)
38,272	-	38,226
(36,710)	1	(136,959)
-	-	(29,660)
-	-	1,105
(302)	(51)	(2,601)
(1,790)	47	9,755
-	-	26,440
-	(43)	(50,128)
-	-	219
-	-	(81)
-	-	(112)
25	8	228
25	(35)	(23,434)
-	-	(401)
-	-	1,658
-	-	1,257
38	1	5,252
-	-	13
15	-	635
-	-	(5)
53	1	5,895
(1,712)	13	(6,527)
9,340	1,412	71,554
$ 7,628	$ 1,425	$ 65,027

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 10,627	$ (2,025)	$ 11,260	$ 183
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	225	-	492	424
Amortization	-	-	-	-
Interest expense	11	-	5	31
Securities lending expense	-	-	-	-
Investment earnings	-	(1)	(4)	-
Securities lending income	-	-	-	-
Change in assets, liabilities, deferred inflows and deferred outflows:				
Decr (Incr) in accounts receivable	(349)	1,710	(83)	(40)
Decr (Incr)) in due from other funds	-	-	-	1
Decr (Incr) in due from other governments	-	-	-	-
Decr (Incr) in inventories	(252)	-	28	(1,681)
Decr (Incr) in other assets	(3)	756	146	-
Incr (Decr) in accounts payable	420	5,723	(121)	(121)
Incr (Decr) in lottery prizes payable	-	-	(404)	-
Incr (Decr) in due to other funds	479	-	(245)	-
Incr (Decr) in due to other governments	-	-	-	-
Incr (Decr) in unearned revenue	8	(5,004)	(23)	133
Incr (Decr) in compensated absences payable	46	(13)	15	39
Incr (Decr) in OPEB implicit rate subsidy	143	14	654	110
Incr (Decr) in estimated claims	-	(209)	-	-
Incr (Decr) in lease installment	-	-	(72)	776
Incr (Decr) in pension liability and deferred inflow and outflows of resources	(125)	(13)	(63)	(24)
Net cash provided by (used for) operating activities	$ 11,230	$ 938	$ 11,585	$ (169)
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	-	-	-	-
Incr (Decr) in fair value of investments	-	-	-	-
Total noncash transactions	$ -	$ -	$ -	$ -

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ (12,425)	$ 498	$ 584	$ (1,472)	$ 202
-	-	-	21	-
-	-	-	-	-
-	-	-	-	-
5	-	-	-	-
(586)	(23)	(1)	(3)	(1)
(13)	-	-	-	-
12	23	(32)	-	31
-	-	-	-	-
-	-	-	(2)	-
-	-	-	-	(108)
17	(14)	-	-	-
(1,724)	(62)	-	(170)	-
-	-	-	-	-
1	-	-	-	-
-	-	-	-	-
(4)	-	-	9	(10)
(2)	4	-	32	10
(3)	(3)	-	182	13
903	670	(51)	-	-
-	-	-	(10)	-
(13)	-	-	(100)	(9)
$ (13,832)	$ 1,093	$ 500	$ (1,513)	$ 128
-	-	-	-	-
(25)	-	-	-	-
$ (25)	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ (610)	$ (183)	$ (99)	$ 2,573
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	13	165	-	-
Amortization	-	-	-	-
Interest expense	-	-	-	-
Securities lending expense	-	-	-	-
Investment earnings	-	-	-	(1)
Securities lending income	-	-	-	-
Change in assets, liabilities, deferred inflows and deferred outflows:				
Decr (Incr) in accounts receivable	(4)	-	(62)	77
Decr (Incr) in due from other funds	-	-	-	-
Decr (Incr) in due from other governments	-	-	-	-
Decr (Incr) in inventories	(11)	1	-	-
Decr (Incr) in other assets	-	-	-	-
Incr (Decr) in accounts payable	9	(29)	2	(340)
Incr (Decr) in lottery prizes payable	-	-	-	-
Incr (Decr) in due to other funds	-	-	-	-
Incr (Decr) in due to other governments	-	-	-	-
Incr (Decr) in unearned revenue	(1)	-	-	-
Incr (Decr) in compensated absences payable	16	8	3	-
Incr (Decr) in OPEB implicit rate subsidy	16	5	16	-
Incr (Decr) in estimated claims	-	-	-	-
Incr (Decr) in lease installment	-	-	-	-
Incr (Decr) in pension liability and deferred inflow and outflows of resources	(10)	(6)	(9)	(1)
Net cash provided by (used for) operating activities	$ (582)	$ (39)	$ (149)	$ 2,308
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	685	250	-	-
Incr (Decr) in fair value of investments	-	-	-	-
Total noncash transactions	$ 685	$ 250	$ -	$ -

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ (2,069)	$ (93)	$ 6,951
-	19	1,359
-	63	63
-	-	47
-	-	5
(15)	-	(635)
-	-	(13)
86	149	1,518
-	-	1
66	-	64
-	(2)	(2,025)
(2)	-	900
(19)	68	3,636
-	-	(404)
-	(6)	229
81	-	81
-	(160)	(5,052)
50	(11)	197
69	32	1,248
-	-	1,313
-	-	694
(37)	(12)	(422)
$ (1,790)	$ 47	$ 9,755
-	-	935
-	-	(25)
$ -	$ -	$ 910

INTERNAL SERVICE FUNDS

Internal Service funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. A brief description of each internal service fund follows:

FWP Equipment – This fund is used to account for interdepartmental and intradepartmental sales and use of FWP equipment.

Highway Equipment – This fund is used to account for interdepartmental and intradepartmental sales and use of Department of Transportation equipment.

Employee Group Benefits – This fund receives employee (excluding higher education units) withholdings and state contributions to the medical self-insurance plan.

Information Technology Services – State agencies and private users are assessed a fee for their use of the State's phone system, centralized data processing, and systems design services provided by the Department of Administration.

Administration Insurance – In this fund, the Department of Administration accounts for the State's property self-insurance program (including liability, property, flood, etc.).

Administration Supply – This fund is used by the Department of Administration to account for intragovernmental sales of office supplies and paper products to state agencies.

Motor Pool – State employee transportation is provided by the Department of Transportation through a pool of vehicles. The cost of operating the Motor Pool is recovered through rental rates charged to user agencies based on the average operating costs per mile for each class of vehicle.

Print & Mail Services – Agencies are assessed a fee for duplicating, typesetting, forms design, and graphic arts services.

Buildings & Grounds – Rental proceeds from state agencies are used to pay maintenance, security, and landscaping costs for state-owned property.

Central Service Funds – This fund group consists of four funds, used by the Department of Administration, the Department of Labor and Industry, the Department of Commerce, and the Office of Public Instruction, for administrative services provided on a cost recovery basis to programs within the departments.

DEQ Indirect Cost Pool – This fund is used to account for funds collected as indirect costs from the operating units of the Department of Environmental Quality and to fund the department's indirect cost pool operations that provide services to the department.

Payroll Processing – This fund accounts for the payments received from state agencies for the costs associated with the processing of payroll warrants. This fund also implements and maintains the State's central human resource reporting system.

Warrant Processing – This fund accounts for the payments received from state agencies for the costs associated with the processing of all warrants other than payroll.

Investment Division – This fund accounts for costs associated with operations of the Board of Investments (BOI). BOI assists agencies in the investment of state funds. Costs of administering and accounting for each investment fund are allocated based on the dollar volume of investments held by user agencies.

Aircraft Operation – This fund is used by the Department of Natural Resources and Conservation to account for fees charged to users of state aircraft.

Justice Legal Services – The Attorney General's Office and the Department of Justice charge other state agencies a fee for legal assistance. The Department of Administration funds legal services with intradepartmental fees.

Personnel Training – This fund accounts for fees charged to state agencies for training state employees. The fees are used by the Department of Administration to pay instructors and purchase training materials.

Debt Collection – The debt collection component of this fund accounts for fees charged for the collection of bad debts.

Prison Industries – These operations provide training and employment for inmates, where the products produced are primarily sold to other state agencies.

Other Internal Services – This category includes several small internal service funds administered by various agencies.

SABHRS Finance and Budget Bureau – This fund implements and maintains the State's central accounting and budget software reporting system that is used by state agencies.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
ASSETS					
Current assets:					
Cash/cash equivalents	$ 1,314	$ 3,536	$ 27,541	$ 5,467	$ 20,961
Receivables (net)	-	39	2,658	113	3
Due from other governments	-	-	-	-	-
Due from other funds	-	-	1	-	-
Inventories	-	1,109	-	-	-
Securities lending collateral	-	-	2,431	-	37
Other current assets	-	-	-	338	-
Total current assets	1,314	4,684	32,631	5,918	21,001
Noncurrent assets:					
Long-term investments	-	-	36,377	-	135
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	-	-	-	-	-
Land improvements	-	-	-	-	-
Buildings/improvements	-	-	-	-	-
Equipment	12,857	162,136	-	18,622	8
Construction in progress	-	5,031	-	-	-
Intangible assets	-	-	-	-	359
Less accumulated depreciation	(6,614)	(94,365)	-	(16,757)	(5)
Total capital assets	6,243	72,802	-	1,865	362
Total noncurrent assets	6,243	72,802	36,377	1,865	497
Total assets	7,557	77,486	69,008	7,783	21,498
DEFERRED OUTFLOWS OF RESOURCES	7	464	96	1,011	98
LIABILITIES					
Current liabilities:					
Accounts payable	173	953	4,994	4,938	587
Interfund loans payable	130	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	1,860	-	-
Amounts held in custody for others	-	-	-	-	-
Lease/installment purchase payable	-	-	-	46	-
Bonds/notes payable	-	-	-	346	-
Securities lending liability	-	-	2,431	-	37
Estimated insurance claims	-	-	17,848	-	4,468
Compensated absences payable	6	528	76	1,041	107
Total current liabilities	309	1,481	27,209	6,371	5,199
Noncurrent liabilities:					
Advances from other funds	-	-	-	-	-
Lease/installment purchase payable	-	-	-	146	-
Bonds/notes payable	-	-	-	658	-
Estimated insurance claims	-	-	180	-	12,485
Compensated absences payable	6	403	86	734	205
Pension liability	81	5,420	1,031	10,876	1,053
OPEB implicit rate subsidy	54	2,267	292	3,359	287
Total noncurrent liabilities	141	8,090	1,589	15,773	14,030
Total liabilities	450	9,571	28,798	22,144	19,229
DEFERRED INFLOWS OF RESOURCES	21	1,405	267	2,810	272
NET POSITION					
Net investment in capital assets	6,242	72,802	-	1,674	363
Unrestricted	851	(5,828)	40,039	(17,834)	1,732
Total net position	$ 7,093	$ 66,974	$ 40,039	$ (16,160)	$ 2,095

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 187	$ 1,572	$ 1,264	$ 277	$ 515	$ 893	$ 636	$ 1,183
-	-	4	-	-	1	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	34	179	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	649	-	3	23	2	-
187	1,606	2,096	277	518	917	638	1,183
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	236	-	-	-	-	-	-
-	-	-	94	-	-	-	-
-	-	-	1,091	-	-	-	-
-	20,579	2,622	718	-	282	76	-
331	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(10,956)	(1,811)	(1,245)	-	(210)	(68)	-
331	9,859	811	658	-	72	8	-
331	9,859	811	658	-	72	8	-
518	11,465	2,907	935	518	989	646	1,183
5	20	83	121	126	360	102	99
7	201	320	507	105	299	82	83
-	-	-	-	-	-	-	-
-	1,166	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	27	-	-	42	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3	20	71	119	126	370	110	88
10	1,387	418	626	231	711	192	171
-	3,737	-	-	-	-	-	-
-	-	109	-	-	62	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13	25	79	33	187	182	124	12
53	237	896	1,297	1,352	4,270	1,093	1,185
143	112	590	578	286	1,121	335	472
209	4,111	1,674	1,908	1,825	5,635	1,552	1,669
219	5,498	2,092	2,534	2,056	6,346	1,744	1,840
14	61	232	335	349	1,103	282	308
331	4,958	675	660	-	72	8	-
(41)	968	(9)	(2,473)	(1,761)	(6,172)	(1,286)	(866)
$ 290	$ 5,926	$ 666	$ (1,813)	$ (1,761)	$ (6,100)	$ (1,278)	$ (866)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
ASSETS					
Current assets:					
Cash/cash equivalents	$ 1,152	$ 1,503	$ 37	$ 868	$ 371
Receivables (net)	5	-	-	-	-
Due from other governments	-	7	-	-	-
Due from other funds	-	-	-	36	-
Inventories	-	4	24	-	-
Securities lending collateral	-	-	-	-	-
Other current assets	98	-	-	64	-
Total current assets	1,255	1,514	61	968	371
Noncurrent assets:					
Long-term investments	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	-	-	-	-	-
Land improvements	-	-	-	-	-
Buildings/improvements	-	-	-	-	-
Equipment	461	-	149	8	62
Construction in progress	-	-	-	-	-
Intangible assets	-	-	-	-	-
Less accumulated depreciation	(347)	-	(145)	(5)	(42)
Total capital assets	114	-	4	3	20
Total noncurrent assets	114	-	4	3	20
Total assets	1,369	1,514	65	971	391
DEFERRED OUTFLOWS OF RESOURCES	270	114	12	208	75
LIABILITIES					
Current liabilities:					
Accounts payable	250	201	9	200	101
Interfund loans payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Amounts held in custody for others	-	2	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Bonds/notes payable	-	-	-	-	-
Securities lending liability	-	-	-	-	-
Estimated insurance claims	-	-	-	-	-
Compensated absences payable	295	122	7	209	83
Total current liabilities	545	325	16	409	184
Noncurrent liabilities:					
Advances from other funds	-	-	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Bonds/notes payable	-	-	-	-	-
Estimated insurance claims	-	-	-	-	-
Compensated absences payable	196	73	8	348	49
Pension Liability	2,991	1,221	128	2,234	881
OPEB implicit rate subsidy	1,005	465	93	484	232
Total noncurrent liabilities	4,192	1,759	229	3,066	1,162
Total liabilities	4,737	2,084	245	3,475	1,346
DEFERRED INFLOWS OF RESOURCES	773	316	33	577	228
NET POSITION					
Net investment in capital assets	115	-	3	2	20
Unrestricted	(3,986)	(772)	(204)	(2,875)	(1,128)
Total net position	$ (3,871)	$ (772)	$ (201)	$ (2,873)	$ (1,108)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 126	$ 105	$ 269	$ 2,752	$ 210	$ 1,248	$ 73,987
-	2	-	251	-	-	3,076
-	1	-	-	-	-	8
-	-	-	-	-	-	37
-	-	-	1,233	94	-	2,677
-	-	-	-	-	-	2,468
-	-	-	59	-	-	1,236
126	108	269	4,295	304	1,248	83,489
-	-	-	-	-	-	36,512
-	-	-	160	-	-	160
-	-	-	-	-	-	236
-	-	-	-	-	-	94
-	-	-	2,853	-	-	3,944
-	-	-	2,289	77	71	221,017
-	-	-	681	-	53	6,096
-	-	-	-	-	1,320	1,679
-	-	-	(3,011)	(72)	(60)	(135,713)
-	-	-	2,812	5	1,384	97,353
-	-	-	2,972	5	1,384	134,025
126	108	269	7,267	309	2,632	217,514
16	14	8	34	37	118	3,498
53	8	5	689	35	284	15,084
-	-	-	-	3	-	133
-	-	-	-	-	-	1,166
-	-	-	7	-	1	1,868
-	-	-	-	-	-	2
-	-	-	-	-	-	115
-	-	-	-	-	-	346
-	-	-	-	-	-	2,468
-	-	-	-	-	-	22,316
57	6	2	92	41	132	3,711
110	14	7	788	79	417	47,209
-	-	-	-	-	-	3,737
-	-	-	-	-	-	317
-	-	-	-	-	-	658
-	-	-	-	-	-	12,665
124	16	-	31	49	111	3,094
170	155	90	410	410	1,282	38,816
249	55	58	466	72	309	13,384
543	226	148	907	531	1,702	72,671
653	240	155	1,695	610	2,119	119,880
44	40	23	107	106	330	10,036
-	-	-	2,812	5	1,383	92,125
(555)	(158)	99	2,687	(375)	(1,082)	(1,029)
$ (555)	$ (158)	$ 99	$ 5,499	$ (370)	$ 301	$ 91,096

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Operating revenues:					
Charges for services	$ 3,588	$ 30,195	$ 2,619	$ 39,341	$ -
Investment earnings	-	-	635	-	23
Securities lending income	-	-	30	-	-
Contributions/premiums	-	-	143,967	-	13,931
Grants/contracts/donations	-	-	1,446	-	-
Other operating revenues	-	6	1,575	106	-
Total operating revenues	3,588	30,201	150,272	39,447	13,954
Operating expenses:					
Personal services	146	7,899	1,495	15,097	1,121
Contractual services	83	323	13,320	931	7,444
Supplies/materials	1,415	7,687	48	700	33
Benefits/claims	16	830	144,606	1,444	6,366
Depreciation	530	6,656	-	1,615	2
Amortization	-	-	-	-	275
Utilities/rent	34	93	445	9,838	83
Communications	5	8	120	7,882	84
Travel	8	32	25	141	38
Repair/maintenance	656	5,994	20	2,019	5
Grants	-	-	-	-	463
Securities lending expense	-	-	8	-	-
Interest expense	-	-	-	3	-
Other operating expenses	8	340	2,010	2,063	136
Total operating expenses	2,901	29,862	162,097	41,733	16,050
Operating income (loss)	687	339	(11,825)	(2,286)	(2,096)
Nonoperating revenues (expenses):					
Non-employer pension revenue	3	144	30	295	28
Insurance proceeds	-	-	-	-	278
Gain (loss) on sale of capital assets	(480)	(68)	-	(40)	(547)
Federal indirect cost recoveries	-	-	-	-	-
Total nonoperating revenues (expenses)	(477)	76	30	255	(241)
Income (loss) before contributions and transfers	210	415	(11,795)	(2,031)	(2,337)
Capital contributions	-	2,385	-	-	-
Transfers in	354	12	-	-	8,578
Transfers out	-	-	-	(515)	(132)
Changes in net position	564	2,812	(11,795)	(2,546)	6,109
Total net position - July 1 - as previously reported	6,623	70,562	53,058	(676)	(2,762)
Adjustments to beginning net position	(94)	(6,400)	(1,224)	(12,938)	(1,252)
Total net position - July 1 - as restated	6,529	64,162	51,834	(13,614)	(4,014)
Total net position - June 30	$ 7,093	$ 66,974	$ 40,039	$ (16,160)	$ 2,095

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ -	$ 4,331	$ 9,881	$ 9,330	$ 1,625	$ 6,648	$ -	$ 1,168
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
109	-	-	22	2	-	1,617	7
109	4,331	9,881	9,352	1,627	6,648	1,617	1,175
86	381	1,346	1,929	1,864	5,440	1,547	1,621
8	294	149	4,407	62	655	60	375
5	1,415	3,192	177	38	292	58	77
9	39	166	209	186	578	148	183
-	1,488	313	215	-	34	1	-
-	-	-	-	-	-	-	-
3	74	206	2,140	54	283	110	264
1	1	3,968	105	36	166	29	184
4	-	6	15	10	61	21	11
-	414	408	779	91	41	1	18
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	41	5	41	-	3	-	-
13	103	85	257	104	1,015	27	76
129	4,250	9,844	10,274	2,445	8,568	2,002	2,809
(20)	81	37	(922)	(818)	(1,920)	(385)	(1,634)
1	5	23	34	35	116	31	32
-	-	-	-	-	-	-	-
-	225	(9)	(8)	-	(19)	-	-
-	-	-	-	-	1,451	285	1,640
1	230	14	26	35	1,548	316	1,672
(19)	311	51	(896)	(783)	(372)	(69)	38
-	-	-	-	-	-	-	-
-	-	-	-	907	-	-	-
-	-	(175)	(493)	-	-	(1)	-
(19)	311	(124)	(1,389)	124	(372)	(70)	38
372	5,895	1,829	261	(275)	(653)	90	500
(63)	(280)	(1,039)	(685)	(1,610)	(5,075)	(1,298)	(1,404)
309	5,615	790	(424)	(1,885)	(5,728)	(1,208)	(904)
$ 290	$ 5,926	$ 666	$ (1,813)	$ (1,761)	$ (6,100)	$ (1,278)	$ (866)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Operating revenues:					
Charges for services	$ 5,042	$ 3,320	$ 601	$ 5,290	$ 698
Investment earnings	-	-	-	-	-
Securities lending income	-	-	-	-	-
Contributions/premiums	-	-	-	-	-
Grants/contracts/donations	-	-	-	-	-
Other operating revenues	4	-	-	-	-
Total operating revenues	5,046	3,320	601	5,290	698
Operating expenses:					
Personal services	4,100	1,751	196	3,028	1,249
Contractual services	807	821	84	1,351	83
Supplies/materials	194	20	52	29	248
Benefits/claims	417	167	25	266	113
Depreciation	41	-	-	1	1
Amortization	-	128	-	-	-
Utilities/rent	1,399	49	16	169	140
Communications	243	23	257	29	11
Travel	20	17	-	45	38
Repair/maintenance	68	397	7	2	133
Grants	-	-	-	-	-
Securities lending expense	-	-	-	-	-
Interest expense	-	-	-	-	-
Other operating expenses	198	122	11	482	14
Total operating expenses	7,487	3,495	648	5,402	2,030
Operating income (loss)	(2,441)	(175)	(47)	(112)	(1,332)
Nonoperating revenues (expenses):					
Non-employer pension revenue	81	34	-	60	24
Insurance proceeds	-	-	-	-	-
Gain (loss) on sale of capital assets	(1)	-	(6)	-	-
Federal indirect cost recoveries	2,519	-	-	-	-
Total nonoperating revenues (expenses)	2,599	34	(6)	60	24
Income (loss) before contributions and transfers	158	(141)	(53)	(52)	(1,308)
Capital contributions	-	-	-	-	-
Transfers in	-	-	15	-	1,317
Transfers out	-	(99)	-	-	-
Changes in net position	158	(240)	(38)	(52)	9
Total net position - July 1 - as previously reported	(482)	917	(13)	(156)	(67)
Adjustments to beginning net position	(3,547)	(1,449)	(150)	(2,665)	(1,050)
Total net position - July 1 - as restated	(4,029)	(532)	(163)	(2,821)	(1,117)
Total net position - June 30	$ (3,871)	$ (772)	$ (201)	$ (2,873)	$ (1,108)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,207	$ 365	$ 178	$ 8,366	$ 492	$ 3,592	137,877
-	-	-	-	-	-	658
-	-	-	-	-	-	30
-	-	-	-	-	-	157,898
-	-	-	-	-	-	1,446
-	14	-	-	-	-	3,462
1,207	379	178	8,366	492	3,592	301,371
1,029	217	132	1,502	641	1,635	55,452
57	35	8	128	34	281	31,800
15	52	2	5,016	143	30	20,938
51	22	17	120	51	165	156,194
-	-	-	121	1	1	11,020
-	-	-	-	-	488	891
61	25	2	147	64	31	15,730
10	4	13	19	10	18	13,226
5	16	-	5	3	11	532
-	1	-	197	13	819	12,083
-	-	-	-	-	-	463
-	-	-	-	-	-	8
-	-	-	-	-	-	93
13	11	7	212	70	109	7,486
1,241	383	181	7,467	1,030	3,588	325,916
(34)	(4)	(3)	899	(538)	4	(24,545)
5	4	3	10	11	40	1,049
-	-	-	-	-	-	278
-	-	-	-	-	-	(953)
-	-	-	-	493	-	6,388
5	4	3	10	504	40	6,762
(29)	-	-	909	(34)	44	(17,783)
-	-	-	181	-	-	2,566
-	-	-	-	-	76	11,259
-	-	-	-	-	-	(1,415)
(29)	-	-	1,090	(34)	120	(5,373)
(333)	26	204	4,877	138	1,709	141,644
(193)	(184)	(105)	(468)	(474)	(1,528)	(45,175)
(526)	(158)	99	4,409	(336)	181	96,469
$ (555)	$ (158)	$ 99	$ 5,499	$ (370)	$ 301	91,096

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 3,584	$ 30,208	$ 146,695	$ 39,411	$ 13,929
Payments to suppliers for goods and services	(2,253)	(13,824)	(12,765)	(22,400)	(7,786)
Payments to employees	(149)	(8,495)	(1,568)	(16,338)	(1,208)
Grant receipts (expenses)	-	-	1,446	-	(463)
Cash payments for claims	-	-	(148,532)	-	(6,820)
Other operating revenues	-	6	1,575	106	-
Other operating payments	(8)	(340)	(2,010)	(2,063)	(136)
Net cash provided by (used for) operating activities	1,174	7,555	(15,159)	(1,284)	(2,484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	-	-	-	(515)	(132)
Transfer from other funds	354	12	-	-	8,579
Proceeds from interfund loans/advances	-	-	-	-	-
Proceeds from bonds and notes	-	-	-	1,001	-
Payment of principal and interest on bonds and notes	-	-	-	-	-
Proceeds from nonemployer pension contributions	2	146	28	294	28
Net cash provided by (used for) noncapital financing activities	356	158	28	780	8,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	278
Acquisition of capital assets	(1,113)	(6,140)	-	(889)	(368)
Proceeds from sale of capital assets	-	-	-	-	-
Net cash used for capital and related financing activities	(1,113)	(6,140)	-	(889)	(90)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	-	8,362	-	(12)
Proceeds (loss) from securities lending transactions/investments	-	-	30	-	-
Interest and dividends on investments	-	-	635	-	23
Payment of securities lending costs	-	-	(8)	-	-
Net cash provided by (used for) investing activities	-	-	9,019	-	11
Net increase (decrease) in cash and cash equivalents	417	1,573	(6,112)	(1,393)	5,912
Cash and cash equivalents, July 1	897	1,963	33,653	6,860	15,049
Cash and cash equivalents, June 30	$ 1,314	$ 3,536	$ 27,541	$ 5,467	$ 20,961

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ -	$ 4,331	$ 10,028	$ 9,335	$ 1,620	$ 6,658	$ 2	$ 1,169
(23)	(1,878)	(8,157)	(6,872)	(305)	(1,479)	(279)	(929)
(82)	(390)	(1,472)	(2,094)	(1,911)	(5,905)	(1,644)	(1,765)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
109	-	-	22	2	1,451	1,902	1,647
(13)	(103)	(85)	(257)	(104)	(1,015)	(27)	(76)
(9)	1,960	314	134	(698)	(290)	(46)	46
-	-	(175)	(493)	-	-	(1)	-
-	-	-	-	907	-	-	-
-	791	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(41)	(5)	(41)	-	(3)	-	-
1	6	24	35	37	115	30	32
1	756	(156)	(499)	944	112	29	32
-	-	-	-	-	-	-	-
(331)	(2,131)	(219)	(175)	-	-	(1)	-
-	-	-	-	-	4	-	-
(331)	(2,131)	(219)	(175)	-	4	(1)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(339)	585	(61)	(540)	246	(174)	(18)	78
526	987	1,325	817	269	1,067	654	1,105
$ 187	$ 1,572	$ 1,264	$ 277	$ 515	$ 893	$ 636	$ 1,183

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 4,970	$ 3,320	$ 603	$ 5,269	$ 697
Payments to suppliers for goods and services	(2,792)	(1,234)	(392)	(1,731)	(660)
Payments to employees	(4,434)	(1,860)	(207)	(3,216)	(1,350)
Grant receipts (expenses)	-	-	-	-	-
Cash payments for claims	-	-	-	-	-
Other operating revenues	2,523	-	-	-	-
Other operating payments	(198)	(122)	(11)	(482)	(14)
Net cash provided by (used for) operating activities	69	104	(7)	(160)	(1,327)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Tranfer to other funds	-	(99)	-	-	-
Transfer from other funds	-	-	15	-	1,318
Proceeds from interfund loans/advances	-	-	-	15	-
Proceeds from bonds and notes	-	-	-	-	-
Payment of principal and interest on bonds and notes	-	-	-	-	-
Proceeds from nonemployer pension contributions	81	33	3	60	24
Net cash provided by (used for) noncapital financing activities	81	(66)	18	75	1,342
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	-
Acquisition of capital assets	(7)	-	-	-	-
Proceeds from sale of capital assets	-	27	1	-	-
Net cash used for capital and related financing activities	(7)	27	1	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	-	-	-	-
Proceeds (loss) from securities lending transactions/investments	-	-	-	-	-
Interest and dividends on investments	-	-	-	-	-
Payment of securities lending costs	-	-	-	-	-
Net cash provided by (used for) investing activities	-	-	-	-	-
Net increase (decrease) in cash and cash equivalends	143	65	12	(85)	15
Cash and cash equivalents, July 1	1,009	1,438	25	953	356
Cash and cash equivalents, June 30	$ 1,152	$ 1,503	$ 37	$ 868	$ 371

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,218	$ 362	$ 178	$ 8,169	$ 492	$ 3,592	$ 295,840
(151)	(136)	(28)	(5,365)	(241)	(1,223)	(92,903)
(1,064)	(230)	(149)	(1,523)	(683)	(1,810)	(59,547)
-	-	-	-	-	-	983
-	-	-	-	-	2	(155,350)
-	14	-	-	493	-	9,850
(13)	(11)	(7)	(212)	(70)	(108)	(7,485)
(10)	(1)	(6)	1,069	(9)	453	(8,612)
-	-	-	-	-	(1)	(1,416)
-	-	-	-	-	74	11,259
-	-	-	80	3	-	889
-	-	-	-	-	-	1,001
-	-	-	-	-	-	(90)
5	4	2	11	11	37	1,049
5	4	2	91	14	110	12,692
-	-	-	-	-	-	278
-	-	-	(502)	-	(335)	(12,211)
-	-	-	-	-	-	32
-	-	-	(502)	-	(335)	(11,901)
-	-	-	-	-	-	8,350
-	-	-	-	-	-	30
-	-	-	-	-	-	658
-	-	-	-	-	-	(8)
-	-	-	-	-	-	9,030
(5)	3	(4)	658	5	228	1,209
131	102	273	2,094	205	1,020	72,778
$ 126	$ 105	$ 269	$ 2,752	$ 210	$ 1,248	$ 73,987

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 687	$ 339	$ (11,825)	$ (2,286)	$ (2,096)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	528	6,655	-	1,620	3
Amortization	-	-	-	-	275
Interest expense	-	-	-	3	-
Securities lending expense	-	-	8	-	-
Investment earnings	-	-	(635)	-	(23)
Securities lending income	-	-	(30)	-	-
Federal indirect cost recoveries	-	-	-	-	-
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	-	9	109	(45)	(2)
Decr (Incr) in due from other funds	-	5	-	-	-
Decr (Incr) in inventories	-	483	-	-	-
Decr (Incr) in other assets	-	-	-	113	-
Incr (Decr) in accounts payable	(52)	(174)	1,418	(981)	(86)
Incr (Decr) in due to other funds	-	-	-	-	(3)
Incr (Decr) in unearned revenue	-	-	(186)	-	-
Incr (Decr) in compensated absences payable	4	46	37	5	33
Incr (Decr) in OPEB implicit rate subsidy	9	390	63	563	58
Incr (Decr) in estimated claims	-	-	(4,074)	-	(598)
Incr (Decr) in lease installments	-	-	-	192	-
Incr (decr) in pension liability, deferred outflows and inflows of resources	(2)	(198)	(44)	(468)	(45)
Net cash provided by (used for) operating activities	$ 1,174	$ 7,555	$ (15,159)	$ (1,284)	$ (2,484)
Schedule of noncash transactions:					
Increase (decrease) in value of investments	-	-	152	-	-
Capital asset acquisitions from contributed capital	-	2,385	-	-	-
Total noncash transactions	$ -	$ 2,385	$ 152	$ -	$ -

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ (20)	$ 81	$ 37	$ (922)	$ (818)	$ (1,920)	$ (385)	$ (1,634)
-	1,486	315	215	-	34	1	-
-	-	-	-	-	-	-	-
-	41	5	41	-	3	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,451	286	1,640
-	-	15	3	-	-	1	-
-	-	-	-	-	-	-	-
-	(24)	(9)	-	-	-	-	-
-	-	131	-	(3)	8	(2)	-
4	28	(264)	759	19	(37)	12	12
-	322	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6	16	(20)	(8)	88	23	28	(16)
3	19	93	101	74	234	59	85
-	-	-	-	-	-	-	-
-	-	50	-	-	64	-	-
(2)	(9)	(39)	(55)	(58)	(150)	(46)	(41)
$ (9)	$ 1,960	$ 314	$ 134	$ (698)	$ (290)	$ (46)	$ 46
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ (2,441)	$ (175)	$ (47)	$ (112)	$ (1,332)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	41	-	-	1	1
Amortization	-	128	-	-	-
Interest expense	-	-	-	-	-
Securities lending expense	-	-	-	-	-
Investment earnings	-	-	-	-	-
Securities lending income	-	-	-	-	-
Federal indirect cost recoveries	2,518	-	-	-	-
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (incr) in accounts receivable	-	-	-	-	-
Decr (incr) in due from other funds	-	-	-	-	-
Decr (incr) in inventories	-	-	33	-	-
Decr (incr) in other assets	(70)	-	1	(22)	-
Incr (decr) in accounts payable	53	102	(5)	(80)	(7)
Incr (decr) in due to other funds	(77)	-	-	-	-
Incr (decr) in unearned revenue	-	-	-	-	-
Incr (decr) in compensated absences payable	(10)	32	4	61	1
Incr (decr) in OPEB implicit rate subsidy	174	70	13	87	42
Incr (decr) in estimated claims	-	-	-	-	-
Incr (decr) in lease installments	-	-	-	-	-
Incr (decr) in pension liability, deferred outflows and inflows of resources	(119)	(53)	(6)	(95)	(32)
Net cash provided by (used for) operating activities	$ 69	$ 104	$ (7)	$ (160)	$ (1,327)
Schedule of noncash transactions:					
Increase (decrease) in value of investments	-	-	-	-	-
Capital asset acquisitions from contributed capital	-	-	-	-	-
Total noncash transactions	$ -	$ -	$ -	$ -	$ -

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ (34)	$ (4)	$ (3)	$ 899	$ (538)	$ 4	$ (24,545)
-	-	-	118	1	1	11,020
-	-	-	-	-	488	891
-	-	-	-	-	-	93
-	-	-	-	-	-	8
-	-	-	-	-	-	(658)
-	-	-	-	-	-	(30)
-	-	-	-	493	-	6,388
-	(2)	-	(136)	-	-	(48)
12	-	-	-	-	-	17
-	-	-	(326)	27	-	184
-	-	-	(61)	-	-	95
(17)	(2)	(5)	478	2	(29)	1,148
-	-	-	-	-	-	242
-	-	-	5	-	-	(181)
2	5	(4)	24	8	(20)	345
35	9	10	82	15	64	2,352
-	-	-	-	-	-	(4,672)
-	-	-	-	-	-	306
(8)	(7)	(4)	(14)	(17)	(55)	(1,567)
$ (10)	$ (1)	$ (6)	$ 1,069	$ (9)	$ 453	$ (8,612)
-	-	-	-	-	-	152
-	-	-	181	-	-	2,566
$ -	$ -	$ -	$ 181	$ -	$ -	$ 2,718

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

These funds provide retirement, disability, death, and lump-sum payments to retirement system members. A brief description of each fund follows:

Public Employee Retirement System - Defined Benefit Retirement Plan – This fund provides retirement benefits to substantially all public employees not covered by another public system.

Public Employee Retirement System - Defined Contribution Retirement Plan - Disability Other Post Employment Benefit – This fund provides members of the defined contribution retirement system a disability benefit plan funded through employer contributions.

Municipal Police Officers' Retirement System – This fund provides retirement benefits to all municipal police officers covered by the plan.

Firefighters Unified Retirement System – This fund provides retirement benefits for firefighters employed by first and second-class cities and other cities that wish to adopt the plan, and firefighters hired by the Montana Air National Guard.

Sheriffs Retirement System – This fund provides retirement benefits for sheriffs, detention officers, and State Department of Justice investigators.

Highway Patrol Officers Retirement System – This fund provides retirement benefits for all members of the Montana Highway Patrol.

Judges Retirement System – This fund provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge.

Game Wardens & Peace Officers Retirement System – This fund provides retirement benefits for all persons employed as game wardens, supervisory personnel, and state peace officers.

Volunteer Firefighters Compensation Act – This fund provides medical benefits and pension, disability, and death benefits for all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas of the State.

Public Employee Retirement System - Defined Contribution Retirement Plan – Members of the defined contribution retirement plan decide how to invest their contributions and a portion of their employer contributions in the available investment options.

Public Employee 457 Plan – All employees of the State, Montana University System, and contracting political subdivisions are eligible to participate in this plan. The 457 plan is a voluntary, tax-deferred retirement plan designed to supplement state service retirement, Social Security, and other retirement plans and savings.

Teachers Retirement System – This fund provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the university system.

Voluntary Employee Benefit Association – This fund provides members with individual health care expense trust accounts to pay the qualified health care expenses of members and their dependents and beneficiaries.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)					
	PUBLIC EMPLOYEES DEFINED BENEFITS	PERS DCRP DISABILITY OPEB	MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL
ASSETS						
Cash/cash equivalents	$ 97,070	$ 2,745	$ 5,407	$ 6,102	$ 6,321	$ 2,555
Receivables (net):						
Accounts receivable	1,426	2	103	70	210	-
Interest	6,848	-	436	443	399	174
Due from primary government	4,133	-	13,433	13,573	-	-
Due from other PERB plans	515	10	-	-	-	-
Long-term notes/loans receivable	18	-	-	-	-	-
Total receivables	12,940	12	13,972	14,086	609	174
Investments at fair value:						
Equity in pooled investments	4,954,375	-	315,606	320,349	288,717	126,227
Other investments	791	24	45	51	54	17
Total investments	4,955,166	24	315,651	320,400	288,771	126,244
Securities lending collateral	192,830	6	12,282	12,468	11,240	4,912
Capital assets:						
Land	-	-	-	-	-	-
Buildings/improvements	23	-	-	-	-	-
Equipment	38	-	3	3	4	3
Construction work in progress	963	-	253	250	283	240
Accumulated depreciation	(21)	-	(2)	(2)	(2)	(2)
Total capital assets	1,003	-	254	251	285	241
Total assets	5,259,009	2,787	347,566	353,307	307,226	134,126
DEFERRED OUTFLOW OF RESOURCES	-	-	-	-	-	-
LIABILITIES						
Accounts payable	965	-	101	93	145	90
Due to other PERB plans	409	-	101	87	123	38
Unearned revenue	108	-	7	5	1	5
Securities lending liability	192,830	6	12,282	12,468	11,240	4,912
Compensated absences payable	311	-	11	11	12	10
Pension liability (Note 6)	-	-	-	-	-	-
OPEB implicit rate subsidy	449	-	7	6	9	4
Total liabilities	195,072	6	12,509	12,670	11,530	5,059
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-
NET POSITION						
Held in trust for pension benefits and other purposes	$ 5,063,937	$ 2,781	$ 335,057	$ 340,637	$ 295,696	$ 129,067

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)							
JUDGES	GAME WARDENS PEACE OFFICERS	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTION	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 1,888	$ 3,479	$ 2,429	$ 1,222	$ 720	$ 78,462	$ 3,223	$ 211,623
5	-	1	30	295	22,104	7	24,253
117	200	44	-	-	4,985	-	13,646
-	-	-	-	-	-	-	31,139
-	-	-	399	-	-	-	924
-	-	-	-	-	-	-	18
122	200	45	429	295	27,089	7	69,980
84,928	144,849	31,558	-	-	3,602,503	-	9,869,112
15	27	21	141,855	439,470	609	4,393	587,372
84,943	144,876	31,579	141,855	439,470	3,603,112	4,393	10,456,484
3,306	5,639	1,232	2	2	140,212	-	384,131
-	-	-	-	-	35	-	35
-	-	-	3	2	158	-	186
4	4	3	5	5	229	-	301
283	283	230	230	273	1,396	-	4,684
(3)	(2)	(2)	(3)	(3)	(312)	-	(354)
284	285	231	235	277	1,506	-	4,852
90,543	154,479	35,516	143,743	440,764	3,850,381	7,623	11,127,070
-	-	-	-	-	84	2	86
104	104	85	118	368	145	24	2,342
11	76	79	-	-	-	-	924
-	1	-	-	-	-	-	127
3,306	5,639	1,232	2	2	140,212	-	384,131
12	14	10	47	40	162	1	641
-	-	-	-	-	1,010	20	1,030
3	7	6	51	34	286	4	866
3,436	5,841	1,412	218	444	141,815	49	390,061
-	-	-	-	-	263	5	268
$ 87,107	$ 148,638	$ 34,104	$ 143,525	$ 440,320	$ 3,708,387	$ 7,571	$ 10,736,827

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)					
	PUBLIC EMPLOYEES DEFINED BENEFITS	PERS DCRP DISABILITY OPEB	MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL
ADDITIONS						
Contributions/premiums:						
Employer	$ 100,503	$ 344	$ 6,630	$ 6,100	$ 6,902	$ 5,578
Employee	95,272	-	4,292	4,694	6,611	1,624
Other contributions	34,734	-	13,434	13,589	12	262
Net investment earnings:						
Investment earnings	251,805	3	16,174	16,362	14,592	6,421
Administrative investment expenses	(27,703)	-	(1,766)	(1,787)	(1,609)	(708)
Securities lending income	1,232	-	78	79	72	31
Securities lending expense	(223)	-	(14)	(14)	(13)	(6)
Charges for services	6	-	-	-	-	-
Other additions	-	-	-	-	-	-
Total additions	455,626	347	38,828	39,023	26,567	13,202
DEDUCTIONS						
Benefits	319,597	34	20,562	19,740	14,022	9,934
Refunds	12,520	-	2,184	2	1,260	69
Administrative expenses:						
Personal services	2,419	-	67	64	75	64
Contractual services	1,355	1	45	44	49	42
Supplies/materials	92	-	-	-	-	-
Depreciation	9	-	1	-	1	1
Utilities/rent	267	-	-	-	-	-
Communications	129	-	-	-	-	-
Travel	24	-	-	-	-	-
Repair/maintenance	5	-	-	-	-	-
Other operating expenses	(414)	-	100	87	122	38
Local assistance	-	-	-	-	-	-
Transfer to MUS-RP	125	-	-	-	-	-
Transfer to PERS-DCRP	1,252	-	-	-	-	-
Total deductions	337,380	35	22,959	19,937	15,529	10,148
Changes in net position	118,246	312	15,869	19,086	11,038	3,054
Net position- July 1- as previously reported	4,945,674	2,469	319,188	321,558	284,658	126,013
Adjustments to beginning net position (Notes 2)	17	-	-	(7)	-	-
Net position - July 1- as restated	4,945,691	2,469	319,188	321,551	284,658	126,013
Net position - June 30	$ 5,063,937	$ 2,781	$ 335,057	$ 340,637	$ 295,696	$ 129,067

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)							
JUDGES	GAME WARDENS PEACE OFFICERS	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTION	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 1,684	$ 4,088	$ -	$ 4,887	$ 103	$ 87,291	$ 3,027	$ 227,137
534	4,914	-	9,369	20,379	72,216	-	219,905
-	10	1,913	-	-	43,390	-	107,344
4,301	7,203	1,657	6,375	12,322	185,260	16	522,491
(476)	(797)	(183)	(59)	(1,079)	(20,316)	-	(56,483)
21	35	8	-	-	904	-	2,460
(4)	(6)	(1)	-	-	(164)	-	(445)
-	-	-	89	263	-	-	358
-	-	-	333	-	27	1	361
6,060	15,447	3,394	20,994	31,988	368,608	3,044	1,023,128
3,043	4,552	2,370	6,120	24,210	303,816	2,427	730,427
-	801	-	-	-	5,368	-	22,204
75	75	61	330	283	1,208	31	4,752
49	49	40	375	577	457	1	3,084
-	-	-	9	8	59	-	168
1	1	1	-	1	28	-	44
-	-	-	25	22	58	-	372
-	-	-	6	7	98	-	240
-	-	-	8	7	23	-	62
-	-	-	1	1	42	-	49
11	78	79	13	11	62	68	255
-	-	11	-	-	-	-	11
-	-	-	-	-	-	-	125
-	-	-	-	-	-	-	1,252
3,179	5,556	2,562	6,887	25,127	311,219	2,527	763,045
2,881	9,891	832	14,107	6,861	57,389	517	260,083
84,226	138,747	33,272	129,414	433,475	3,652,222	7,074	10,477,990
-	-	-	4	(16)	(1,224)	(20)	(1,246)
84,226	138,747	33,272	129,418	433,459	3,650,998	7,054	10,476,744
$ 87,107	$ 148,638	$ 34,104	$ 143,525	$ 440,320	$ 3,708,387	$ 7,571	$ 10,736,827

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PRIVATE-PURPOSE TRUST FUNDS

Private-purpose trust funds are used to account for assets held by the State in a trustee capacity, where both the trust principal and earnings benefit individuals, private organizations, or other governments. A brief description of each private-purpose trust fund follows:

College Savings Plan – This fund accounts for monies contributed towards a "qualified tuition program" under section 529 of the Internal Revenue Code of 1986, as amended. This plan is a voluntary college savings plan whose participants are both Montana residents and out-of-state individuals.

Escheated Property – This fund accounts for property that has reverted to the State due to the absence of legal claimants or heirs and is held in trust for distribution to these heirs when identified.

Plan Securities – This fund accounts for the unliquidated security bonds held on deposit from self-insured employers. These funds either revert to the employer at a later date or are cashed and assumed by the State to be used on the employee's behalf.

Woodville Highway Replacement – This fund accounts for money paid to the Montana Department of Transportation by the Anaconda Company to provide the government of Butte-Silver Bow with traffic facilities. This money is held on deposit for the city/county government and is distributed to them at their request.

Moore-Sipple Connector – Money is held in trust to ensure the continued operation of the Moore-Sipple Connector. The interest earnings on this money are provided to Central Montana Rail, Inc. for use in operating the railroad. The balance is currently retained in the fund that is managed by the Department of Transportation.

Performance Deposits – This fund accounts for deposits held long-term by the State pending compliance with performance agreements. This includes, environmental reclamation bonds held in trust to be either returned to the company upon successful reclamation of mining properties and related impacts or to be used by the State to complete the related process.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ASSETS				
Cash/cash equivalents	$ 108,092	$ 954	$ -	$ 48
Receivables (net):				
Interest	-	-	-	-
Total receivables	-	-	-	-
Investments at fair value:				
Other investments	127,820	7	-	-
Total investments	127,820	7	-	-
Securities lending collateral	-	2	-	-
Other assets	-	-	31,243	-
Total assets	235,912	963	31,243	48
LIABILITIES				
Accounts payable	-	16	-	-
Securities lending liability	-	2	-	-
Total liabilities	-	18	-	-
NET POSITION				
Held in trust for other purposes	$ 235,912	$ 945	$ 31,243	$ 48

MOORE-SIPPLE CONNECTOR	PERFORMANCE DEPOSITS	TOTAL
$ 237	$ 25,182	$ 134,513
-	4	4
-	4	4
2	12,645	140,474
2	12,645	140,474
-	48	50
-	3,922	35,165
239	41,801	310,206
-	-	16
-	48	50
-	48	66
$ 239	$ 41,753	$ 310,140

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2015
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ADDITIONS				
Participant contributions	$ 31,175	$ -	$ 2,190	$ -
Net investment earnings:				
Investment earnings	(8,353)	3	-	-
Other additions	-	956	-	-
Total additions	22,822	959	2,190	-
DEDUCTIONS				
Distributions	25,975	4,209	-	-
Administrative expenses:				
Contractual services	277	-	-	-
Total deductions	26,252	4,209	-	-
Change in net position	(3,430)	(3,250)	2,190	-
Net position - July 1 - as previously reported	239,342	4,194	29,053	48
Adjustments to beginning net position	-	1	-	-
Net position - July 1 - as restated	239,342	4,195	29,053	48
Net position - June 30	$ 235,912	$ 945	$ 31,243	$ 48

MOORE-SIPPLE CONNECTOR	PERFORMANCE DEPOSITS	TOTAL
$ -	$ -	$ 33,365
-	27	(8,323)
-	1,516	2,472
-	1,543	27,514
-	1,714	31,898
-	-	277
-	1,714	32,175
-	(171)	(4,661)
239	41,924	314,800
-	-	1
239	41,924	314,801
$ 239	$ 41,753	$ 310,140

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AGENCY FUNDS

Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments. A brief description of each agency fund follows:

Performance Deposits – This fund accounts for deposits held by the State pending compliance with performance agreements.

Central Payroll – This fund accounts for the accumulation of state employee payroll and withholding by the Department of Administration, pending remittance to employees and other appropriate third parties.

Criminal Offender Restitution – Accounts for restitution payments received from prisoners and disbursed to their victims.

Custodial Accounts – This fund accounts for monies belonging to state institution residents, students of the School for the Deaf and Blind, and participants in the foster children and protective services programs. The fund also accounts for balances held by the Office of the Commissioner of Higher Education for remittance, on behalf of eligible employees of the Montana University System, to the TIAA-CREF (Teachers Insurance and Annuity Association-College Retirement Equities Fund) retirement fund. Department of Transportation employee union pension monies are held in this fund, awaiting remittance to the corresponding union. This fund also accounts for wages collected from employers on behalf of employee wage complaints filed under authority of the Montana Wages and Wage Protection Act.

Child Support Collections – This fund accounts for payments from parents under the Child Support Enforcement Program administered by the Department of Public Health and Human Services.

Uncleared Collections – This fund accounts for resources held pending distribution to other funds and local governments. The balances in this fund related to other fund types are distributed to those funds each fiscal year-end. Balances remaining relate to external parties.

Intergovernmental – This fund accounts for resources that flow through state agencies to federal and local governments.

Debt Collection – This fund accounts for amounts due to the State which have been written off as uncollectible by the receiving agency. The Department of Revenue continues to attempt to collect amounts owing for a period of time after they are deemed uncollectible by the receiving agency.

Milk Passthrough – This fund accounts for the distribution of the proceeds from the sale of pooled milk.

OPEB State – This fund accounts for the State's employee contributions received and premium payments made during the year for OPEB (Other Postemployment Benefits).

OPEB MUS – This fund accounts for the Montana University System’s (MUS) employee contributions received and premium payments made during the year for OPEB (Other Postemployment Benefits).

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2015
(amounts expressed in thousands)

	PERFORMANCE DEPOSITS	CENTRAL PAYROLL	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	CHILD SUPPORT COLLECTIONS
ASSETS					
Cash/cash equivalents	$ 1,493	$ 12,998	$ 904	$ 1,829	$ 252
Receivables (net):					
Accounts receivable	5	-	-	-	549
Total receivables	5	-	-	-	549
Investments at fair value:					
Other investments	-	-	-	1	-
Total investments	-	-	-	1	-
Other assets	439	-	-	4	-
Total assets	1,937	12,998	904	1,834	801
LIABILITIES					
Accounts payable	5	6	15	7	482
Amounts held in custody for others	1,932	12,992	889	1,827	319
Total liabilities	1,937	12,998	904	1,834	801
NET POSITION					
Held in trust for other purposes	$ -	$ -	$ -	$ -	$ -

INTER-GOVERNMENTAL	DEBT COLLECTION	MILK PASS-THROUGH	TOTAL
$ 2	$ 190	$ 27	$ 17,695
-	-	-	554
-	-	-	554
-	-	-	1
-	-	-	1
-	-	-	443
2	190	27	18,693
1	9	-	525
1	181	27	18,168
2	190	27	18,693
$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2014	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2015
PERFORMANCE DEPOSITS:				
ASSETS				
Cash/cash equivalents	$ 1,602	$ 96,944	$ 97,053	$ 1,493
Receivables (net)	57	26	78	5
Other assets	416	50	27	439
Total assets	$ 2,075	$ 97,020	$ 97,158	$ 1,937
LIABILITIES				
Accounts payable	$ 8	$ 1,122	$ 1,125	$ 5
Amounts held in custody for others	2,067	1,485	1,620	1,932
Total liabilities	$ 2,075	$ 2,607	$ 2,745	$ 1,937
CENTRAL PAYROLL:				
ASSETS				
Cash/cash equivalents	$ 5,904	$ 946,629	$ 939,535	$ 12,998
Total assets	$ 5,904	$ 946,629	$ 939,535	$ 12,998
LIABILITIES				
Accounts payable	$ 1,570	$ 8,733	$ 10,297	$ 6
Amounts held in custody for others	4,334	946,597	937,939	12,992
Total liabilities	$ 5,904	$ 955,330	$ 948,236	$ 12,998
CRIMINAL OFFENDER RESTITUTTION:				
ASSETS				
Cash/cash equivalents	$ 500	$ 4,771	$ 4,367	$ 904
Total assets	$ 500	$ 4,771	$ 4,367	$ 904
LIABILITIES				
Accounts Payable	$ 11	$ 2,349	$ 2,345	$ 15
Amounts held custody others	489	4,770	4,370	889
Total liabilities	$ 500	$ 7,119	$ 6,715	$ 904
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/cash equivalents	$ 1,535	$ 9,440	$ 9,146	$ 1,829
Investments	2	-	1	1
Other assets	20	643	659	4
Total assets	$ 1,557	$ 10,083	$ 9,806	$ 1,834
LIABILITIES				
Accounts Payable	$ 76	$ 2,651	$ 2,720	$ 7
Amts held custody others	1,481	11,539	11,193	1,827
Total liabilities	$ 1,557	$ 14,190	$ 13,913	$ 1,834

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2014	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2015
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 653	$ 75,485	$ 75,886	$ 252
Receivables (net)	535	26	12	549
Total assets	$ 1,188	$ 75,511	$ 75,898	$ 801
LIABILITIES				
Accounts Payable	$ 692	$ 72,186	$ 72,396	$ 482
Amounts held custody others	496	75,487	75,664	319
Total liabilities	$ 1,188	$ 147,673	$ 148,060	$ 801
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 9	$ 14,027,667	$ 14,027,676	$ -
Receivables (net)	-	827	827	-
Total assets	$ 9	$ 14,028,494	$ 14,028,503	$ -
LIABILITIES				
Accounts Payable	$ -	$ 7,717	$ 7,717	$ -
Amounts held in custody others	9	8,522	8,531	-
Total liabilities	$ 9	$ 16,239	$ 16,248	$ -
INTERGOVERNMENTAL:				
ASSETS				
Cash/cash equivalents	$ 69	$ 136	$ 203	$ 2
Receivables (net)	-	1	1	-
Total assets	$ 69	$ 137	$ 204	$ 2
LIABILITIES				
Accounts Payable	$ 1	$ 135	$ 135	$ 1
Amounts held in custody others	68	141	208	1
Total liabilities	$ 69	$ 276	$ 343	$ 2
DEBT COLLECTION:				
ASSETS				
Cash/cash equivalents	$ 594	$ 9,927	$ 10,331	$ 190
Receivables (net)	-	1,118	1,118	-
Total assets	$ 594	$ 11,045	$ 11,449	$ 190
LIABILITIES				
Accounts Payable	$ 8	$ 9,516	$ 9,515	$ 9
Amounts held in custody others	586	-	405	181
Total liabilities	$ 594	$ 9,516	$ 9,920	$ 190

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2014	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2015
MILK PASSTHROUGH:				
ASSETS				
Cash/cash equivalents	$ 81	$ 430	$ 484	$ 27
Total assets	$ 81	$ 430	$ 484	$ 27
LIABILITIES				
Accounts Payable	$ -	$ 451	$ 451	$ -
Amounts held custody others	81	1,679	1,733	27
Total liabilities	$ 81	$ 2,130	$ 2,184	$ 27
OPEB STATE:				
ASSETS				
Cash/cash equivalents	$ -	$ 26,496	$ 26,496	$ -
Total assets	$ -	$ 26,496	$ 26,496	$ -
LIABILITIES				
Amounts held custody others	$ -	$ 26,496	$ 26,496	$ -
Total liabilities	$ -	$ 26,496	$ 26,496	$ -
OPEB MUS:				
ASSETS				
Cash/cash equivalents	$ -	$ 11,248	$ 11,248	$ -
Total assets	$ -	$ 11,248	$ 11,248	$ -
LIABILITIES				
Amounts held custody others	$ -	$ 11,248	$ 11,248	$ -
Total liabilities	$ -	$ 11,248	$ 11,248	$ -
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash/cash equivalents	$ 10,947	$ 15,209,173	$ 15,202,425	$ 17,695
Receivables (net)	592	1,998	2,036	554
Investments	2	-	1	1
Other assets	436	693	686	443
Total assets	$ 11,977	$ 15,211,864	$ 15,205,148	$ 18,693
LIABILITIES				
Accounts Payable	$ 2,366	$ 104,860	$ 106,701	$ 525
Amts held custody others	9,611	1,087,964	1,079,407	18,168
Total liabilities	$ 11,977	$ 1,192,824	$ 1,186,108	$ 18,693

STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements, and required supplementary information of the primary government of the State of Montana in understanding and assessing the State's overall financial health.

Financial Trends Information

These schedules present trend information to help understand how the State's financial performance and fiscal health have changed over time.

Revenue Capacity Information

These schedules contain information to help understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information

These schedules present information to help understand and assess the State's level of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules contain demographic and economic indicators to help understand the environment within which the State's financial activities take place.

Operating Information

These schedules provide operating data to help understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Sources: Unless otherwise noted, the information in the following schedules is derived from the State of Montana Comprehensive Annual Financial Report.

SCHEDULE A-1 – NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	$ 2,842,708	$ 3,115,260	$ 3,262,932	$ 3,526,294	$ 3,874,920	$ 4,178,343	$ 4,529,952	$ 4,681,044	$ 5,049,162	$ 5,332,649
Restricted	2,202,592	2,347,395	2,617,435	2,329,850	1,983,143	2,292,979	2,298,142	2,334,042	2,696,248	2,764,165
Unrestricted	647,182	675,752	595,019	589,815	1,083,674	877,017	824,809	912,882	896,270	(642,296)
Total governmental activities net position	$ 5,692,482	$ 6,138,407	$ 6,475,386	$ 6,445,959	$ 6,941,737	$ 7,348,339	$ 7,652,903	$ 7,927,968	$ 8,641,680	$ 7,454,518
Business-type activities										
Net investment in capital assets	$ 8,703	$ 8,698	$ 8,733	$ 12,539	$ 14,534	$ 15,581	$ 15,011	$ 14,862	$ 16,285	$ 14,616
Restricted	269,687	314,722	337,036	255,493	159,335	158,735	206,896	253,382	295,006	333,536
Unrestricted	18,539	11,761	11,234	6,996	21,851	12,349	15,905	16,415	18,912	8,124
Total business-type activities net position	$ 296,929	$ 335,181	$ 357,003	$ 275,028	$ 194,720	$ 186,665	$ 237,812	$ 284,659	$ 330,203	$ 356,276
Primary government										
Net investment in capital assets	$ 2,851,411	$ 3,123,958	$ 3,271,665	$ 3,538,833	$ 3,889,454	$ 4,193,924	$ 4,554,963	$ 4,695,907	$ 5,065,447	$ 5,347,265
Restricted	2,472,279	2,662,117	2,594,471	2,585,343	2,142,478	2,451,714	2,505,038	2,587,423	2,991,254	3,097,701
Unrestricted	665,721	687,513	606,253	596,811	1,104,525	889,366	840,714	929,296	915,182	(634,172)
Total primary government net position	$ 5,989,411	$ 6,473,588	$ 6,832,389	$ 6,720,987	$ 7,136,457	$ 7,535,004	$ 7,900,715	$ 8,212,627	$ 8,971,883	$ 7,810,794

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SCHEDULE A-2 – CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
Expenses	2006	2007	2008	2009	2010
Governmental activities:					
General government	$ 525,981	$ 450,646	$ 634,984	$ 549,847	$ 774,881
Public safety	245,810	293,193	322,769	408,239	342,803
Transportation	216,942	197,510	488,450	438,649	320,085
Health and human services	1,270,056	1,266,098	1,380,629	1,529,104	1,677,261
Education	976,046	1,065,504	1,144,637	1,137,772	1,179,788
Natural resources	142,460	256,751	258,058	363,179	318,300
Economic development/assistance	150,449	152,154	152,456	170,027	-
Principal on long-term debt	-	-	-	-	-
Interest on long-term debt	19,569	19,418	18,344	18,721	17,692
Total governmental activities expenses	3,547,313	3,701,274	4,400,327	4,615,538	4,630,810
Business-type activities:					
Unemployment Insurance	72,661	72,378	90,269	235,494	354,793
Liquor Stores	50,514	55,521	59,227	61,446	61,569
State Lottery	31,020	30,416	32,984	33,787	36,365
Economic Development Bonds	3,441	4,167	4,552	3,523	2,167
Hail Insurance	4,632	4,663	11,064	4,087	6,238
General Government Services	51,017	53,851	56,697	60,157	62,797
Prison Funds	5,356	6,487	6,670	10,681	6,463
MUS Group Insurance	52,139	58,532	59,334	55,023	72,606
MUS Workers Compensation	2,978	2,647	3,109	3,675	3,900
Total business-type activities expenses	273,758	288,662	323,906	468,328	606,898
Total primary government expenses	$ 3,821,071	3,989,936	$ 4,724,233	$ 5,083,866	$ 5,237,708
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 59,166	$ 61,713	$ 83,720	$ 68,982	$ 127,163
Public safety/corrections	150,787	153,577	149,534	144,748	147,839
Transportation	31,766	34,963	42,348	37,204	26,531
Health/social services	30,022	30,547	38,137	35,554	43,338
Education/cultural	107,096	96,903	150,906	113,433	34,309
Resource/recreation/environment	77,064	80,320	80,933	39,929	232,861
Economic development/assistance	31,866	38,441	38,520	43,182	-
Operating grants and contributions	1,371,109	1,395,324	1,493,944	1,635,769	1,985,977
Capital grants and contributions	305,345	325,352	380,856	467,611	510,996
Total governmental activities program revenues	2,164,221	2,217,140	2,458,898	2,586,412	3,109,014
Business-type activities:					
Charges for services:					
Unemployment Insurance	76,754	83,661	85,801	75,591	89,500
Liquor Stores	58,975	63,943	69,242	67,242	68,032
State Lottery	39,923	41,567	43,826	43,841	46,865
Economic Development Bonds	7	22	33	26	22
Hail Insurance	3,057	6,042	7,730	6,859	6,915
General Government Services	15,589	18,176	19,844	21,548	22,601
Prison Funds	5,717	5,600	7,150	6,620	6,304
MUS Group Insurance	54,164	57,159	62,666	52,147	64,756
MUS Workers Compensation	3,543	4,047	4,660	5,003	4,979
Operating grants and contributions	58,051	64,691	63,524	118,058	226,049
Capital grants and contributions	378	171	540	1,360	3,174
Total business-type activities program revenues	316,158	345,079	365,016	398,295	539,197
Total primary government program revenues	$ 2,480,379	$ 2,562,219	$ 2,823,914	$ 2,984,707	$ 3,648,211

Fiscal Year				
2011	2012	2013	2014	2015
$ 752,565	$ 660,561	$ 647,975	$ 1,009,121	$ 655,878
308,593	387,213	380,309	156,256	403,407
390,523	468,977	189,207	461,358	483,943
1,765,871	1,745,284	1,808,386	1,880,505	1,936,701
1,209,969	1,192,205	1,205,955	1,262,069	1,306,740
318,954	337,462	332,942	254,414	316,834
-	-	-	-	-
6	7,593	-	-	-
16,314	15,725	12,249	10,760	9,124
4,762,795	4,815,020	4,577,022	5,034,483	5,112,627
278,086	217,829	179,826	136,174	112,952
63,573	67,863	71,013	74,917	78,700
35,481	39,808	44,049	41,310	41,088
1,126	1,149	930	2,564	988
8,379	7,052	7,339	15,163	8,304
63,003	62,094	63,354	63,787	68,678
6,149	6,480	6,995	7,223	6,464
63,501	59,577	67,250	80,639	86,539
4,232	4,530	328	3,199	4,128
523,530	466,382	441,084	424,976	407,841
$ 5,286,325	$ 5,281,402	$ 5,018,106	$ 5,459,459	$ 5,520,468

$ 138,059	$ 143,815	$ 134,756	$ 142,818	$ 143,616
145,754	147,070	148,147	150,212	160,339
25,143	29,256	30,792	33,047	36,122
37,166	34,191	37,291	37,843	35,795
40,720	36,335	37,328	42,140	32,176
164,880	166,466	176,400	172,759	174,799
-	-	-	-	-
1,962,876	1,824,334	1,780,611	1,823,987	1,885,537
537,194	512,649	455,310	460,327	470,860
3,051,792	2,894,116	2,800,635	2,863,133	2,939,244
137,439	164,353	166,523	163,745	151,806
73,298	78,384	82,125	85,316	89,286
46,047	52,615	56,820	53,106	52,341
18	17	13	19	30
6,710	7,055	7,114	8,040	6,278
23,044	22,303	21,988	25,985	29,197
6,276	7,284	6,945	7,618	7,953
65,228	69,025	68,216	80,472	72,904
4,716	4,167	4,280	2,170	4,603
168,222	134,120	96,590	64,982	50,751
281	398	445	623	942
531,279	539,721	511,059	492,076	466,091
$ 3,583,071	$ 3,433,837	$ 3,311,694	$ 3,355,209	$ 3,405,335

SCHEDULE A-2 – CHANGE IN NET POSITION - Continued
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
Net (expense)/revenue					
Governmental activities	$ (1,383,092)	$ (1,484,134)	$ (1,941,429)	$ (2,029,126)	$ (1,521,796)
Business-type activities	42,400	56,417	41,110	(70,033)	(67,700)
Total primary government net expense	(1,340,692)	(1,427,717)	(1,900,319)	(2,099,159)	(1,589,496)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 194,617	$ 206,527	$ 214,868	$ 228,368	$ 235,287
Fuel	212,276	210,573	205,758	191,061	204,373
Natural resource	260,382	276,793	407,007	307,032	275,313
Individual income	760,981	819,473	862,273	806,908	709,699
Corporate Income	153,574	183,913	161,118	168,053	89,033
Other	289,978	309,232	320,398	315,810	303,859
Unrestricted grants and contributions	4,158	3,911	28	167	461
Payment from State of Montana	-	-	-	-	-
Settlements	28,248	27,853	38,760	155,127	77,927
Unrestricted investment earnings	36,188	78,032	72,203	42,556	172,748
Gain on sale of capital assets	53	10,823	6,351	6,141	3,244
Miscellaneous	4,741	3,050	5,810	116,865	4,247
Transfers	34,802	41,080	43,010	42,863	42,488
Total governmental activities	1,979,998	2,171,260	2,337,584	2,380,951	2,118,677
Business-type activities:					
Taxes					
Other	17,317	19,046	20,340	24,821	25,017
Unrestricted grants and contributions	-	-	-	-	-
Settlements	-	10	-	-	-
Unrestricted investment earnings	1,016	569	406	142	244
Gain on sale of capital assets	-	-	-	-	1
Miscellaneous	4,146	1,953	2,662	2,484	4,377
Transfers	(34,802)	(41,080)	(43,010)	(42,863)	(42,486)
Total business-type activities	(12,323)	(19,502)	(19,602)	(15,416)	(12,847)
Total primary government	1,967,675	2,151,758	2,317,982	2,365,535	2,105,830
Change in Net Position					
Governmental activities	596,906	687,126	396,155	351,825	596,881
Business-type activities	30,077	36,915	21,508	(85,449)	(80,547)
Total primary government	$ 626,983	$ 724,041	$ 417,663	$ 266,376	$ 516,334

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2011	2012	2013	2014	2015
$ (1,711,003)	$ (1,920,904)	$ (1,776,387)	$ $ (2,389,119)	$ (2,173,383)
7,749	73,339	69,975	67,114	58,250
(1,703,254)	(1,847,565)	(1,706,412)	$ (2,322,005)	(2,115,133)
$ 241,961	$ 257,631	$ 256,613	$ $ 267,029	$ 261,532
209,348	211,933	216,065	216,615	226,892
305,471	309,427	310,344	334,210	257,634
810,108	892,560	1,041,767	1,044,828	1,151,329
121,801	129,668	174,510	145,040	174,112
308,703	308,927	324,811	340,123	358,676
-	181	11	403	15,101
-	-	-	487	-
38,747	40,426	35,763	31,534	29,109
155,419	87,083	30,296	108,754	44,028
3,209	2,179	7,158	2,125	2,067
2,919	2,728	4,355	4,708	4,348
40,547	46,361	48,199	46,377	50,017
2,238,233	2,289,104	2,499,802	2,542,233	2,574,845
21,797	23,233	24,186	25,148	26,440
-	-	-	2	1,777
27	-	-	52	-
4,642	54	20	12	520
-	270	41	696	142
637	542	570	674	718
(40,547)	(46,361)	(48,199)	(47,864)	(50,017)
(13,444)	(22,262)	(23,382)	(21,280)	(20,420)
2,224,789	2,266,842	2,426,417	2,520,953	2,554,425
527,230	368,200	673,410	153,114	401,462
(5,695)	51,077	46,593	45,834	37,830
$ 521,535	$ 419,277	$ 720,002	$ $ 198,948	$ 439,292

SCHEDULE A-3 – FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	$ 11,533	$ 20,498	$ 28,221	$ 25,991
Unreserved	408,580	549,158	433,580	392,526
Total general fund	$ 420,113	$ 569,656	$ 461,801	418,517
All other governmental funds				
Reserved	$ 2,431,304	$ 2,529,131	$ 2,766,497	$ 3,016,151
Unreserved, reported in:				
Special revenue funds	(53,266)	(48,292)	(47,864)	(30,881)
Debt service funds	6,783	5,920	1,083	(4,505)
Capital project funds	47,272	37,735	87,895	124,205
Total all other governmental funds	$ 2,432,093	$ 2,524,494	$ 2,807,611	$ 3,104,970

Source: Statewide Accounting, Budgeting, and Human Resource System

Note: Due to GASB Statement 54 a new table is included below for fiscal years after 2009.

SCHEDULE A-3 – FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year					
	2010	2011	2012	2013	2014	2015
Nonspendable:						
Inventory	$ 27,018	$ 23,007	$ 25,046	$ 24,483	$ 22,611	$ 25,137
Permanent fund principle	1,143,435	1,300,871	1,365,218	1,388,829	1,452,290	1,493,893
Long-term notes/receivable	96	65	2,146	2,470	971	817
Prepaid expenses	1,361	1,254	1,538	1,273	1,045	1,806
Total nonspendable	$ 1,171,910	$ 1,325,197	$ 1,393,948	$ 1,417,055	$ 1,476,917	$ 1,521,653
Restricted:						
General government	13,785	13,146	10,474	1,966	8,563	6,586
Transportation	102,520	116,353	75,518	76,659	60,851	47,750
Health and human services	22,367	22,025	16,739	23,049	24,494	22,814
Natural resources	438,410	634,957	653,179	646,026	669,220	716,294
Public safety	317,295	290,768	294,520	268,616	265,966	252,006
Education	24,644	29,054	27,140	21,397	20,458	17,896
Total restricted	$ 919,021	$ 1,106,303	$ 1,077,570	$ 1,037,713	$ 1,049,552	$ 1,063,346
Committed:						
General government	551,394	588,292	625,432	612,969	694,508	712,767
Transportation	6,403	4,445	4,304	6,644	4,823	3,856
Health and human services	65,050	72,102	43,952	30,665	27,131	28,226
Natural resources	601,410	312,467	266,254	258,650	320,560	346,550
Public safety	39,772	15,393	18,162	29,428	34,037	30,207
Education	1,540	12,162	12,434	34,723	26,631	8,249
Total committed	$ 1,255,569	$ 1,004,861	$ 970,538	$ 973,079	$ 1,107,691	$ 1,129,855
Assigned:						
General government	33,427	25,805	21,413	23,057	13,232	5,361
Transportation	-	-	26	-	-	-
Health and human services	148	-	-	-	-	-
Natural resources	418	41	60	56	-	-
Public safety	2,949	1,853	1,756	1,465	1,210	599
Education	138	-	-	-	-	-
FY 2011 appropriation	70,270	-	-	-	-	-
General Fund Spend Down	-	-	-	-	80,000	75,000
Encumbrances	11,986	24,591	22,670	18,033	10,366	11,230
Total assigned	$ 119,336	$ 52,290	$ 45,925	$ 42,611	$ 104,808	$ 92,190
Unassigned	212,183	339,898	451,656	537,609	344,406	380,436
Total fund balances	$ 3,688,019	$ 3,828,549	$ 3,939,637	$ 4,008,066	$ 4,083,374	$ 4,187,480

SCHEDULE A-4 – CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Licenses/permits	$ 259,073	$ 285,890	$ 283,755	$ 283,423	$ 283,658
Taxes	1,880,838	2,009,620	2,162,928	2,005,327	1,809,427
Charges for services/fines/forfeits/settlements	162,520	160,571	188,518	255,068	238,758
Investment earnings	62,977	171,047	165,165	114,857	232,668
Sale of documents/merchandise/property	21,412	20,460	19,711	15,271	17,499
Rentals/leases/royalties	63,318	51,442	65,176	73,080	143,714
Contributions/Premiums	-	-	-	-	19,724
Grants/contracts/donations	25,987	25,362	27,825	28,919	27,324
Federal	1,612,717	1,586,206	1,713,478	1,953,376	2,271,216
Federal Indirect cost Recoveries	-	-	-	-	112,918
Other revenues	20,989	17,280	30,952	144,890	6,809
Total revenues	4,109,831	4,327,878	4,657,508	4,874,211	5,163,715
Expenditures					
General government	466,886	401,331	545,661	428,723	666,192
Public safety	254,381	284,777	311,094	335,877	338,776
Transportation	559,695	575,157	360,383	311,838	197,197
Health and human services	1,274,947	1,267,854	1,372,335	1,526,287	1,675,253
Education	976,446	1,050,239	1,137,548	1,136,056	1,181,591
Natural resources	204,413	247,090	300,207	238,834	288,913
Economic development/assistance	151,020	152,442	149,057	168,778	-
Debt service:					
Principal retirement	32,546	33,103	33,767	34,199	31,682
Interest/fiscal charges	20,745	19,080	18,931	19,079	18,213
Capital outlay	69,505	95,834	351,111	464,378	650,589
Securities lending	7,663	5,261	7,244	2,917	873
Total expenditures	4,018,247	4,132,168	4,587,338	4,666,966	5,049,279
Excess of revenue over (under) expenditures	91,584	195,710	70,170	207,245	114,436
Other financing sources (uses)					
Bond proceeds	-	-	-	-	3,800
Bonds issued	37,050	-	59,490	-	-
Refunding bonds issued	-	16,740	-	-	28,270
Bond premium	2,178	946	828	-	1,294
Payment to refunding bond escrow agent	-	(17,504)	-	-	(29,148)
Inception of lease/installment contract	876	49	874	615	172
Insurance proceeds	327	115	1,681	886	670
General capital asset sale proceeds	164	10,946	6,497	5,960	3,614
Energy conservation loans	-	-	-	-	-
Transfers in	292,130	306,867	413,286	391,661	491,045
Transfers out	(259,247)	(269,595)	(373,727)	(350,135)	(450,686)
Total other financing sources (uses)	73,478	48,564	108,929	48,987	49,031
Net change in fund balances	$ 165,062	$ 244,274	$ 179,099	$ 256,232	$ 163,467
Debt service as a percentage of noncapital expeditures	1.6%	1.4%	1.3%	1.2%	1.1%

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2011	2012	2013	2014	2015
$ 287,580	$ 290,183	$ 297,148	$ 302,824	$ 319,726
1,986,722	2,096,733	2,314,815	2,344,456	2,435,282
191,142	193,874	181,760	202,912	183,257
143,198	181,484	59,092	141,733	90,565
17,208	16,221	23,393	21,836	26,177
70,322	77,946	75,490	76,824	66,754
20,685	21,666	22,397	23,206	24,105
23,439	24,812	24,267	30,324	30,048
2,338,090	2,102,964	2,043,912	2,086,310	2,151,163
101,152	107,446	112,364	110,981	112,914
5,069	4,718	5,349	5,410	4,770
5,184,607	5,118,047	5,159,987	5,346,816	5,444,761
643,623	633,336	613,186	699,219	676,832
346,670	353,344	363,378	373,132	395,561
271,387	345,796	287,218	324,074	340,443
1,757,633	1,734,471	1,810,312	1,883,909	1,925,968
1,208,538	1,183,056	1,204,060	1,261,012	1,301,116
272,895	287,636	341,686	286,320	288,791
-	-	-	-	-
33,974	34,865	32,627	33,617	33,988
16,362	16,314	13,907	12,810	11,346
565,943	488,958	454,463	457,306	444,940
600	383	302	142	204
5,117,625	5,078,159	5,121,139	5,331,541	5,419,189
66,982	39,888	38,847	15,275	25,572
-	-	-	11,680	24,365
31,000	-	-	-	-
10,180	56,670	-	6,780	38,150
767	8,264	-	662	7,130
(11,062)	(64,421)	-	(7,190)	(42,603)
36	49	504	324	344
4,326	3,565	381	1,302	2,586
4,130	2,343	7,340	1,840	3,689
-	26,171	291	169	2,120
351,366	277,279	307,460	428,368	324,088
(316,934)	(235,235)	(273,502)	(383,933)	(284,180)
73,809	74,685	42,474	60,002	75,689
$ 140,791	$ 114,573	$ 81,321	$ 75,277	$ 101,261
1.1%	1.1%	1.0%	1.0%	0.9%

SCHEDULE B-1 – PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(dollars expressed in thousands)

	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Farm Earnings	$ 598,945	$ 190,096	$ 408,523	$ 468,182	$ 310,053	$ 625,246	$ 720,138	$ 934,509	$ 817,733	$ 832,648
Agricultural, forestry, fishing, and other	198,427	210,748	205,861	193,708	186,402	162,669	168,285	201,925	231,268	232,980
Mining	601,174	735,437	735,100	897,521	772,277	664,485	820,944	1,235,330	1,246,822	1,235,527
Construction/utilities	1,850,637	2,070,597	2,186,771	2,007,944	1,677,216	2,067,925	2,097,991	2,235,780	2,397,070	2,486,438
Manufacturing	1,020,820	1,102,085	1,139,506	1,152,181	1,059,780	1,032,034	1,069,144	1,054,098	1,089,971	1,171,673
Transportation	1,121,137	1,228,453	1,231,036	1,269,832	1,250,836	913,489	985,485	1,106,555	1,154,728	1,210,250
Wholesale trade	818,971	879,070	964,006	985,176	938,306	940,214	1,002,298	1,114,365	1,201,060	1,229,945
Retail trade	1,745,539	1,843,169	1,959,131	1,935,405	1,843,250	1,947,337	2,019,009	2,032,683	2,136,747	2,202,105
Finance, insurance, and real estate	1,518,863	1,544,182	1,433,899	1,445,414	1,430,985	1,433,145	1,486,390	1,483,319	1,623,518	1,590,899
Services	6,501,206	7,088,480	7,533,395	7,915,541	8,005,007	8,217,674	8,615,811	8,933,237	8,682,348	8,989,666
Federal, civilian	1,085,934	1,134,414	1,180,607	1,207,987	1,268,108	1,314,102	1,215,699	1,192,569	1,157,617	1,181,524
Military	452,182	456,908	465,490	489,616	515,593	528,570	532,199	429,985	423,180	414,108
State and local government	2,817,801	2,973,386	3,169,949	3,364,342	3,494,129	3,599,170	3,589,740	3,770,989	3,894,912	3,868,541
Other (1)	7,847,207	8,989,644	9,834,100	10,778,049	11,171,289	11,302,305	12,184,262	13,027,496	13,496,216	14,197,221
Total personal income	$ 28,178,843	$ 30,446,669	$ 32,475,374	$ 33,110,898	$ 33,923,231	$ 34,748,365	$ 36,507,395	$ 38,752,840	$ 39,553,190	$ 40,843,525
Average effective rate (2)	2.5%	2.5%	2.5%	2.6%	2.4%	2.1%	2.2%	2.3%	2.6%	2.6%

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
Montana Department of Revenue

Notes: (1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance
(2) The total direct rate for personal income is not available. Average effective rate equals personal income tax revenue (Schedule B-2) divided by personal income.

SCHEDULE B-2 – PERSONAL INCOME TAX RATES
Last Ten Calendar Years
(dollars expressed in thousands)

	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal income tax revenue (1)	$712,281	$768,912	$827,095	$866,638	$815,138	$717,834	$816,090	$898,851	$1,047,790	$1,063,284
Personal income	$28,178,843	$30,446,669	$32,475,374	$33,110,898	$33,923,231	$34,748,365	$36,507,395	$38,752,840	$39,553,190	$40,843,525
Average effective rate (2)	2.5%	2.5%	2.5%	2.6%	2.4%	2.1%	2.2%	2.3%	2.6%	2.6%

	Tax Rates on the Portion of Taxable Income in Ranges (3)									
Calendar Year 2005										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%	9.0%	10.0%	11.0%
Income Bracket	$0-2.3	$2.3-4.1	$4.1-6.2	$6.2-8.4	$8.4-10.8	$10.8-13.9	$13.9 +	$32.1-45.9	$45.9-80.3	$80.3+
Calendar Year 2006										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.4	$2.4-4.3	$4.3-6.5	$6.5-8.8	$8.8-11.3	$11.3-14.5	$14.5 +			
Calendar Year 2007										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.5	$2.5-4.4	$4.4-6.6	$6.6-9	$9-11.6	$11.6-14.9	$14.9 +			
Calendar Year 2008										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.6	$4.6-7	$7-9.5	$9.5-12.2	$12.2-15.6	$15.6 +			
Calendar Year 2009										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.5	$4.5-6.9	$6.9-9.3	$9.3-12	$12-15.4	$15.4 +			
Calendar Year 2010										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.6	$4.6-6.9	$6.9-9.4	$9.4-12.1	$12.1-15.6	$15.6 +			
Calendar Year 2011										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.7	$2.7-4.7	$4.7-7.2	$7.2-9.7	$9.7-12.5	$12.5-16.0	$16.0 +			
Calendar Year 2012										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.7	$2.7-4.8	$4.8-7.3	$7.3-9.9	$9.9-12.7	$12.7-16.4	$16.4 +			
Calendar Year 2013										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.8	$2.8-4.9	$4.9-7.4	$7.4-10.1	$10.1-13.0	$13.0-16.7	$16.7+			
Calendar Year 2014										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.8	$2.8-5.0	$5.0-7.6	$7.6-10.3	$10.3-13.3	$13.3-17.1	$17.1+			

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; Montana Department of Revenue
Notes: (1) Personal income tax revenue is reported on a fiscal year basis.
(2) Average effective rate equals personal income tax revenue divided by personal income.
(3) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the income amounts in the columns.

SCHEDULE B-3 – PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
Latest Completed Calendar Year and Five Years Ago

	Calendar Year 2009				Calendar Year 2014			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$9,999 and under	87,774	20.27%	$ 1,077,616	0.16%	74,286	16.49%	$ 811,667	0.08%
$10,000–$19,999	74,790	17.27%	9,952,794	1.45%	69,432	15.41%	9,040,258	0.92%
$20,000–$44,999	120,169	27.75%	78,246,912	11.38%	120,035	26.65%	80,222,412	8.17%
$45,000–$69,999	66,615	15.38%	110,450,556	16.06%	69,118	15.34%	119,903,705	12.20%
$70,000–$109,999	53,729	12.41%	163,973,106	23.84%	66,133	14.68%	210,510,183	21.43%
$110,000–$174,999	20,015	4.62%	111,416,110	16.20%	33,444	7.42%	191,620,052	19.50%
$175,000–$499,999	8,538	1.97%	109,251,558	15.89%	15,524	3.45%	202,580,571	20.62%
$500,000 and higher	1,416	0.33%	103,375,536	15.03%	2,500	0.55%	167,807,113	17.08%
Total	433,046	100.00%	$ 687,744,188	100.00%	450,472	100.00%	$ 982,495,961	100.00%

Source: Montana Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented above are intended to provide alternate information regarding the sources of the State’s revenue.

SCHEDULE C-1 – RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount, in dollars)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
General obligation bonds	$ 230,065	$ 208,015	$ 201,560	$ 182,585	$ 169,150	$ 174,335	$ 156,905	$ 139,595	$ 127,840	$ 134,795
Special revenue bonds	181,770	171,080	204,365	189,970	176,570	169,220	152,565	137,940	128,020	110,975
Notes payable	12,099	11,755	11,411	11,065	10,716	10,369	10,020	9,667	9,311	9,949
Lease/installment purchase payable	2,459	1,057	1,421	2,680	2,440	1,536	723	707	764	1,186
Total governmental activities	426,393	391,907	418,757	386,300	358,876	355,460	320,213	287,909	265,935	256,905
Business-type activities										
Bonds/notes payable	$ 3,936	$ 3,107	$ 1,853	$ 1,180	$ 370	$ 195	$ 135	$ 70	$ -	$ -
Lease/installment purchase payable	-	-	-	-	-	382	303	223	141	836
Total business-type activities	3,936	3,107	1,853	1,180	370	577	438	293	141	836
Total primary government	$ 430,329	$ 395,014	$ 420,610	$ 387,480	$ 359,246	$ 356,037	$ 320,651	$ 288,202	$ 266,076	$ 257,741
Debt as a percentage of personal income (1)	1.5%	1.3%	1.3%	1.2%	1.1%	1.0%	0.9%	0.7%	0.7%	0.6%
Amount of debt per capita (2)	$460	$418	$440	$401	$371	$367	$329	$294	$270	$259

Source: Statewide Accounting, Budgeting, and Human Resource System

Notes: Details regarding the State's debt can be found in Note 11 of the financial statements.

(1) Debt as a percentage of personal income equals total debt divided by total personal income from Schedule B-1.
Used calendar year for personal income for fiscal year for debt percentage calculation.
Numbers revised for prior years due to personal income estimate revisions.

(2) Amount of debt per capita is calculated by dividing total debt by total population from Schedule D-1.
Numbers revised for prior years due to population estimate revisions.

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
Governmental Activities	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Renewable Resource Program Bond										
Revenue										
Loan repayment (principal and interest)	$ 3,036	$ 2,576	$ 1,549	$ 3,157	$ 1,710	$ 1,746	$ 2,200	$ 1,702	$ 1,610	$ 2,774
Northwestern Energy	2,800	3,057	2,498	3,189	3,435	3,676	4,095	3,340	3,670	4,445
STIP interest earnings	176	460	329	96	19	17	17	14	8	8
Debt service fund interest	877	528	472	414	398	444	644	619	599	809
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 6,889	$ 6,621	$ 4,848	$ 6,856	$ 5,562	$ 5,883	$ 6,956	$ 5,675	$ 5,887	$ 8,036
Debt service										
Principal	$ 4,630	$ 3,095	$ 3,485	$ 3,725	$ 2,380	$ 3,620	$ 4,200	$ 3,765	$ 4,345	$ 4,815
Interest	$ 1,476	$ 1,357	$ 1,253	$ 1,093	$ 979	$ 848	$ 899	$ 801	$ 821	$ 808
Coverage (1)	1.1	1.5	1.0	1.4	1.7	1.3	1.4	1.2	1.1	1.4

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

Governmental Activities	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
US Highway 93 GARVEES Bond (2)										
Revenue										
Federal Highway Administration	$ 278,109	$ 300,808	$ 345,583	$ 381,604	$ 464,400	$ 457,372	$ 471,079	$ 410,641	$ 429,398	$ 447,541
Less: Operating expenses	(266,232)	(288,930)	(333,705)	(365,624)	(448,419)	(441,395)	(455,102)	(395,056)	(413,897)	(432,041)
Net available revenue	$ 11,877	$ 11,878	$ 11,878	$ 15,980	$ 15,981	$ 15,977	$ 15,977	$ 15,585	$ 15,501	$ 15,500
Debt service										
Principal	$ 4,960	$ 6,130	$ 6,375	$ 9,070	$ 9,340	$ 9,740	$ 10,175	$ 10,630	$ 11,110	$ 11,625
Interest	$ 6,917	$ 5,747	$ 5,503	$ 6,910	$ 6,641	$ 6,237	$ 5,802	$ 4,955	$ 4,391	$ 3,875
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Governmental Activities	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Middle Creek Dam Project Note Payable										
Revenue										
Middle Creek Water Users Assoc loan payments	$ 82	$ 96	$ 89	$ 83	$ 90	$ 72	$ 74	$ 94	$ 105	$ 95
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 82	$ 96	$ 89	$ 83	$ 90	$ 72	$ 74	$ 94	$ 105	$ 95
Debt service										
Principal	$ 42	$ 44	$ 46	$ 48	$ 50	$ 51	$ 54	$ 56	$ 58	$ 71
Interest	$ 40	$ 52	$ 43	$ 35	$ 40	$ 21	$ 20	$ 38	$ 47	$ 24
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
Governmental Activities	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tongue River Dam Project Note Payable										
Revenue										
Tongue River Water Users Assoc loan payments	$ 128	$ 128	$ 128	$ 128	$ 128	$ 128	$ 128	$ 128	$ 128	$ 128
Revenue from sale of electricity	162	162	162	162	162	162	162	162	162	162
Less: Operating expenses	-	-	-	-	-	-	-	-		
Net available revenue	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290
Debt service										
Principal	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290	$ 290
Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

	Fiscal Year									
Governmental Activities	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Conservation Note Payable										
(Little Dry Project)										
Revenue										
Little Dry Water Users Assoc loan payments	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 1	$ -	$ -	$ -
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 1	$ -	$ -	$ -
Debt service										
Principal	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 1	$ -	$ -	$ -
Interest	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ -	$ -	$ -	$ -
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

Governmental Activities	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Conservation Note Payable										
(Petrolia Project)										
Revenue										
Petrolia Irrigation District loan payments	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Debt service										
Principal	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 3	$ 3
Interest	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ -	$ -
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Business-type Activities	2007	2008	2009	2010	2011	2012	2013	2014	2015
Economic Development Bonds									
(Municipal Finance Consolidation Irrigation Dist)									
Revenue									
Principal and interest repayments	$ 71	$ 45	$ 47	$ 53	$ 58	$ 62	$ 66	$ 70	$ -
Investment income	5	3	1	-	-	-	-	-	-
Less: Operating expenses	-	-	-	-	-	-	-	-	-
Net available revenue	$ 76	$ 48	$ 48	$ 53	$ 58	$ 62	$ 66	$ 70	$ -
Debt service									
Principal	$ 40	$ 45	$ 45	$ 50	$ 55	$ 60	$ 65	$ 70	$ -
Interest	$ 31	$ 28	$ 25	$ 21	$ 17	$ 13	$ 8	$ 3	$ -
Coverage (1)	1.1	0.7	0.7	0.7	0.8	0.9	0.9	1.0	-

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

Business-type Activities	2007	2008	2009	2010	2011	2012	2013	2014	2015
Economic Development Bonds									
(Conservation Reserve Enhancement Program)									
Revenue									
Principal and interest repayments	$ 2,173	$ 926	$ 989	$ 782	$ 454	$ 162	$ 151	$ 71	$ 81
Investment income	16	10	1	-	-	-	-	-	-
Less: Operating expenses	-	-	-	-	-	-	-	-	-
Net available revenue	$ 2,189	$ 936	$ 990	$ 782	$ 454	$ 162	$ 151	$ 71	$ 81
Debt service									
Principal	$ 1,924	$ 1,208	$ 628	$ 891	$ 120	$ -	$ -	$ -	$ -
Interest	$ 216	$ 107	$ 101	$ 62	$ 3	$ 3	$ -	$ -	$ -
Coverage (1)	1.0	0.7	1.4	0.8	3.7	49.7	-	-	-

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)

Business-type Activities	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MUS Workers Compensation Bonds Payable										
Revenue										
Workers compensation premiums	$ 3,543	$ 4,047	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Operating expenses	(2,932)	(2,614)	-	-	-	-	-	-	-	-
Net available revenue	$ 611	$ 1,433	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt service										
Principal	$ 410	$ 430	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	$ 34	$ 22	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Coverage (1)	1.4	3.2	-	-	-	-	-	-	-	-

Sources: Montana Departments of Commerce (Board of Investments), Natural Resources and Montana University System

Note: (1) Coverage equals net available revenue divided by debt service.
(2) In fiscal year 2008, the Montana Department of Transportation revised data for fiscal year 2005.

SCHEDULE C-3 – RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount, in dollars)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Personal Income (1)	Debt per Capita (2)
2006	$ 230,065	$ 13,700	$ 216,365	0.77%	$ 231
2007	$ 208,015	$ 15,471	$ 192,544	0.63%	$ 204
2008	$ 201,560	$ 11,967	$ 189,593	0.58%	$ 198
2009	$ 182,585	$ 8,985	$ 173,600	0.52%	$ 182
2010	$ 169,150	$ 13,486	$ 155,664	0.46%	$ 162
2011	$ 174,335	$ 15,910	$ 158,425	0.46%	$ 163
2012	$ 156,905	$ 16,240	$ 140,665	0.39%	$ 144
2013	$ 139,595	$ 14,702	$ 124,893	0.32%	$ 127
2014	$ 127,840	$ 20,248	$ 107,592	0.28%	$ 109
2015	$ 134,795	$ 18,348	$ 116,447	0.29%	$ 117

Source: Statewide Accounting, Budgeting, and Human Resource System

Notes: Details regarding the State's debt can be found in Note 11 of the financial statements.

(1) Debt as a percentage of personal income equals total debt divided by total personal income from Schedule B-1. Used calendar year for personal income and fiscal year for debt percentage calculation. Numbers revised for prior years due to personal income estimate revisions.

(2) Debt per capita is calculated by dividing total debt by total population from Schedule D-1. Numbers revised for prior years due to population estimate revisions.

SCHEDULE D-1 – DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population										
Montana *(in thousands)*	933	940	947	955	962	969	975	982	988	994
Percentage change	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	0.6%	0.7%	0.6%	0.6%
National *(in thousands)*	295,507	298,217	300,913	303,598	306,272	308,936	311,601	314,281	316,971	319,668
Percentage change	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Total Personal Income										
Montana *(in millions)*	28,179	30,447	32,475	34,111	33,923	34,748	36,507	38,753	39,963	40,844
Percentage change	6.4%	8.0%	6.7%	5.0%	(0.6%)	2.4%	5.1%	6.2%	3.1%	2.2%
National *(in billons)*	10,477	11,257	11,900	12,380	12,165	12,357	12,950	13,729	14,151	14,683
Percentage change	5.5%	7.4%	5.5%	4.0%	(1.7%)	1.6%	4.6%	6.0%	3.0%	3.8%
Per Capita Personal Income										
Montana	30,141	32,204	33,897	35,237	34,794	35,068	36,573	39,474	39,366	39,903
Percentage change	5.3%	6.8%	5.3%	4.0%	(1.3%)	0.8%	4.1%	7.9%	(0.3%)	1.4%
National	35,447	37,728	39,458	40,673	39,626	39,945	41,560	43,684	44,765	46,049
Percentage change	4.6%	6.4%	4.5%	3.1%	(2.6%)	0.8%	3.9%	5.1%	2.5%	2.9%
Resident Civilian Labor Force & Employment										
Civilian labor force	479,553	493,004	502,219	510,816	498,897	497,538	503,903	507,377	513,432	516,516
Employed	461,936	479,614	485,221	487,870	468,211	461,602	468,896	476,191	485,014	492,434
Unemployed	17,617	16,390	16,998	22,946	30,686	35,936	35,007	31,186	29,328	24,082
Unemployment rate	3.7%	3.3%	3.4%	4.5%	6.2%	7.2%	6.9%	6.1%	5.7%	4.7%
Nonfarm Wage and Salary Workers (in thousands)										
Goods-producing industries										
Natural Resources and Mining	7.7	8.2	8.4	8.3	7	7.5	7.9	9.3	9.5	9.1
Construction	27.6	30.2	32.3	29.8	24	22.7	23	22.9	23.9	24.8
Durable goods	12.4	12.8	13	12.3	10.1	9.5	9.6	10.5	11.1	11.6
Nondurable goods	7.2	7.4	7.5	7.6	7.3	7	7.2	7.0	7.2	7.3
Subtotal goods-producing industries	54.9	58.6	61.2	58.0	48.4	46.7	47.7	49.7	51.7	52.8
Service-producing industries										
Transp, communications, and utilities	23.8	24.3	24.6	24.3	21.5	24.1	23.3	23.6	25	25.1
Trade	71.6	72.8	75.3	75.6	66.9	70.3	70.2	71.6	73.3	74.3
Finance, insurance, and real estate	21.4	22.0	21.8	21.9	21.1	21.2	20.9	21.4	22.7	24.9
Service	162.9	169.3	174.8	178.7	182.3	175.5	177.2	184.3	186.3	187.6
State and local government	72.7	72.1	73.9	74.1	74.4	75.7	74.6	76.5	77.1	76.2
Federal government	13.5	13.5	13.4	13.6	13.9	14.8	13.8	13.4	13	12.9
Subtotal service-producing industries	365.9	374.0	383.8	388.2	380.1	381.6	380	390.8	397.4	401.0
Total Nonfarm Wage and Salary Employment	420.8	432.6	445.0	446.2	428.5	428.3	427.7	440.5	449.1	453.8

Sources: Population Division, U.S. Census Bureau
Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
Bureau of Labor Statistics, U.S. Department of Labor

Notes: Total personal income is comprised of earned income, dividends, interest and rents, and government transfer payments. Per calculated by dividing personal income by population; amounts may not be exact due to rounding.
Numbers for prior years revised due to releases of updated data.

SCHEDULE D-2 – PRINCIPAL EMPLOYERS
Current Calendar Year and Nine Calendar Years Ago

	2005			2014		
Employer	Employees	Rank	Percentage of Total State Employment (2)	Employees (1)	Rank	Percentage of Total State Employment (2)
State of Montana	21,000-21,500	1	5.27%	23,000-23,500	1	5.41%
Federal Government	12,500-13,000	2	3.16%	12,000-12,500	2	2.85%
Wal-Mart	4,000-4,500	3	1.05%	4,500-5,000	3	1.10%
Billings Clinic	2,500-3,000	4	0.68%	3,500-4,000	4	0.87%
Town Pump	2,000-2,500	6	0.56%	2,500-3,000	5	0.64%
Albertson's	2,000-2,500	5	0.56%	2,000-2,500	6	0.52%
Benefis Healthcare	1,500-2,000	8	0.43%	2,000-2,500	7	0.52%
Kalispell Regional Hospital				2,000-2,500	8	0.52%
St. Vincent Healthcare	2,000-2,500	7	0.56%	2,000-2,500	9	0.52%
St. Patrick Hosptial	1,000-1,500	10	0.31%	1,500-2,000	10	0.41%
Stillwater Mining	1,500-2,000	9	0.43%			
Total Statewide Employment	403,367			429,904		

Sources: Montana Department of Labor
Bureau of Labor Statistics, U.S. Department of Labor

Notes: (1) Number of employees based on March 2014 data.
(2) Percentage of total state employment based on the midpoints in the ranges given.

SCHEDULE E-1 – FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	2006	2007	2008	2009	2010
Governmental:					
General government	1,615	1,552	1,696	1,564	2,781
Public safety/corrections	2,048	2,176	2,270	2,065	2,573
Transportation	2,063	2,031	2,023	1,935	2,233
Health/social services	2,621	2,587	2,704	2,422	2,992
Education/cultural	428	432	463	406	485
Resource/recreation/environment	1,853	1,825	1,876	1,696	2,147
Economic development/ assistance	965	913	951	853	-
Total governmental	11,593	11,516	11,983	10,941	13,211
Business-type:					
Liquor Stores	38	39	43	39	29
State Lottery	32	32	33	30	32
Economic Development Bonds	4	6	5	3	4
Hail Insurance	3	3	3	3	8
General Government Services	96	103	108	84	94
Prison Funds	34	34	35	32	21
MUS Group Insurance	3	4	4	4	5
MUS Workers Compensation	-	1	1	1	1
Total business-type	210	222	232	196	194
Fiduciary:					
Pension Trust	48	46	48	46	57
Total fiduciary	48	46	48	46	57
Component unit:					
Montana Board of Housing	20	19	21	19	47
Facility Finance Authority	2	2	2	3	3
State Compensation Insurance (New Fund)	293	297	298	298	300
Montana State University	3,940	4,056	4,021	4,090	4,181
University of Montana	3,281	3,364	3,557	3,578	3,705
Total component unit	7,536	7,738	7,899	7,988	8,236
Total full-time equivalent employees	19,387	19,522	20,162	19,171	21,698

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2011	2012	2013	2014	2015
2,596	2,914	2,999	2,995	3,058
2,786	2,558	2,639	2,668	2,668
2,234	2,225	2,252	2,266	2,266
3,092	2,974	3,019	3,029	3,044
492	478	526	526	517
2,157	1,963	2,144	2,133	2,131
-	-	-	-	-
13,357	13,112	13,579	13,617	13,684
29	29	31	33	33
32	32	32	32	32
4	4	4	4	4
7	7	7	7	7
106	115	115	113	112
32	43	43	42	41
5	5	5	6	6
1	1	1	1	1
216	236	238	238	236
58	66	66	69	69
58	66	66	69	69
47	51	53	50	52
3	3	3	3	3
285	287	289	304	304
4,285	4,443	4,475	4,649	4,737
3,746	3,770	3,844	3,831	3,906
8,366	8,554	8,664	8,837	9,002
21,997	21,968	22,547	22,761	22,991

SCHEDULE E-2 – OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year 2006	2007	2008	2009	2010
Governmental activities:					
General government					
Department of Revenue					
Electronically-filed income tax returns	236,200	234,543	299,194	317,211	333,911
Paper-filed income tax returns	203,100	266,891	187,188	178,114	151,945
Judiciary					
Supreme Court total filings (1)	760	676	649	677	650
District Court total filings (1)	42,000	41,546	45,143	43,672	45,622
Public safety/corrections					
Department of Corrections					
Incarcerated offenders	2,935	2,608	2,439	2,573	2,491
Supervised offenders	8,797	9,838	10,433	10,453	10,535
Department of Justice					
Drivers licenses issued	172,915	181,804	156,088	164,230	156,671
Vehicles registered (2)	1,550,713	1,657,285	1,610,753	1,634,914	1,056,227
Department of Military Affairs (Army Program Facilities Office)					
Work orders received	2,648	3,386	3,610	3,114	3,380
Work orders completed	2,349	2,781	3,441	2,941	3,095
Work orders unfunded or not completed	172	1,373	750	746	863
Transportation					
Department of Transportation					
Paved roads (miles)	19,050	19,447	19,465	20,704	20,469
Unpaved roads (miles)	55,281	54,883	55,472	56,632	55,193
Health/social services					
Department of Public Health and Human Services					
Senior citizens receiving personal long-term care assist.	2,869	2,857	3,004	3,165	3,206
Number of households provided with energy assist.	21,552	19,254	18,929	22,448	28,054
Education/cultural					
Office of Public Instruction					
K-12 public school enrollment	145,259	144,418	143,405	142,082	141,807
Public schools	840	831	830	829	828
Commissioner of Higher Education					
Total enrollment for Montana University System 4-year Colleges	29,181	29,140	29,072	31,805	30,362
Total enrollment for Montana University System 2-year Colleges	3,910	4,033	4,277	4,570	5,538
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Revenue generated on state trust lands (millions of dollars)	$ 101.9	$ 103.6	$ 107.1	$ 110.0	$ 180.6
Oil production (millions of bbls)	36.2	37.2	34.9	31.5	27.8
Gas production (millions of mcf)	114	118	120.7	119.5	105.3
Department of Fish, Wildlife and Parks					
License and permit sales (3)	1,638,410	1,737,413	1,808,093	1,806,316	1,800,613
State park visitation (millions)	1.70	1.85	1.78	1.80	1.90

Fiscal Year				
2011	2012	2013	2014	2015
397,280	423,574	439,403	456,736	470,854
135,144	110,308	103,585	95,626	88,514
775	784	784	800	850
44,234	49,908	52,105	53,000	54,000
2,528	2,546	2,509	2,625	2,679
10,399	10,331	10,347	10,640	11,040
143,368	164,089	173,924	162,365	191,705
1,154,627	1,151,674	1,163,000	2,112,741	2,536,737
3,528	3,181	2,847	3,052	2,945
3,426	3,561	3,264	3,179	2,863
465	557	319	134	165
19,644	19,737	19,813	19,894	19,896
56,108	56,089	56,048	50,084	56,063
3,932	3,585	3,527	3,299	3,239
25,495	20,704	21,248	21,605	20,421
141,693	142,349	142,908	144,129	144,532
827	826	824	823	824
31,934	31,978	31,717	31,499	31,268
6,051	6,150	5,986	5,693	5,310
$ 108.7	$ 113.5	$ 122.0	$ 114.4	$ 109.3
25.3	24.1	26.4	29.3	30.4
93.5	79.5	66.9	55	50
1,806,326	1,939,190	1,883,435	1,858,020	1,892,894
1.79	2.07	2.17	2.19	2.39

SCHEDULE E-2 – OPERATING INDICATORS BY FUNCTION/PROGRAM - Continued
Last Ten Fiscal Years

	Fiscal Year			
Function/Program	2006	2007	2008	2009
Governmental activities (continued):				
Resource/recreation/environment (continued)				
Department of Environmental Quality				
Environmental permits and licenses	8,044	8,222	9,104	9,308
Environmental violations	2,166	3,271	4,586	4,069
Economic development/assistance				
Department of Commerce (Community Development)				
Treasure State Endowment Project – applications	57	-	65	-
Treasure State Endowment Project – construction awards	-	56	-	66
Community Development Block Grant – public facility applications	11	17	17	20
Community Development Block Grant – public facility awards	7	8	10	8
Business-type activities:				
Unemployment Insurance				
Department of Labor				
Initial claims	46,697	47,147	49,530	85,760
Average weekly benefit (dollars)	$202.67	$225.00	$241.44	$259.38
Exhaustion rate (percent)	29.8%	32.1%	32.3%	49.2%
Liquor Stores				
Department of Revenue				
Liquor licenses issued	2,267	2,249	4,601	4,771
Liquor cases distributed	578,111	616,400	653,475	653,471
State Lottery				
Department of Administration				
Total dollars in ticket sales (millions of dollars)	$40	$42	$44	$44
Transfer to the General Fund (millions of dollars)	$9	$11	$11	$11
General Government Services				
Department of Commerce (HUD Section 8)				
Applications reviewed – homebuyers assistance (dollars) (4)(5)	$466,115	$4,536,558	$3,217,708	$2,776,621
Grants awarded – homebuyers assistance (dollars) (4) (5)	$466,115	$4,140,419	$3,830,524	$1,847,714

N/A = not available

Sources: Governor's Office of Budget and Program Planning, Biennium Executive Budget
Montana Departments of Administration, Justice, Military Affairs, and Transportation
Montana Commissioner of Higher Education
Unemployment Insurance Data Summary, Employment & Training Administration, U.S. Department of Labor

Notes: (1) Operating indicators are reported on a calendar-year basis.
(2) Operating indicators for fiscal year 2007 revised in fiscal year 2008.
(3) Effective with fiscal year 2004, license and permit sales reported by license year.
(4) As of July 2006, an additional $483,917 in remaining Community Housing Development Organization (CHDO) available in the second 2006 application round (deadline: August 1).
(5) Effective with fiscal year 2007, reporting method revised to include both single and multiple family assistance.

Fiscal Year					
2010	2011	2012	2013	2014	2015
9,419	9,554	9,173	6,989	8,462	8,500
3,793	6,412	5,073	4,790	7,247	7,000
65	-	66	-	51	51
-	-	-	64	-	36.00
11	16	8	16	7	15
8	7	5	10	5	9
92,489	81,815	71,125	76,872	73,736	65,155
$277.88	$265.36	$263.18	$282.00	$297.00	$304.76
56.4%	54.9%	49.5%	48.1%	39.6%	35.8%
4,972	5,110	4,920	5,225	5,077	5,155
660,229	682,832	722,313	734,224	742,388	746,745
$47	$46	$53	$57	$54	$53
$11	$11	$13	$13	$13	$12
N/A	N/A	N/A	N/A	$1,750,000	$1,350,000
$2,626,867	$272,566	$620,855	$1,459,904	$1,750,000	$1,350,000

SCHEDULE E-3 – CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	2005	2006	2007	2008	2009
Governmental activities:					
General government					
Department of Administration					
Buildings	48	48	47	50	50
Data processing equipment	861	916	997	1,110	1,139
Judiciary					
Vehicles	63	61	52	52	51
Public safety/corrections					
Department of Corrections					
Vehicles	288	297	280	283	294
Buildings	152	155	151	149	151
Department of Justice					
Vehicles	401	409	422	524	486
Laboratory/scientific equipment	168	166	251	287	211
Transportation					
Department of Transportation					
Vehicles	4,006	4,032	4,173	4,289	4,305
Buildings	751	729	718	783	784
Health/social services					
Department of Public Health and Human Services					
Vehicles	331	330	204	189	195
Buildings	129	127	127	131	131
Education/cultural					
Historical Society					
Buildings	14	3	2	2	2
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Vehicles	925	672	760	798	517
Buildings	179	177	183	181	181
Department of Fish, Wildlife and Parks					
Vehicles	1,462	1,610	1,693	1,844	1,837
Buildings	742	816	763	769	840
Department of Environmental Quality					
Vehicles	60	59	66	60	66
Laboratory/scientific equipment	141	124	130	134	159
Economic development/assistance					
Department of Commerce					
Buildings	685	258	257	261	266
Business-type activities:					
State Lottery					
Department of Administration					
Vehicles	12	14	14	15	15
General government services					
Department of Administration					
Vehicles	13	14	13	13	13
Prison funds					
Department of Corrections					
Vehicles	45	48	48	49	52

Sources: Statewide Accounting, Budgeting, and Human Resource System
Vehicle Exposure and Commercial Property Schedules, Risk Management and Tort Defense Division
Department of Administration

Fiscal Year					
2010	2011	2012	2013	2014	2015
55	52	59	59	59	59
1,917	1,954	2,057	1,434	2,087	1,700
24	24	25	25	16	15
192	124	128	128	128	128
246	246	247	248	251	252
606	555	577	567	548	531
259	262	271	279	278	284
2,482	2,151	2,067	2,029	2,146	2,067
969	965	939	906	962	975
193	182	175	167	136	139
153	153	153	153	154	154
5	5	5	5	5	5
710	777	810	814	872	928
87	83	83	83	83	84
2,693	2,769	2,769	2,669	2,686	2,586
794	830	850	856	854	859
108	106	75	51	53	52
719	715	761	722	509	377
4	4	5	5	5	5
15	12	11	11	11	11
36	51	59	44	53	59
56	70	77	78	79	84

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