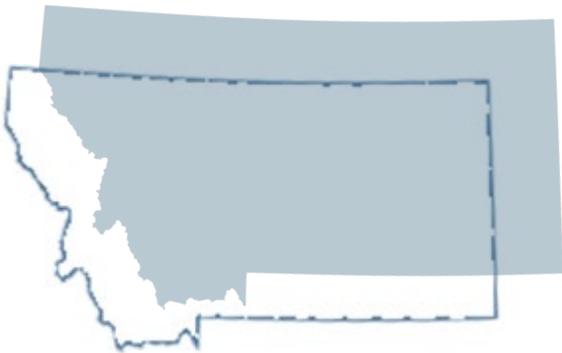
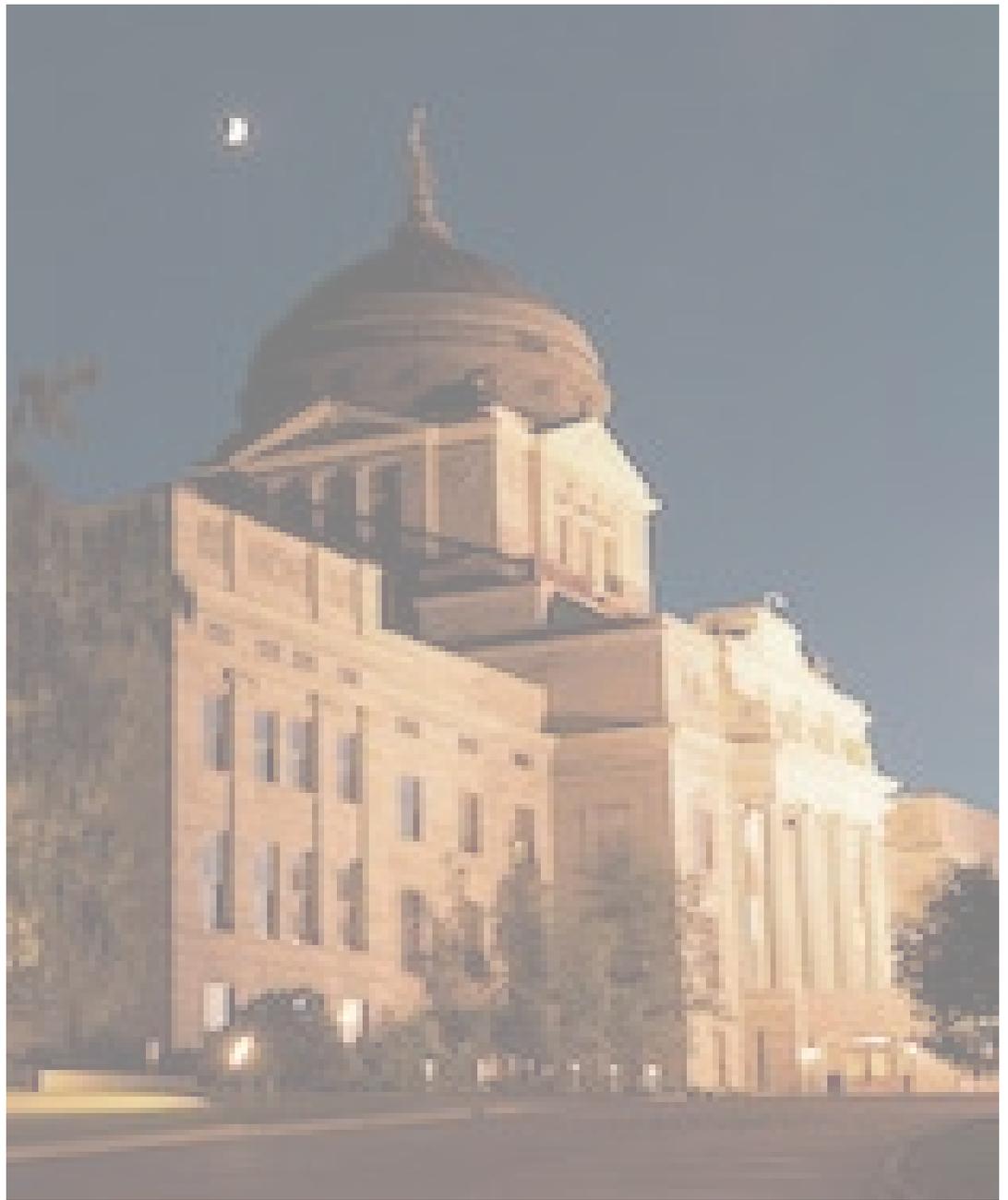


STATE OF MONTANA

POPULAR ANNUAL FINANCIAL REPORT

JUNE 30, 2018

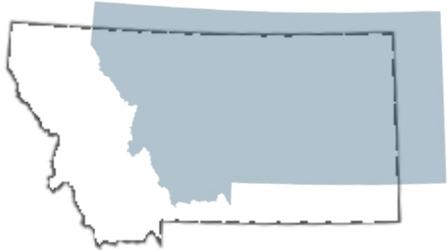
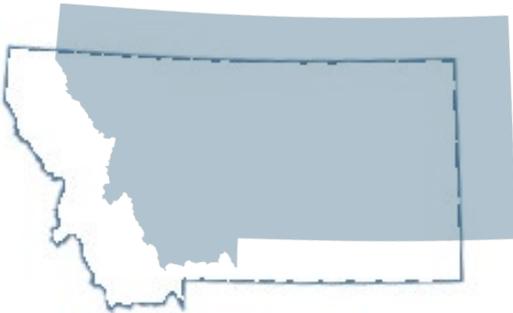


MONTANA

- FOUNDED IN 1889
- POPULATION (2017 EST.) – 1,050,493
- SQUARE MILES – 147,070
- HIGHEST ELEVATION – GRANITE PEAK 12,799 FEET
- LOWEST ELEVATION – KOOTENAI RIVER 1,800 FEET

FUN FACTS

- ✓ 20,150 MILES OF PAVED ROADS, 54,397 MILES UNPAVED
- ✓ 146,772 STUDENTS ENROLLED IN K-12 PUBLIC SCHOOLS
- ✓ 2.5 MILLION STATE PARK VISITATIONS
- ✓ 2.6 MILLION VEHICLES REGISTERED
- ✓ \$2.5 MILLION IN LICENSE AND PERMIT SALES FROM FISH, WILDLIFE, & PARKS

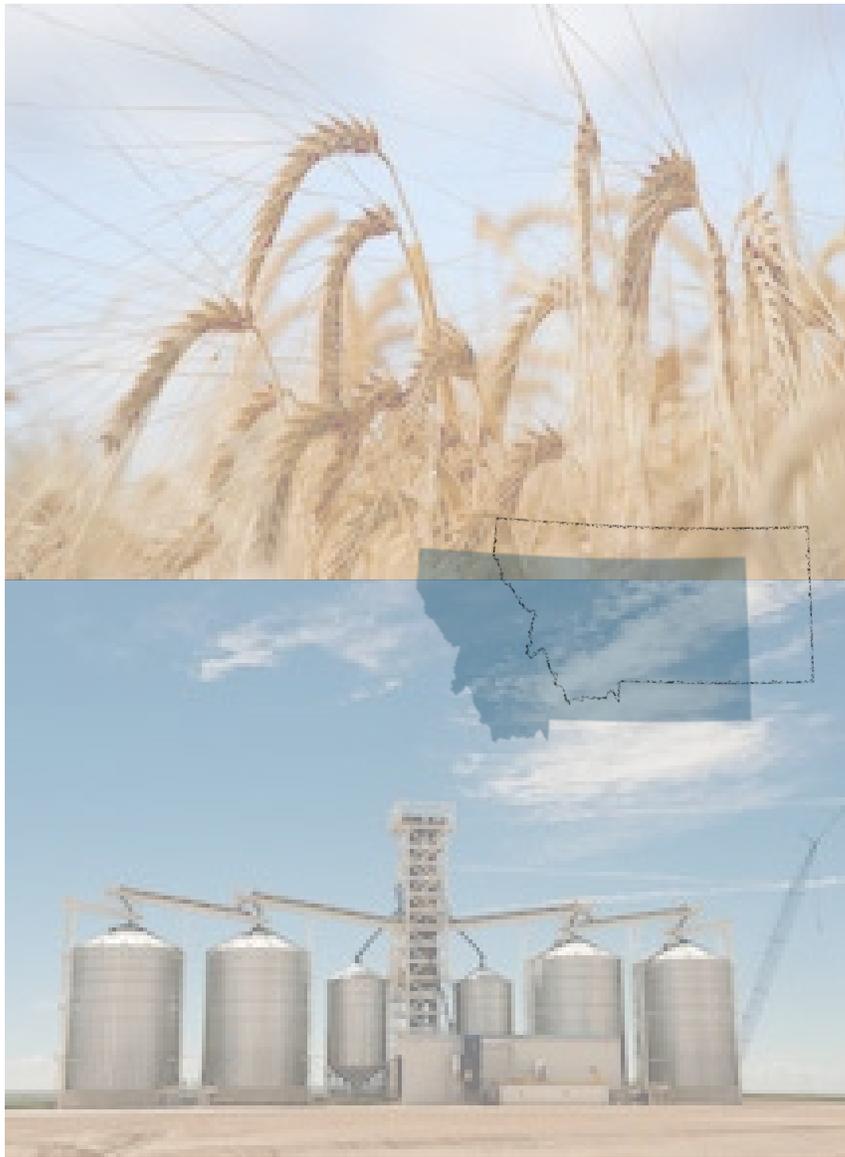


TOURISM

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.

Nonresident travel to Montana in 2017 was approximately 12.5 million visitors, up 0.6% from 2016. Visitors to Glacier National Park increased an estimated 12.2% from 2.9 million to 3.3 million. Visits to Yellowstone National Park were estimated at 4.1 million visitors with a 3.3% decrease from the previous year’s total of 4.3 million.

Estimated nonresident travel expenditures in Montana total \$3.4 billion in 2017, representing an increase of approximately \$364.8 million. The estimated total economic benefit of nonresident travel in Montana increased from \$4.2 billion for calendar year 2016 to \$4.7 billion for 2017, representing an increase of 12.0%



ECONOMIC CONDITION HIGHLIGHTS

Montana’s primary economic base remains concentrated in agriculture, mining, manufacturing, and nonresident travel.

AGRICULTURE

- Wheat production increased 55.1%
- Durum production was up 85.1%
- Oat and Barley production up 16.9% and 16.6%, respectively
- 2.6 million head of cattle
- 2017 cattle sales \$1.5 billion

MANUFACTURING

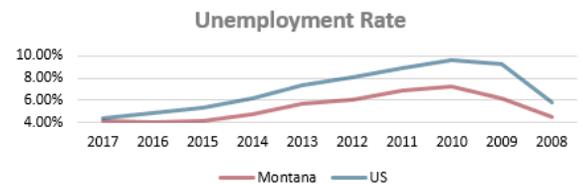
- Manufacturing industry jobs increased by 900, or 6.3%
- Timber sales production decreased by 5.1%

NATURAL RESOURCES/MINING

- Employed 7,100 workers
- 118.6 billion short tons of coal reserves
- 285 million barrels of proven oil reserves

UNEMPLOYMENT

- Unemployment rate 4.1%
- \$344.73 average weekly unemployment benefit rate



MAJOR INITIATIVES

MAJOR FINANCIAL HIGHLIGHTS OF THE 2019 BIENNIUM BUDGET

- Approved a \$6.0 million one-time-only appropriation for a preschool pilot program
- Passed House Bill (HB) 639 which levies a community benefit assessment on certain hospitals
- Passed Senate Bill (SB) 261 which provided a short-term budget stabilization plan and provided for the creation of the Budget Stabilization Reserve Fund to provide for a formal “Rainy Day” fund in the future
- Montana University System received a one-time-only appropriation of \$2.0 million to serve as buyouts for long-term employees
- Passed SB 260 which created the school facilities fund in the coal severance tax trust and allocated 75.0% of coal severance taxes in excess of amount needed for coal severance bonds to school facilities
- Passed HB 648 which restructured payments to the Public Employees’ Retirement System, providing for a more stable financing structure in the future
- Funded a restructured appropriation for sage grouse conservation fund, which extends funding through fiscal year 2021

GOVERNMENT-WIDE

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.

Statements 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.

Statement of Net Position

June 30, 2018

amounts expressed in thousands

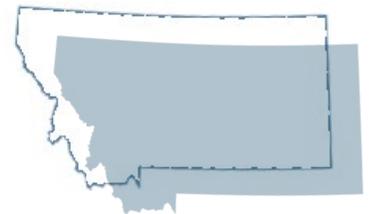
	Governmental Activities	Business-Type Activities
Assets	\$11,453,207	\$603,955
Deferred Outflows	372,886	4,011
Liabilities	3,308,485	175,649
Deferred Inflows	73,544	831
Total Net Position	\$ 8,444,064	\$431,486

Statement of Activities

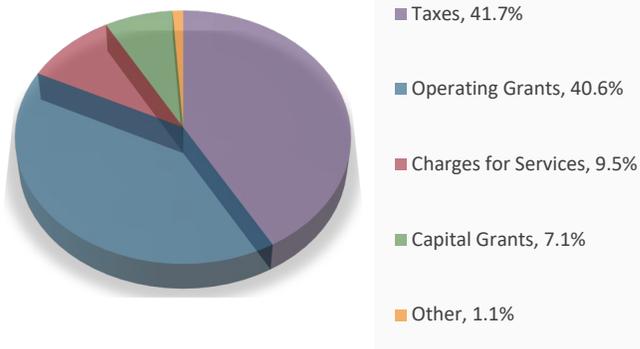
For the Fiscal Year Ended June 30, 2018

amounts expressed in thousands

	Governmental Activities	Business-Type Activities
Revenue	\$6,291,908	\$504,325
Expenses	5,998,858	423,400
Transfers	48,854	(48,854)
Change in Net Position	341,904	32,701
Beginning net position, as adjusted	8,102,160	399,415
Total Net Position	\$8,444,064	\$431,486



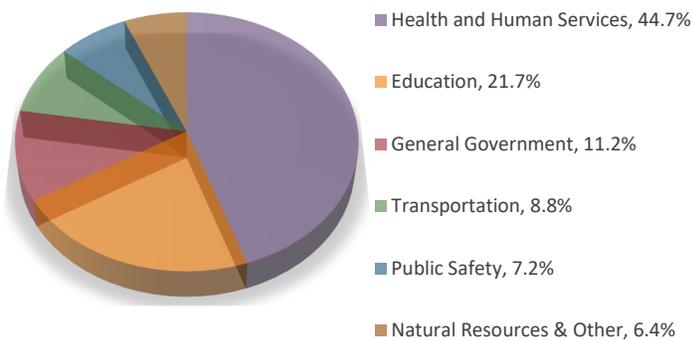
Revenues



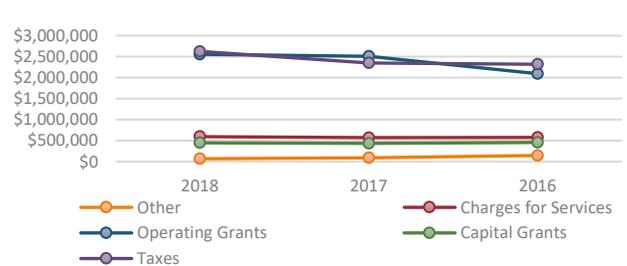
GOVERNMENTAL ACTIVITIES

- Mostly supported by taxes & intergovernmental revenues
- Includes education, general government, health & human services, natural resources, public safety, and transportation
- Federal grants are considered governmental activities
- Internal service funds are considered governmental activities

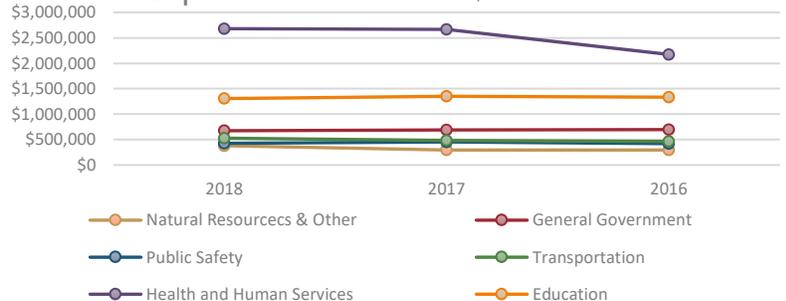
Expenses



Revenue Trends



Expense Trends

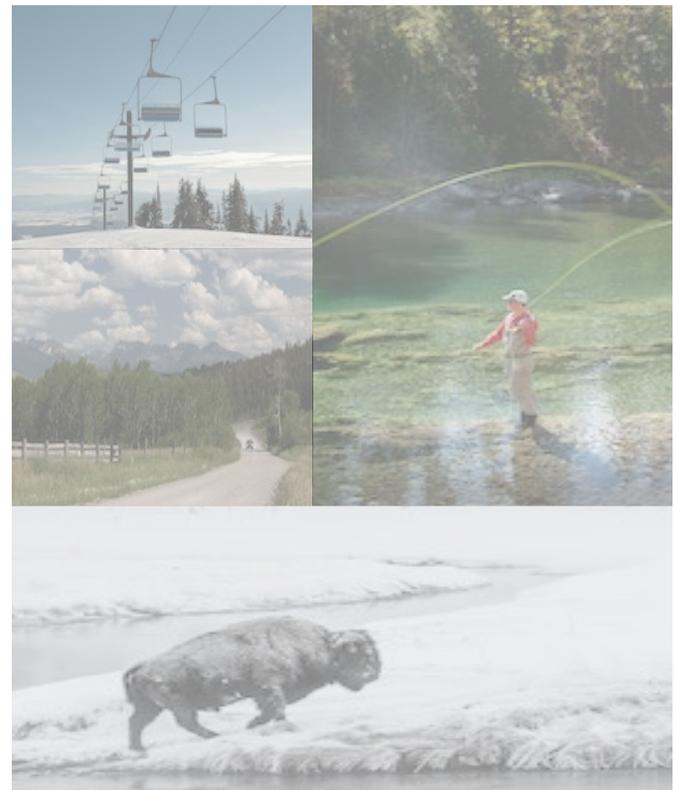
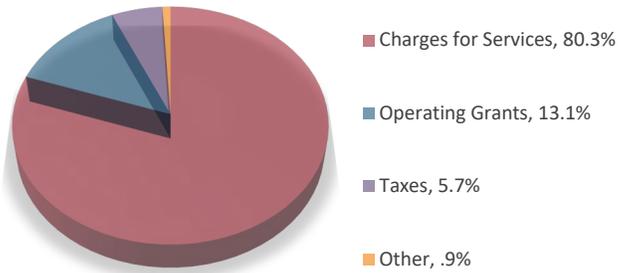


BUSINESS-TYPE ACTIVITIES

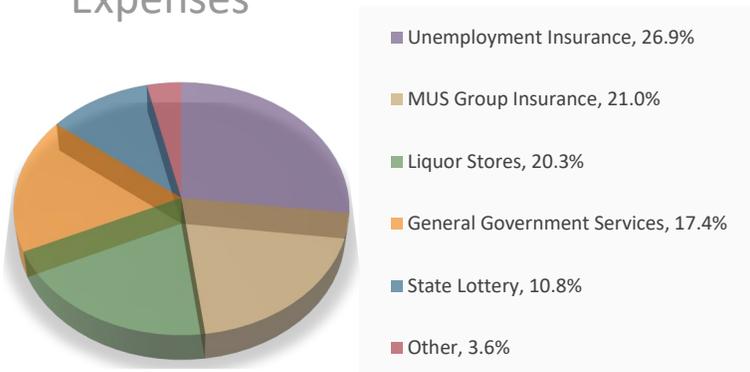
- Cost recovery through user fees & charges to external users of goods and services
- Major business type activities include:
 - Unemployment Insurance Fund
 - Economic Development Bonds Program - assists small businesses & local governments to obtain long-term, fixed rate financing



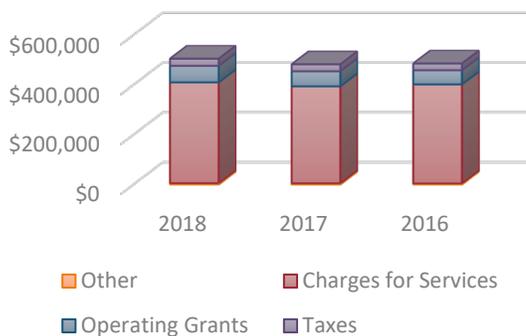
Revenues



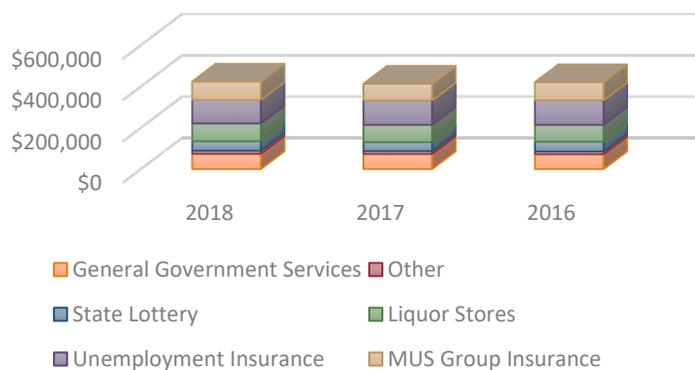
Expenses



Revenue Trends amounts expressed in thousands



Expense Trends amounts expressed in thousands



Governmental Funds

Balance Sheet

June 30, 2018

amounts expressed in thousands

Assets	\$5,295,448
Liabilities	1,078,151
Deferred inflows of resources	197,599
Fund balance	\$4,019,698

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2018

amounts expressed in thousands

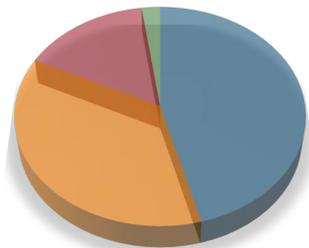
Revenues	\$6,228,538
Expenditures	6,189,831
Other financing sources	56,595
Net change in fund balance	95,302
Beginning fund balances, as adjusted	3,925,964
Inventories	(1,568)
Fund balance	\$4,019,698

GOVERNMENTAL FUNDS

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. 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.

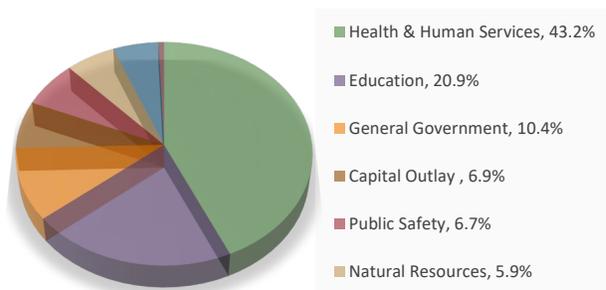


Revenues



- Federal Special Revenue, 45.8%
- General, 36.4%
- State Special Revenue, 15.6%
- Other, 2.2%

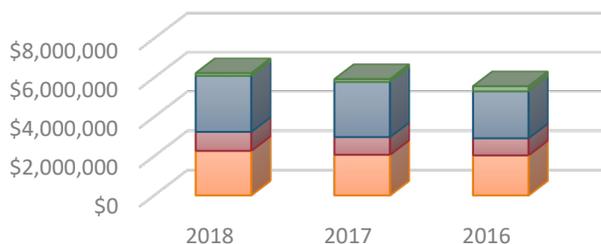
Expenditures



- Health & Human Services, 43.2%
- Education, 20.9%
- General Government, 10.4%
- Capital Outlay, 6.9%
- Public Safety, 6.7%
- Natural Resources, 5.9%
- Transportation, 5.4%
- Other, .6%

Revenue Trends

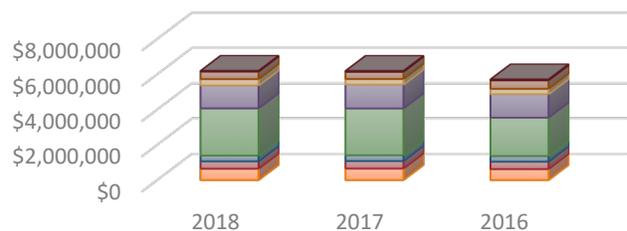
amounts expressed in thousands



- General
- Federal Special Revenue
- State Special Revenue
- Other

Expenditure Trends

amounts expressed in thousands



- General Government
- Health & Human Services
- Education
- Capital Outlay
- Public Safety
- Other
- Transportation
- Natural Resources

GENERAL FUND ACTIVITIES

FUND BALANCE

- Fund balance totaled \$199.3 million, 197.6% overall increase
 - Increase of \$132.3 million
 - \$4.6 million non-spendable
 - \$8.0 million assigned, related to outstanding encumbrances
 - \$186.7 million unassigned

REVENUES

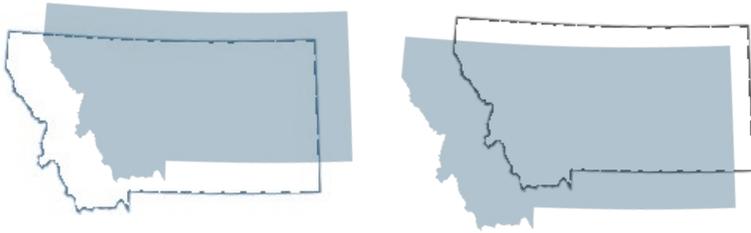
- Revenues totaled \$2.3 billion, 9.7% overall increase
 - Corporate income tax increased by 24.9%
 - Natural resources tax increased by 21.2%
 - Individual income tax revenue increased by 10.6%
- Transfers in totaled \$142.4 million, 92.8% overall increase
 - Mainly attributable to 2017 Special Legislative Session activity

EXPENDITURES & OTHER FINANCING SOURCES

- Expenditures totaled \$2.2 billion, 4.1% overall decrease
 - \$50.7 million decrease in education
 - \$21.2 million decrease in health & human services
 - \$7.7 million decrease in public safety
 - \$6.3 million decrease in natural resources
- Transfers out totaled \$59.2 million, 30.5% overall increase
 - Mainly attributable to fire suppression
- HB 2 revisions were adopted during 2017 special session, which called for the following cuts:
 - \$49.2 million to health & human services
 - \$9.4 million to judicial, law enforcement & justice
 - \$6.3 million to education
 - \$4.6 million to natural resources and transportation

SUBSEQUENT EVENT

In accordance with 2017 Special Legislative Session Senate Bill 9, and based on fiscal year 2018 unaudited General Fund revenue total, \$45.7 million was transferred into the Budget Stabilization Reserve Fund during fiscal year 2019. In addition, \$45.7 million was returned to State agency fiscal year 2019 budget appropriations and \$21.3 million remained in the General Fund.



ABOUT THE POPULAR ANNUAL FINANCIAL REPORT

The State of Montana is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018. The material in this report is derived from the Comprehensive Annual Financial Report (CAFR), prepared in accordance with Generally Accepted Accounting Principles (GAAP) during the same reporting period. The data in the PAFR is an unaudited summary and not in accordance with GAAP, as it does not include all the financial statements, funds, component units or other disclosures included in the CAFR. A copy of the fiscal year 2018 CAFR may be obtained on the State's website at www.sfsd.mt.gov/SAB/cafr.

PREPARED BY THE DEPARTMENT OF ADMINISTRATION

PHOTOS COURTESY OF THE MONTANA OFFICE OF TOURISM

