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MONTANA

Comprehensive Annual Financial Report

For the year ended June 30, 2019

• 130 YEARS OF STATEHOOD • 130 YEARS OF STATEHOOD • 130 YEARS OF STATEHOOD •

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 photographs courtesy of Montana Office of Tourism and Getty Images

For the Fiscal Year ended June 30, 2019

State of Montana
Comprehensive Annual Financial Report

Department of Administration

John Lewis, Director

State Financial Services Division

Cheryl Grey, CPA, Administrator

Statewide Accounting Bureau

Cody Pearce, CPA, State Accountant

State Accounting & Financial Reporting Section

Kristin Reynolds, CPA, Manager

Drew Bisenius, CPA, Accountant

Elisabeth Campbell, Accountant

Courtney Cozzie, Accountant

Brian Feller, CPA, Accountant

Wenruizi Koch, CPA, Accountant

Available at the Department of Administration, State Financial Services Division website: http://sfsd.mt.gov/SAB/cafr

STATE OF MONTANA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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State of Montana

Introductory Section

MONTANA
DEPARTMENT OF
ADMINISTRATION

State Financial Services Division
Steve Bullock, Governor
John Lewis, Director

February 14, 2020

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, 2019. 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 either (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.

Statewide Accounting Bureau
Mitchell Bldg, Rm 255
P.O. Box 200102
Helena, MT 59620
406-444-3092

Financial Services Technology Bureau
Mitchell Bldg, Rm 295
P.O. Box 200102
Helena, MT 59620
406-444-3092

Local Government Services
Mitchell Bldg, Rm 255
P.O. Box 200547
Helena, MT 59620
406-444-9101

State Procurement Bureau
Mitchell Bldg, Rm 165
P.O. Box 200135
Helena, MT 59620
406-444-2575

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 organization 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 is concentrated in service-providing industries. The majority of Montana's gross state product is sourced from the service-providing sector (e.g., healthcare, trade/transportation/utilities, financial services, professional and business services). In 2018, service-providing industries produced 79% of the state's real economic output. Nonresident travel, agriculture, and mining are other contributing industries for Montana. Agriculture and mining are part of the goods-producing sector, along with construction and manufacturing. These four industries each account for between 4% to 7% of real gross state product.

Like gross state product, Montana's employment is concentrated in the service-providing sector. Industries in this sector account for about 86% of payroll employment. Montana added roughly 5,000 jobs in 2018. Montana had approximately 484,700 people employed in nonfarm non-adjusted jobs in August 2019, as compared to 478,500 in August 2018. Payroll employment growth in Montana averaged 0.8% per year from 2008 to 2018. During this period, jobs added in the service-providing sector grew nearly twice as fast as jobs added in the goods-producing sector. Montana's labor force expanded at an annual rate of 0.4% over the past ten years, half the rate of annual employment growth over the same timeframe. The statewide unemployment rate has remained under 4% since the 4th quarter of 2017. Montana's unemployment rate was 3.4% in 2018, lower than the national rate.

Nominal wages in Montana grew at a clip of 2.7% annually from 2008 to 2018; meanwhile, annual inflation averaged 1.6%, leading to real wage gains since 2008 of about 1.2% per year. Per the 2019 Labor Day Report issued by the Montana Department of Labor and Industry, Montana had real wage gains of 0.8% in 2018. Montana's tight labor market has pushed wage growth higher over the past few years as firms compete for qualified workers. Montana ranked 6th in the nation for growth in average annual wages from 2008 to 2018. Including more than just wages, Montana's personal income growth over the past ten years is the 11th fastest among all states. 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.

Service-Providing Industries

Healthcare is Montana's largest employing private industry. When reviewing the top ten principal employers in Montana, five of them are related to healthcare (see the statistics section, Schedule D-2, Principal Employers for further information). Using nonfarm non-adjusted data from the Montana Department of Labor and Industry, employment in Montana's healthcare and social assistance industry increased by 900 jobs from August 2018 to August 2019. Total jobs in the industry grew 1.3% from 68,400 to 69,300. Over the previous five years, healthcare has added an average of 1,180 jobs per year.

The trade, transportation, and utilities industry are part of the service-providing sector. The professions consist of wholesale trade, retail trade, transportation and warehousing, and utilities. Data from the Montana Department of Labor and Industry indicate Montana's trade, transportation, and utilities industry held constant at 95,000 jobs in 2018 through 2019.

The professional and business services industry is part of the service-providing sector. The professions consist of professional scientific and technical services, management of companies and enterprises, and administrative/support, and waste management/remediation services. Data from the Montana Department of Labor and Industry indicate Montana's professional and business services industry increased by 2,500 jobs from August 2018 to August 2019. This is an increase of 5.8% from 42,800 to 45,300.

The financial activities sector is also a service-providing industry that encompasses employment in financing, insurance, real estate, and rental leasing. Data from the Montana Department of Labor and Industry show Montana's financial activities sector increased by 1,700 jobs from August 2018 to August 2019. This is an increase of 6.9% from 24,800 to 26,500.

Nonresident Travel

Nonresident travel to Montana in 2018 was approximately 12.4 million visitors, down 0.8% from 2017. Visitor numbers for Glacier National Park were lower in 2018 than in 2017, decreasing an estimated 10.3% from 3.3 million to 2.9 million visitors. Visits to Yellowstone National Park were estimated at 4.1 million visitors, a 0.1% decrease from the previous year's total. Nonresident travelers contribute directly to the tax base by paying the lodging tax and 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 $3.7 billion in 2018, representing an increase of approximately $359.8 million or 10.7% from 2017. The estimated total (direct and indirect) economic benefit of nonresident travel in Montana increased to $5.3 billion in 2018, representing an increase of $580.2 million or 12.3% from 2017.

Agriculture

Montana's wheat utilized 5.3 million acres in 2019, which increased production to 223.3 million bushels, compared to the 2018 production level of 197.6 million bushels, representing a 13.0% increase. Winter wheat production increased to 95.0 million bushels compared to the 2018 level of 78.5 million bushels, representing a 21.0% increase. Spring wheat production was 105.8 million bushels, up from 95.9 million bushels in 2018, representing a 10.4% increase. Durum production was 22.5 million bushels, down 3.4% from 23.3 million bushels in 2018.

Montana's other major agricultural commodities include oats, barley, and cattle. Oat production in Montana increased to an estimated 1.4 million bushels in 2019, representing a 36.5% change from 2018 levels. Barley production is estimated at 44.4 million bushels, which is 32.1% higher than last year. Montana's cattle herd as of January 1, 2019, was estimated at 2.5 million head. Montana ranks 11th in the U.S. cattle and calf industry. Montana's 2018 receipts from cattle sales were $1.4 billion.

Natural Resources/Mining

Montana's mining sector of the economy employed 7,300 workers in August 2019. That represented a 2.8% increase from the 7,100 workers employed in August 2018. The various sectors included in this category are discussed in more detail below.

As of the end of calendar year 2017, an estimated 302 million barrels of proven oil reserves existed under Montana's land. In 2018, the state saw an increase in production and exploration activity, with estimated crude oil production for the state at 21.5 million barrels. This represents a 3.9% increase from the 2017 production level of 20.7 million barrels.

Montana's total coal reserves were estimated at 118.5 billion short tons, with recoverable reserves of 74.4 billion short tons in 2018. This represents 25.0% of the total U.S. reserves and 29.4% of the recoverable U.S. reserves. Of these reserves, 818.0 million short tons of coal, 5.4% of the U.S. total, are located at producing mine sites. During 2018, Montana's coal production increased 9.6% from 35.2 to 38.6 million short tons.

Historically, minerals mining has been a 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.

Long-Term Financial Planning

The State, as part of its biennial budget, determines how to enact the next few years of long-range planning as required by various MCA statutes. As part of the budgeting process, the Office of Budget and Program Planning forecasts revenue for six years and conducts financial and budgetary stress tests over the same period. The Legislature has passed legislation that requires a macro-statewide financial analysis that looks forward ten years as part of the budgeting process. Capital improvement programs focus work on construction and maintenance of state buildings, energy efficiency improvements in state facilities, and investments in state services. The loan and grant programs focus on helping local governments fund infrastructure projects, funding projects that benefit the State's natural heritage, reclaiming land impacted by mineral development, funding regional water systems, protecting works of art in the state capitol, and other cultural and aesthetic projects. Financial information can be found in the Supplemental Information for nonmajor governmental funds. The funds are reported in the debt service, capital projects, and permanent funds.

House bill (HB) 553 was passed by the 2019 Legislature and signed by the Governor. This bill creates new statutory structure and ongoing funding for the financing and ongoing cashflow needs of new capital projects and deferred maintenance. A capital projects fund will fund building projects in the biennium with 1.0% of General Fund revenue less any existing general obligation bond debt service. Deferred maintenance will be funded at 0.6% of current replacement value of existing Long Range Building Program through coal and cigarette taxes, with any difference being made up by the General Fund. There are also debt limits that were created in HB553. There is an inflation-adjusted general obligation debt service cap, as well as a separate inflation-adjusted total state debt cap that will curtail appropriations for new building projects moving forward in the event the caps are passed. None of the changes contained in HB 553 are an infringement upon the State's general obligation pledge.

MAJOR INITIATIVES AND LONG TERM OUTLOOK

The 2019 Legislature completed work and adjourned in late April 2019. Upon adjournment, it was anticipated that 2021 biennium General Fund revenue collections would be approximately $5.1 billion and General Fund expenditures would be approximately $5.1 billion. At the end of fiscal year 2021, the estimated General Fund balance will be approximately $230.0 million.

The following are the major financial highlights of the 2021 biennium budget:

1. The Governor proposed, and the 2019 Legislature passed HB 652, authorizing general obligation (GO) bonds for capital and statewide infrastructure projects totaling $79.9 million. All the GO bonds will be issued for a 10-year term.

2. HB 553 creates new statutory structure and funding for financing building projects and deferred maintenance, sets debt limits, and establishes new funds for capital development and maintenance and repair.

3. The 2021 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.

4. The Governor proposed, and the 2019 Legislature passed, multiple higher education initiatives for the 2021 biennium. $14.4 million was designated as funding for a tuition freeze, $2.0 million in need-based aid was included, and $350.0 thousand was appropriated to tribal colleges to provide specific classes and training to individuals and students to prepare for and complete the high school equivalency test. The Science, Technology, Engineering, and Math (STEM) scholarship program was also funded at a higher level moving forward.

5. Medicaid expansion renewal results in continued coverage of almost 100,000 people.

6. Senate bill (SB) 125 creates a state reinsurance program to lower the cost of health insurance for Montanans on the individual marketplace by an estimated 10 to 20%.

7. Over the biennium, $6.3 million was appropriated for cybersecurity enhancements throughout the State.

8. Major maintenance aid increased by $14.0 million for K-12 schools.

9. SB 338 established the Montana Museums Act of 2020 and increases the accommodations tax to fund the act. This will aid in the construction of the Montana Heritage Center and historical preservation grants.

10. HB 411 requires the purchase of an aquatic invasive species prevention pass for water vessels. This is projected to result in $5.2 million per year in revenue that will be used to fund inspection stations and water sample testing.

11. The 2019 Legislature passed HB 293, a tax credit for certain film production work.

12. SB 352 appropriated $3.8 million on an annual basis for the purpose of upgrading and maintaining the existing public safety radio system infrastructure for the benefit of all law enforcement agencies statewide.

In fiscal year 2019, the General Fund unassigned ending fund balance was $361.3 million as compared to $186.7 million in fiscal year 2018. The increase in ending fund balance, when compared to fiscal year 2018, was the result of higher revenue and lower expenditures.

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 through 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. SABHRS also provides for encumbrance accounting as a technique for accomplishing budgetary control.

General Fund Balance

For fiscal year 2019, the total fund balance of the General Fund was reported at approximately $443.4 million. Of this balance, $4.2 million is non-spendable. The remaining $439.2 million is spendable with $60.7 million committed, $17.2 million assigned, and $361.3 million unassigned. The committed fund balance of $60.7 million is the balance from the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation purposes. The assigned fund balance of $17.2 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 fiscal year 2018, the total fund balance of the General Fund was reported at approximately $199.3 million. Of this balance, $4.6 million was non-spendable. The remaining $194.7 million was spendable with $8.0 million assigned and $186.7 million unassigned. Of the assigned fund balance, $8.0 million relates to outstanding encumbrances at the end of the fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Montana for its comprehensive annual financial report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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 Statewide Accounting Bureau – State Accounting and Financial Reporting Section (SAFRS), 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 Statewide 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Montana

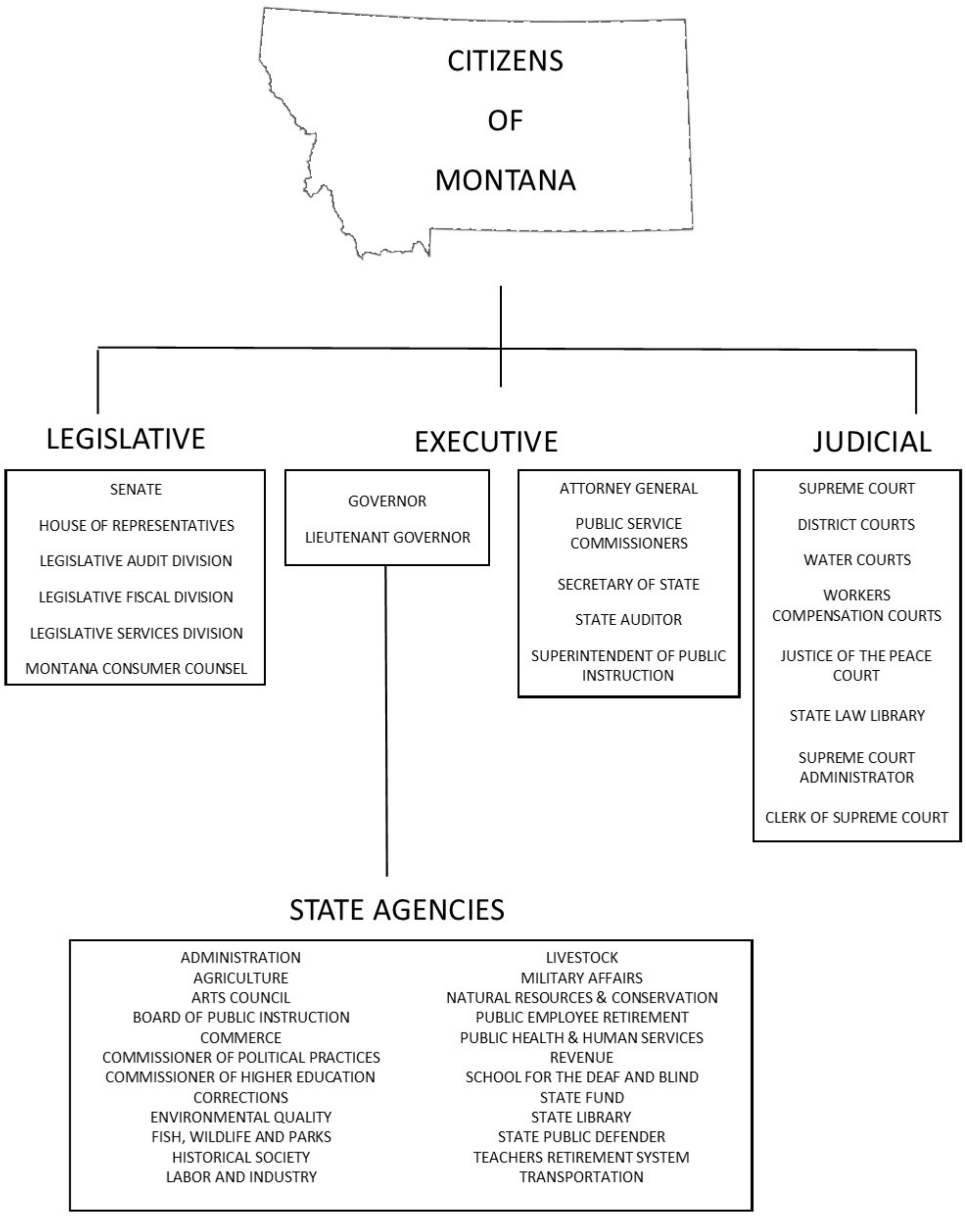
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

STATE OF MONTANA ORGANIZATION CHART



State of Montana
Selected State Officials

Executive Branch

Steve Bullock, Governor

Michael Cooney, Lieutenant Governor

Judicial Branch

Mike McGrath, Chief Justice

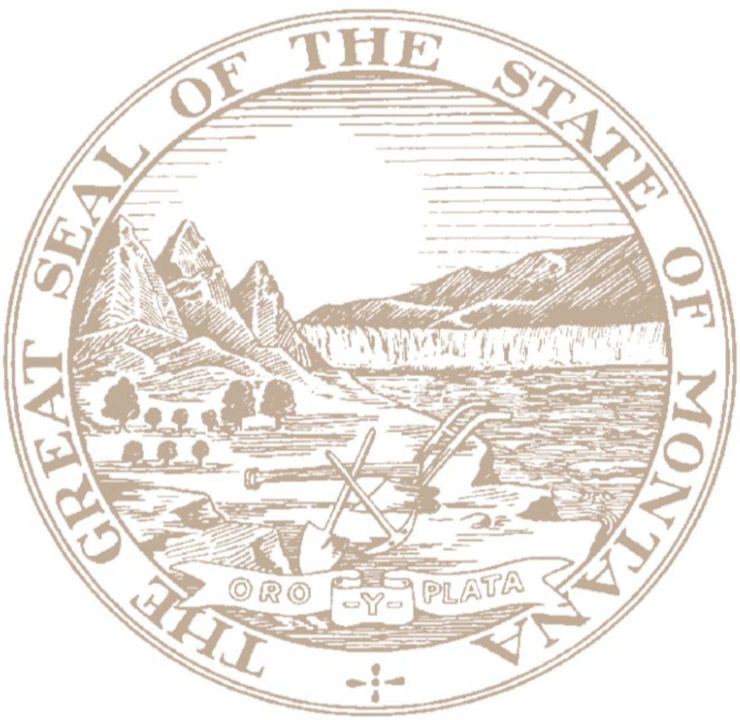
Legislative Branch

Scott Sales, President of the Senate

Greg Hertz, Speaker of the House

State of Montana

Financial Section



LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

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, 2019, and the related notes which collectively comprise the state of Montana's basic financial statements, as follows:

- Statement of Net Position
- Statement of Activities
- Balance Sheet–Governmental Funds
- Reconciliation of the Balance Sheet of 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units and the

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University of Montana (UM) component units, which represents 15.46 percent, 31.44 percent, and 5.51 percent, 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 financial statements of the MSU and UM component units were not audited in accordance with *Government 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 opinions.

Summary of Opinions

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

Basis for Qualified Opinions

The Financial Statements do not disclose a loss contingency related to questioned costs between $84,000,000 and $163,100,000 of payments made to recipients who may not be eligible for the

Medicaid and Children's Health Insurance Program for fiscal years 2018 and 2019 at the state of Montana's Department of Public Health and Human Services. The associated federal findings will be submitted to the Federal Audit Clearinghouse by March 31, 2020 as part of the State of Montana's Single Audit Report. Once submitted, the federal grantor agency is responsible for issuing a management decision regarding the findings and any expected repayment of disallowed costs.

Accounting principles generally accepted in the United States of America require a loss contingency of this magnitude be disclosed. The questioned costs represent a range of costs paid by the federal government which it could disallow, requiring the state to return the federal share. While a contingency is a future event or circumstance which is possible but cannot be predicted with certainty, the likelihood of loss of this contingency is more than remote and therefore disclosure is required.

The omitted disclosure affects both the Federal Special Revenue Fund and General Fund opinion units because the questioned costs are expenditures in the Federal Special Revenue Fund and the General Fund is the only immediate option as alternative funding source if repayment is required.

Qualified Opinions
In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2019, and the results of operations of the General Fund and Federal Special Revenue Fund major funds of the state of Montana for the year then ended in accordance with the accounting principles generally accepted in the United State of America.

Unmodified Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and Business-Type Activities, State 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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, the Other Postemployment Benefits (OPEB) Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries

of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. 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.

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 13, 2020, 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 (19-01).

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 13, 2020

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 are for the fiscal year ended June 30, 2019. 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

Government-wide
The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2019 by $9.7 billion compared with $8.9 billion at the end of fiscal year 2018, representing a 9.0% increase in net position. Component units reported net position of $2.1 billion at the end of fiscal year 2019 compared to $2.1 billion at the end of fiscal year 2018, representing a 0.9% increase in net position. More detail is provided in the financial statement overview below.

Fund Level
As of the close of fiscal year 2019, the State's governmental funds reported combined ending fund balances of $4.5 billion compared with $4.0 billion at fiscal year 2018. This represents a $510.9 million (12.7%) increase in total fund balance. Of the 2019 balance, $1.8 billion is not in spendable form, primarily as permanent fund principal. Thus, $2.7 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1.1 billion restricted, $1.3 billion committed, $18.0 million assigned, and $348.6 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 2019 in the amount of $482.6 million compared with fiscal year 2018 net position of $431.5 million. Of the 2019 business-type activity net position, $21.3 million was reported as net investment in capital assets. Net position of $461.3 million was in spendable form with $19.0 million unrestricted and $442.3 million restricted to expenditure for a specific purpose. This represents a $51.2 million (12.5%) increase in spendable net position from the fiscal year 2018 balance of $410.1 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 $32.2 million, from $159.3 million in fiscal year 2018 to $127.1 million, a 20.2% decrease in fiscal year 2019.

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, pension and other post employment benefits plan information, and risk management trends. 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 *government-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, including 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 Municipal Finance Programs, 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 one financing authority, one housing board, one nonprofit independent public corporation, and two universities.

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 – 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 – 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 to 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, as well as additional risk management trend data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position increased from the last fiscal year, as reflected in the $802.9 million increase (9.0%) in net position. This improvement resulted from continued economic growth, particularly related to tax revenue, capital grants and contributions, and investment earnings within the State.

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 $9.7 billion at the end of fiscal year 2019. Net position of both governmental and business-type activities increased by $751.9 million (8.9%) and $51.1 million (11.8%), respectively. 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 portion 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 negative unrestricted net position is primarily due to the State's net pension liability. GASB Statements No. 68 and 71, related to pension liabilities and other balance sheet components, were implemented in fiscal year 2015 and are contributing factors to the negative net position. The State also reported positive balances for all categories of net position for the business-type activities.

Net Position
June 30,
(expressed in thousands)

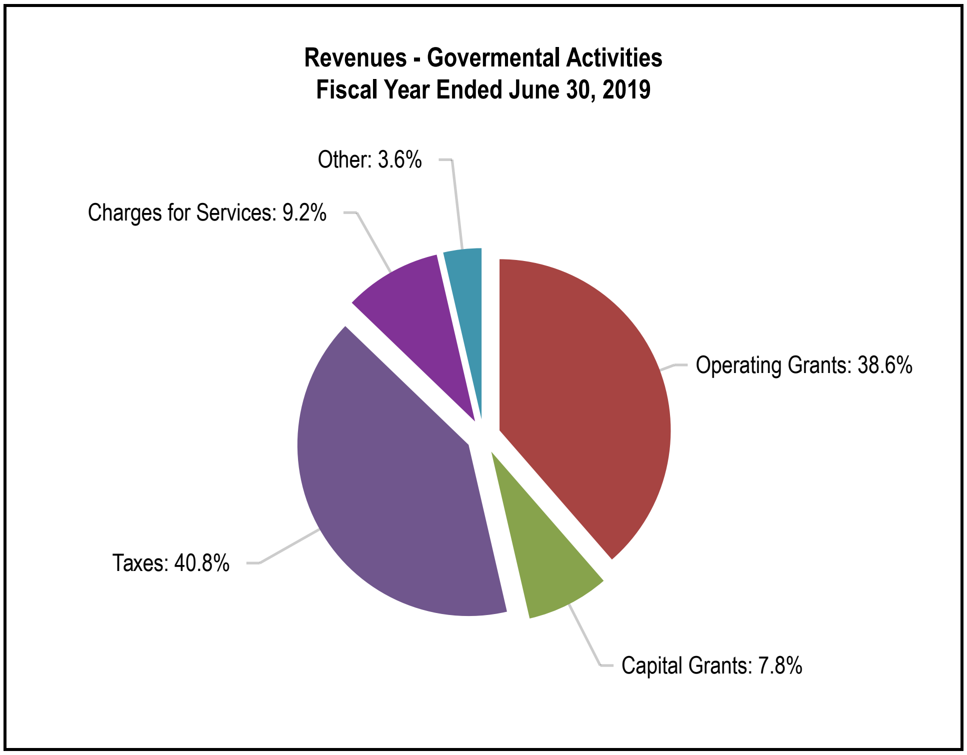
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Current and other assets	$ 5,262,514	$ 5,762,815	$ 582,328	$ 629,612	$ 5,844,842	$ 6,392,427
Capital assets	6,190,693	6,480,485	21,627	21,283	6,212,320	6,501,768
Total assets	11,453,207	12,243,300	603,955	650,895	12,057,162	12,894,195
Deferred outflows of resources	372,886	779,931	4,011	2,919	376,897	782,850
Long-term liabilities Due in more than one year	2,279,169	2,639,113	23,527	20,277	2,302,696	2,659,390
Other liabilities	1,029,316	976,135	152,122	147,328	1,181,438	1,123,463
Total liabilities	3,308,485	3,615,248	175,649	167,605	3,484,134	3,782,853
Deferred inflows of resources	73,544	212,056	831	3,641	74,375	215,697
Net investment in capital assets	6,088,211	6,402,612	21,395	21,266	6,109,606	6,423,878
Restricted	2,998,805	3,216,332	397,588	442,306	3,396,393	3,658,638
Unrestricted	(642,952)	(423,017)	12,503	18,996	(630,449)	(404,021)
Total net position	$ 8,444,064	$ 9,195,927	$ 431,486	$ 482,568	$ 8,875,550	$ 9,678,495

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:

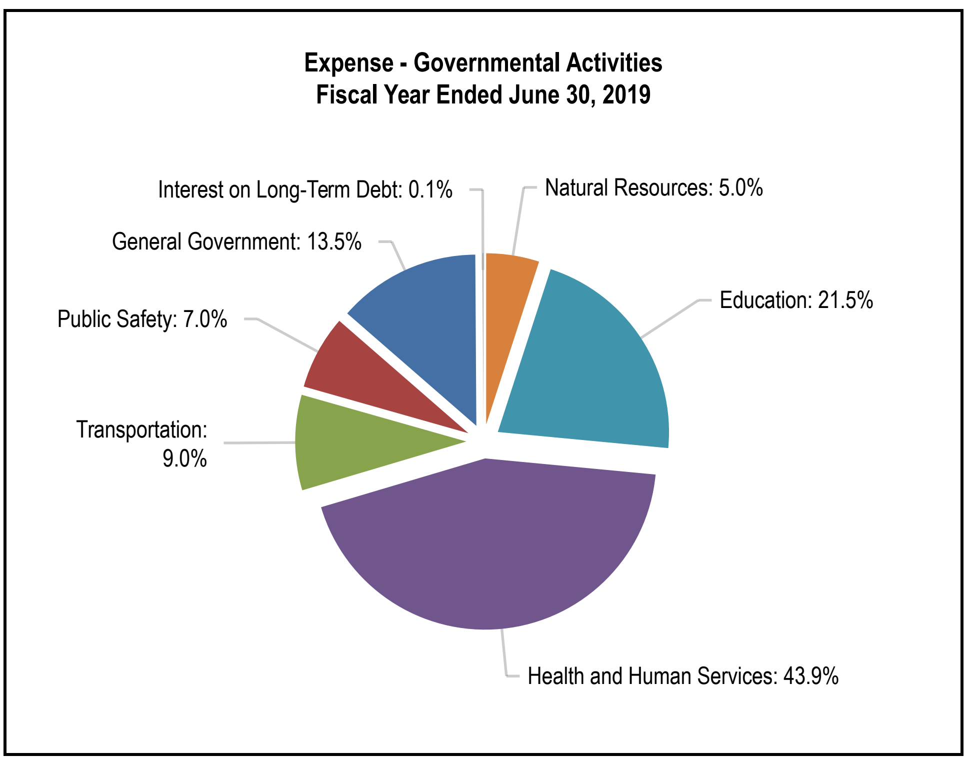
Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Revenues:						
Program revenues						
Charges for services	$ 594,814	$ 623,732	$ 404,890	$ 426,701	$ 999,704	$ 1,050,433
Operating grants	2,555,898	2,611,941	65,885	68,243	2,621,783	2,680,184
Capital grants	447,018	527,900	685	512	447,703	528,412
General revenues						
Taxes	2,625,077	2,762,972	28,846	30,094	2,653,923	2,793,066
Other	69,101	248,070	4,019	2,398	73,120	250,468
Total revenues	6,291,908	6,774,615	504,325	527,948	6,796,233	7,302,563
Expenses:						
General government	674,329	829,657			674,329	829,657
Public safety	429,760	428,514			429,760	428,514
Transportation	527,927	547,907			527,927	547,907
Health and human service	2,681,151	2,680,251			2,681,151	2,680,251
Education	1,299,423	1,314,785			1,299,423	1,314,785
Natural resources	379,525	302,680			379,525	302,680
Interest on long-term debt	6,743	5,454			6,743	5,454
Unemployment Insurance			113,843	108,507	113,843	108,507
Liquor Stores			86,118	89,971	86,118	89,971
State Lottery			45,896	48,061	45,896	48,061
Municipal Finance Programs			2,648	2,937	2,648	2,937
Hail Insurance			576	933	576	933
Gen Govt Services			73,539	70,154	73,539	70,154
Prison Funds			9,130	9,307	9,130	9,307
MUS Group Insurance			88,912	88,330	88,912	88,330
MUS Workers Comp			2,738	3,887	2,738	3,887
Total expenses	5,998,858	6,109,248	423,400	422,087	6,422,258	6,531,335
Increase (decrease) in net position before transfers	293,050	665,367	80,925	105,861	373,975	771,228
Transfers	48,854	55,786	(48,854)	(55,786)	—	—
Change in net position	341,904	721,153	32,071	50,075	373,975	771,228
Net position, beg of year (as adjusted)	8,102,160	8,474,774	399,415	432,493	8,501,575	8,907,267
Net position, end of year	$ 8,444,064	$ 9,195,927	$ 431,486	$ 482,568	$ 8,875,550	$ 9,678,495

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

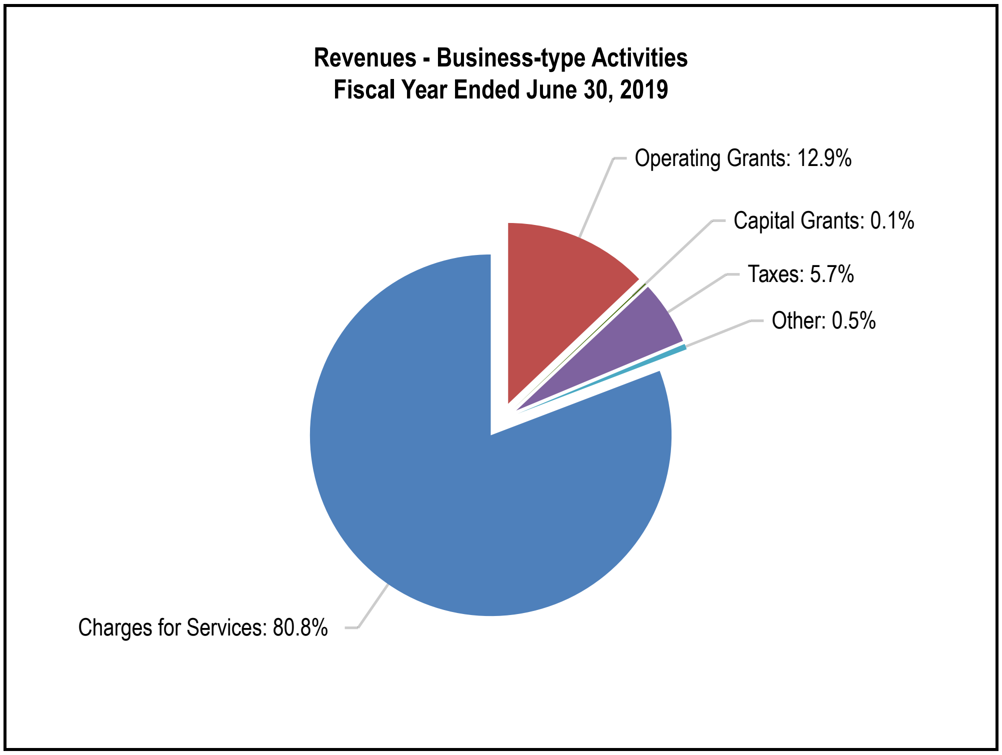


The following chart depicts expenses of the governmental activities for the fiscal year:

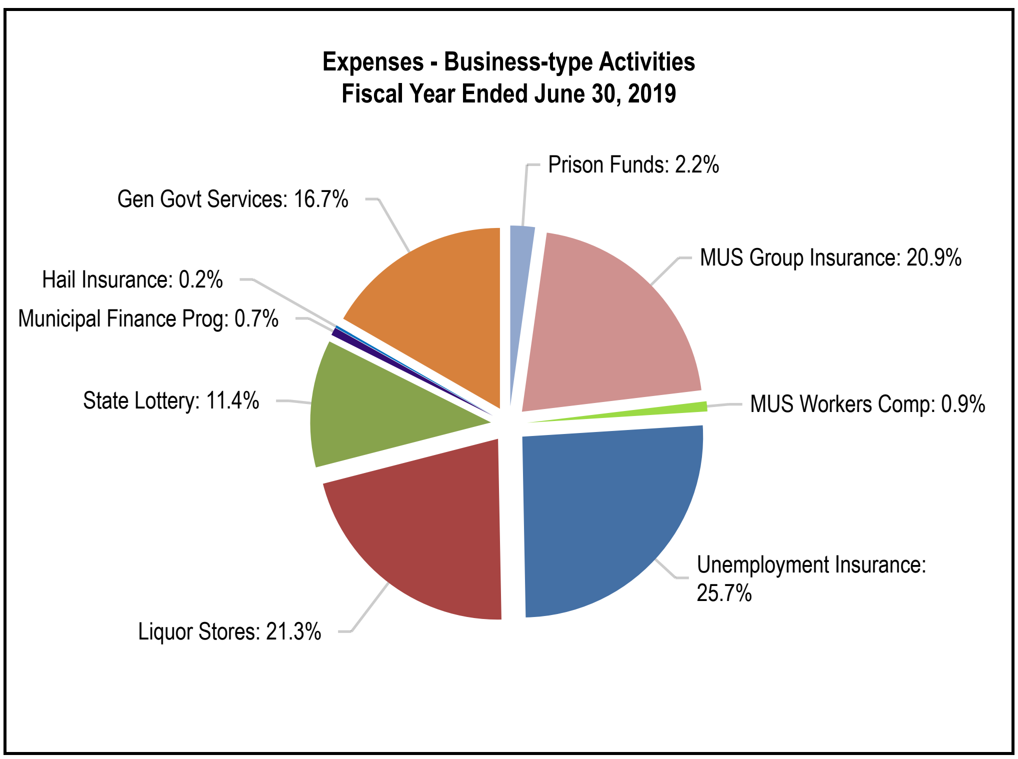


Business-type Activities

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 $4.5 billion. Of this total, $2.7 billion (60.6%) constitutes spendable fund balance and $1.8 billion (39.4%) 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 2019, the total fund balance of the General Fund was reported at approximately $443.4 million. Of this balance, $4.2 million is non-spendable. The remaining $439.2 million is spendable with $60.7 million committed, $17.2 million assigned, and $361.3 million unassigned. This represents 16.0% of the $2.7 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $17.2 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of $60.7 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by $244.1 million when compared to the previously reported fund balance of $199.3 million. Changes in both expenditures and revenues are discussed in detail below. The Governor's Budget, as disclosed in the State of Montana Biennial Balance Sheet, dated November 15, 2018, showed enacted and proposed fund balance for the General Fund of $168.5 million for fiscal year 2019, without regard to a fund balance spend down.

General Fund Revenues – Total General Fund revenues were $2.5 billion for fiscal year 2019 (lower than legislative estimation), a 8.2% increase from the $2.3 billion reported in 2018 (which were lower than legislative estimation). Fiscal year 2019 tax revenue increased by 8.3% in total over 2018, with corporate income tax collections up 11.8% and individual income tax collections increased by 10.5%. Other noted increases in revenues included investment earnings.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2019 increased by $53.4 million (2.4%). This increase in expenditures occurred in the general government, health and human services, and education functions as follows:

- General Government expenditures increased by $10.0 million (2.9%)
- Health and human services expenditures increased by $9.2 million (1.8%)
- Education expenditures increased by $28.6 million (2.8%)

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 same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2019, general fund appropriations that reverted to 2020 were $42.4 million.

The Department of Public Health and Human Services had unspent appropriations of $19.1 million related to Medicaid savings and other operational costs.

The Office of Public Instruction had unspent appropriations of $7.5 million related to operational transfers and education costs.

The Department of Corrections had unspent appropriations of $5.8 million related to mitigation of expenditures and community placement into alternative programs.

The Judicial Branch had unspent appropriations of $3.3 million related to supplemental transfers and operations costs.

The Department of Legislative Services had unspent appropriations of $1.9 million related to operational costs and the reserve accounts.

The Department of Justice had unspent appropriations of $1.2 million related to operational costs, retirement transfers, and sobriety testing program costs.

The Department of Administration had unspent appropriations of $1.2 million, and these were attributable to supplemental transfers, banking charges, and other operational costs.

The remaining unspent appropriation of $2.2 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund
The fund balance of the State Special Revenue Fund increased by $112.8 million to $1.7 billion. Revenues increased by $85.9 million (8.9%) and expenditures increased $13.9 million (1.3%), for fiscal year 2019. The largest increases in revenues are attributable to an increase in investment earnings, grants/contracts/donations, and charges for services, along with licenses and permits. The largest increases in expenditures are attributable to capital outlay expenditures for infrastructure and land easements. Other financing sources, such as insurance proceeds, increased due to claims for damage suffered to MSU buildings.

Federal Special Revenue Fund
The fund balance of the Federal Special Revenue Fund decreased by $2.5 million (25.3%) to the balance of negative $12.6 million. Revenues and expenditures increased by $83.5 million (2.9%) and $62.1 million (2.2%) respectively, for the fiscal year 2019. Revenue increases are attributable to increases in federal program revenue, while expenditure increases are attributable to increases in capital outlay related expenditures. The capital outlay expenditure increase of 21.1% is attributable to infrastructure expenditure increases by transportation.

Coal Severance Tax Permanent Fund
The fund balance of the Coal Severance Tax Permanent Fund increased by $65.8 million (6.0%) to $1.2 billion. Revenue increased by $66.3 million (168.7%) to $105.7 million, primarily due to an increase of investment revenue in the equity in pooled investments. Transfers out, which decreased by $4.2 million (9.5%), and the increase in investment earnings helped lead to the increase in fund balance.

Land Grant Permanent Fund
The fund balance of the Land Grant Permanent Fund increased by $64.0 million (9.0%) to $774.2 million. Revenue increased by $64.7 million to a total of $129.7 million, and investment earnings made up $54.6 million of the increase. Transfers out were $66.4 million, which was an increase of $4.2 million compared to 2018. The increase in revenue combined with the increase in transfers lead to an overall increase in fund balance.

Unemployment Insurance Enterprise Fund
Net position restricted for unemployment compensation increased by $37.3 million (11.9%). The increase in net position reflects the continued impact of low unemployment throughout fiscal year 2019, accompanied by an increase in the taxable wage base from $32.0 thousand to $33.0 thousand in 2019.

Municipal Finance Programs Fund
Net position increased by 6.0% to $5.4 million in fiscal year 2019. Financing income revenue increased $212.0 thousand, and investment earnings increased $433.0 thousand, while expenses from interest expense increased $349.0 thousand. Overall revenues and expenditures increased 25.0% and 10.9%, which resulted in an increase of $304.0 thousand to net position.

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, 2019, amounted to $8.9 billion, with related accumulated depreciation of $2.4 billion, leaving a net book value of $6.5 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, intangible assets, 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 $289.4 million or 4.7% 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 continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2018.

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 decreased from $84.5 million at June 30, 2018, to $73.1 million at June 30, 2019. There is cash available, of $7.5 million at the end of fiscal year 2019, in debt service funds to service general obligation debt.

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	$ 73,090	0.15 %	$ 69
Total State debt (3)	$ 132,228	0.30 %	$ 125

(1) Based on personal income for calendar year 2018.

(2) Based on estimated 2018 Montana population.

(3) Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/installment purchase payable for the percentage and state debt per capita.

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

ECONOMIC CONDITION AND OUTLOOK

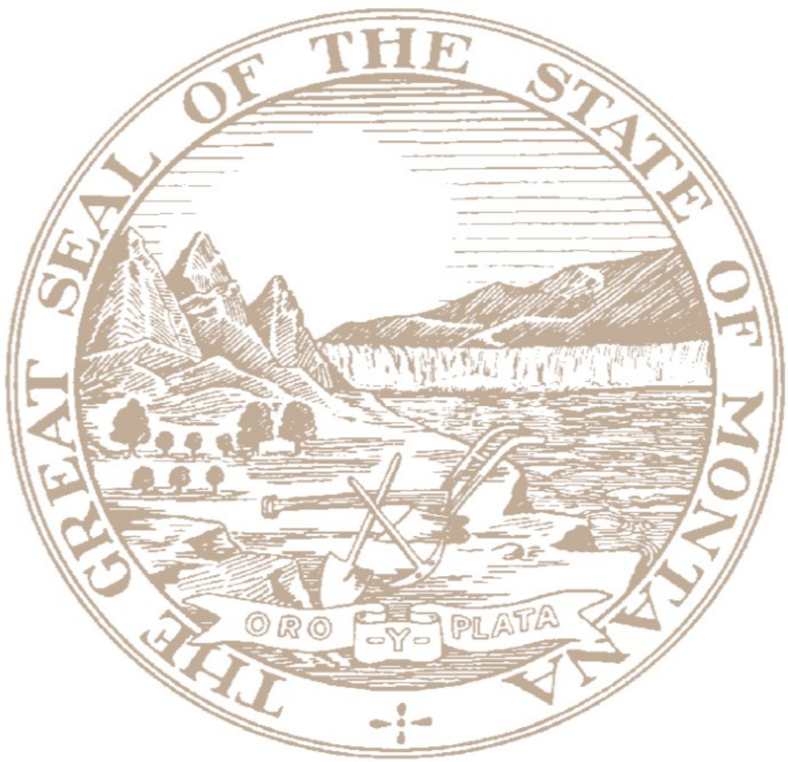
Montana's primary economic base remains concentrated in nonresident travel, agriculture, and mining, as well as service-providing industries. Per the 2019 Labor Day Report issued by the Montana Department of Labor and Industry, Montana had real wage gains of 0.8% in 2019, which was faster than the rate of inflation. Montana's unemployment rate has continued to remain low, and the rate in July 2019 was 3.4% with the national rate around 3.7%. Montana added roughly 5,400 jobs in 2018, for a growth rate of 1.1%. Montana had an estimated 1,062,305 population as of July 1, 2018. The Montana labor market has total nonfarm workers of 484,700 in August 2019 as compared to 479,800 in September 2018. Montana's real GDP growth over the time period 2017 to 2018 was .09%, while the nation change was 2.9%. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

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 within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement System (PERS-DBRP) were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2019.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of 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, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.


THE GREAT SEAL OF THE STATE OF MONTANA
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State of Montana

Basic Financial Statements

STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 1,612,746	$ 494,837	$ 2,107,583	$ 470,957
Receivables (net) (Note 4)	519,928	43,731	563,659	149,579
Due from primary government	—	—	—	1,339
Due from other governments	338,388	209	338,597	29,945
Due from component units	1,075	3,228	4,303	204
Internal balances	9,860	(9,860)	—	—
Inventories	27,742	5,022	32,764	4,884
Advances to component units	14,476	22,119	36,595	—
Long-term loans/notes receivable	513,144	39,516	552,660	579,706
Equity in pooled investments (Note 3)	2,432,243	18,314	2,450,557	49,230
Investments (Note 3)	212,810	8,355	221,165	2,092,058
Securities lending collateral (Note 3)	27,994	211	28,205	669
Net pension asset (Note 6)	42,459	—	42,459	—
Other assets	9,950	3,930	13,880	68,103
Depreciable capital assets and infrastructure, net (Note 5)	4,303,317	9,956	4,313,273	862,632
Land and nondepreciable capital assets (Note 5)	2,177,168	11,327	2,188,495	112,661
Total assets	12,243,300	650,895	12,894,195	4,421,967
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	779,931	2,919	782,850	77,440
LIABILITIES				
Accounts payable (Note 4)	688,447	20,233	708,680	115,385
Lottery prizes payable	—	3,434	3,434	—
Due to primary government	—	—	—	4,303
Due to other governments	31,440	113	31,553	32
Due to component units	1,339	—	1,339	204
Due to pension trust funds	32,587	—	32,587	—
Advances from primary government	—	—	—	36,595
Unearned revenue	30,837	2,205	33,042	92,702
Amounts held in custody for others	23,303	30	23,333	14,804
Securities lending liability (Note 3)	27,994	211	28,205	669
Other liabilities	5,998	2,211	8,209	22,400
Short-term debt (Note 11)	—	105,065	105,065	—
Long-term liabilities (Note 11):				
Due within one year	134,190	13,826	148,016	184,054
Due in more than one year	364,339	7,327	371,666	1,688,809
Net pension liability (Note 6)	2,220,765	11,943	2,232,708	193,190
Total OPEB liability (Note 7)	54,009	1,007	55,016	39,694
Total liabilities	3,615,248	167,605	3,782,853	2,392,841
DEFERRED INFLOWS OF RESOURCES (Note 4)	212,056	3,641	215,697	35,704

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 6,402,612	$ 21,266	$ 6,423,878	$ 685,339
Restricted for:				
General government	4,691	—	4,691	—
Transportation	85,939	—	85,939	—
Natural resources	589,869	—	589,869	—
Public safety	220,927	—	220,927	—
Education	7,214	—	7,214	—
Funds held as permanent investments:				
Nonexpendable	1,760,945	—	1,760,945	427,988
Expendable	546,747	—	546,747	—
Unemployment compensation	—	351,527	351,527	—
Montana Board of Housing	—	—	—	157,475
Other purposes	—	90,779	90,779	243,107
Unrestricted	(423,017)	18,996	(404,021)	556,953
Total net position	$ 9,195,927	$ 482,568	$ 9,678,495	$ 2,070,862

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

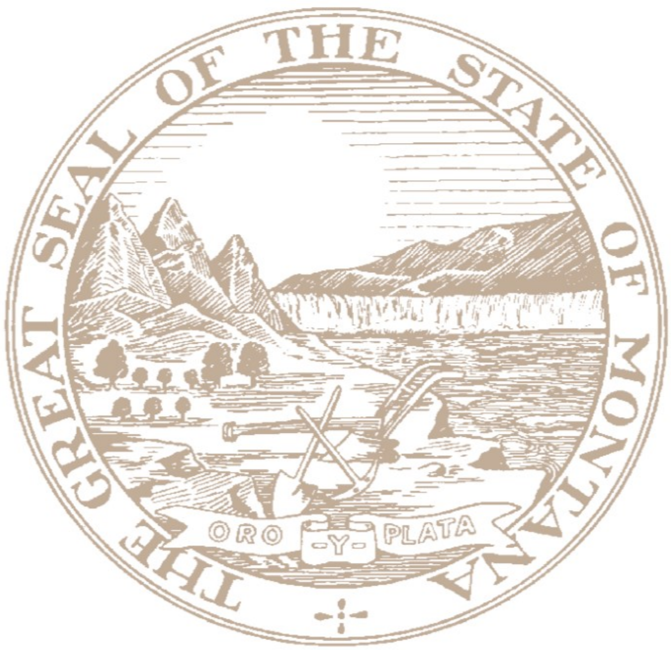
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

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	$ 829,657	$ 185,120	$ 132,246	$ 936	$ (511,355)
Public safety	428,514	180,998	55,948	—	(191,568)
Transportation	547,907	31,019	67,711	500,444	51,267
Health and human services	2,680,251	44,517	2,015,043	—	(620,691)
Education	1,314,785	2,106	199,726	495	(1,112,458)
Natural resources	302,680	179,972	141,267	26,025	44,584
Interest on long-term debt	5,454	—	—	—	(5,454)
Total governmental activities	6,109,248	623,732	2,611,941	527,900	(2,345,675)
Business-type activities:					
Unemployment Insurance	108,507	129,394	15,546	—	36,433
Liquor Stores	89,971	104,456	—	—	14,485
State Lottery	48,061	60,269	—	—	12,208
Municipal Finance Programs	2,937	41	3,199	—	303
Hail Insurance	933	1,032	44	—	143
Other Service	70,154	25,871	46,114	512	2,343
Prison Funds	9,307	7,864	—	—	(1,443)
MUS[1] Group Insurance	88,330	97,774	2,722	—	12,166
MUS[1] Workers Compensation	3,887	—	618	—	(3,269)
Total business-type activities	422,087	426,701	68,243	512	73,369
Total primary government	$ 6,531,335	$ 1,050,433	$ 2,680,184	$ 528,412	$ (2,272,306)
Component units:					
Montana Board of Housing	$ 22,715	$ 1,802	$ 24,873	$ —	$ 3,960
Facility Finance Authority	696	831	188	—	323
Montana State Fund	228,399	161,259	—	—	(67,140)
Montana State University	601,728	288,465	205,073	15,551	(92,639)
University of Montana	455,815	180,684	134,960	20,299	(119,872)
Total component units	$ 1,309,353	$ 633,041	$ 365,094	$ 35,850	$ (275,368)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,345,675)	$ 73,369	$ (2,272,306)	$ (275,368)
General revenues:				
Taxes:				
Property	305,126	—	305,126	—
Fuel	261,687	—	261,687	—
Natural resource	210,004	—	210,004	—
Individual income	1,416,716	—	1,416,716	—
Corporate income	186,172	—	186,172	—
Other (Note 1)	383,267	30,094	413,361	—
Unrestricted grants and contributions	471	—	471	109
Settlements	27,713	—	27,713	—
Unrestricted investment earnings	201,926	142	202,068	19,520
Transfers from primary government	—	—	—	231,480
Gain (loss) on sale of capital assets	7,320	7	7,327	(768)
Miscellaneous	10,640	2,249	12,889	479
Contributions to term and permanent endowments	—	—	—	35,873
Transfers between primary government	55,786	(55,786)	—	—
Total general revenues, contributions, and transfers	3,066,828	(23,294)	3,043,534	286,693
Change in net position	721,153	50,075	771,228	11,325
Total net position - July 1 - as previously reported	8,444,064	431,486	8,875,550	2,053,358
Adjustments to beginning net position (Note 2)	30,710	1,007	31,717	6,179
Total net position - July 1 - as adjusted	8,474,774	432,493	8,907,267	2,059,537
Total net position - June 30	$ 9,195,927	$ 482,568	$ 9,678,495	$ 2,070,862

[1]Montana University System

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


THE GREAT SEAL OF THE STATE OF MONTANA
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Governmental
Fund Financial Statements

General Fund — the principal operating fund of the State. It accounts for all governmental financial resources, except those accounted for in another fund.

State Special Revenue 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 — accounts for all activities funded from federal sources, which are used in the operation of the state government.

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

Land Grant Fund — 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 Governmental Funds — presented in more detail, by fund type, within the Supplementary Information section.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 473,700	$ 807,146	$ 57,604
Receivables (net)	292,305	121,979	76,683
Interfund loans receivable (Note 12)	73,970	83,777	—
Due from other governments	11,894	843	325,648
Due from other funds (Note 12)	31,013	10,186	2,886
Due from component units	—	905	—
Inventories	3,501	19,910	—
Equity in pooled investments (Note 3)	—	366,834	—
Long-term loans/notes receivable	—	485,826	4,870
Advances to other funds (Note 12)	363	39,017	—
Advances to component units	—	6,888	—
Investments (Note 3)	6,559	33,125	746
Securities lending collateral (Note 3)	—	4,222	—
Other assets	2,684	6,174	177
Total assets	$ 895,989	$ 1,986,832	$ 468,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 257,045	$ 174,448	$ 237,821
Interfund loans payable (Note 12)	—	3,152	152,611
Due to other governments	221	29,481	1,739
Due to other funds (Note 12)	2,870	13,491	936
Due to component units	32,645	309	973
Advances from other funds (Note 12)	—	6,836	36,209
Unearned revenue	2,612	23,312	9,563
Amounts held in custody for others	6,720	12,546	3,981
Securities lending liability (Note 3)	—	4,222	—
Other liabilities	—	521	—
Total liabilities	302,113	268,318	443,833
DEFERRED INFLOWS OF RESOURCES	150,467	4,680	37,395
Fund balances (Note 14):			
Nonspendable	4,197	20,806	119
Restricted	—	1,077,150	—
Committed	60,721	615,878	—
Assigned	17,178	—	—
Unassigned	361,313	—	(12,733)
Total fund balances	443,409	1,713,834	(12,614)
Total liabilities, deferred inflows of resources, and fund balances	$ 895,989	$ 1,986,832	$ 468,614

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ 53,851	$ 16,870	$ 64,881	$ 1,474,052
10,993	2,406	6,872	511,238
—	—	—	157,747
—	—	—	338,385
5	—	1,619	45,709
108	—	—	1,013
—	—	—	23,411
925,242	754,949	364,948	2,411,973
—	—	22,448	513,144
1,725	—	6,773	47,878
7,589	—	—	14,477
157,935	—	—	198,365
10,649	8,689	4,200	27,760
—	—	—	9,035
$ 1,168,097	$ 782,914	$ 471,741	$ 5,774,187
$ —	$ —	$ 2,668	$ 671,982
1,678	—	357	157,798
—	—	—	31,441
33	—	703	18,033
—	—	—	33,927
—	—	7,423	50,468
—	—	—	35,487
—	32	25	23,304
10,649	8,689	4,200	27,760
—	—	—	521
12,360	8,721	15,376	1,050,721
—	—	311	192,853
622,645	774,193	362,256	1,784,216
—	—	30,892	1,108,042
533,092	—	62,129	1,271,820
—	—	805	17,983
—	—	(28)	348,552
1,155,737	774,193	456,054	4,530,613
$ 1,168,097	$ 782,914	$ 471,741	$ 5,774,187

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

(amounts expressed in thousands)

Total fund balances - governmental funds		$ 4,530,613
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):		
Depreciable capital assets and infrastructure, net	$ 4,303,317	
Land and nondepreciable capital assets	2,177,168	6,480,485
Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.		779,931
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net pension asset		42,459
Long-term receivables		(363)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities and of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.		166,913
Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.		(11,605)
A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.		(19,203)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):		
Other long-term liabilities	(498,529)	
Net pension liability	(2,220,765)	
Total OPEB liability	(54,009)	(2,773,303)
Total net position - governmental activities		$ 9,195,927

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	$ 126,135	$ 234,410	$ —
Taxes:			
Natural resource	86,211	83,705	—
Individual income	1,419,959	—	—
Corporate income	186,012	—	—
Property	288,070	17,057	—
Fuel	—	261,290	—
Other	241,604	141,023	1
Charges for services/fines/forfeits/settlements	37,153	120,533	6,786
Investment earnings	23,647	40,606	599
Securities lending income	—	110	—
Sale of documents/merchandise/property	314	10,374	15
Rentals/leases/royalties	10	1,090	—
Contributions/premiums	5,833	28,745	—
Grants/contracts/donations	8,261	50,158	17
Federal	21,475	7,489	2,848,049
Federal indirect cost recoveries	157	54,411	82,051
Other revenues	5,863	3,488	1,306
Total revenues	2,450,704	1,054,489	2,938,824
EXPENDITURES			
Current:			
General government	360,596	196,219	90,512
Public safety	313,996	94,379	18,566
Transportation	—	242,915	116,829
Health and human services	526,712	168,847	2,006,938
Education	1,036,533	82,462	196,400
Natural resources	32,012	194,083	82,386
Debt service:			
Principal retirement	15	634	39
Interest/fiscal charges	216	226	6
Capital outlay	3,579	72,932	398,090
Securities lending	—	67	—
Total expenditures	2,273,659	1,052,764	2,909,766
Excess of revenue over (under) expenditures	177,045	1,725	29,058
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	234	555	19
Insurance proceeds	2	13,783	—
General capital asset sale proceeds	89	872	71
Refunding bond issued	—	—	—
Payment to refunding bond escrow agent	—	—	—
Energy conservation loans	—	271	—
Transfers in (Note 12)	122,579	175,613	2,368
Transfers out (Note 12)	(58,976)	(80,541)	(32,086)
Total other financing sources (uses)	63,928	110,553	(29,628)
Net change in fund balances	240,973	112,278	(570)
Fund balances - July 1 - as previously reported	199,319	1,601,060	(10,069)
Adjustments to beginning fund balance (Note 2)	2,819	(624)	(1,975)
Fund balances - July 1 - as adjusted	202,138	1,600,436	(12,044)
Increase (decrease) in inventories	298	1,120	—
Fund balances - June 30	$ 443,409	$ 1,713,834	$ (12,614)

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ —	$ 1,844	$ —	$ 362,389
30,638	—	9,389	209,943
—	—	—	1,419,959
—	—	—	186,012
—	—	—	305,127
—	—	—	261,290
—	—	1,585	384,213
—	—	11,243	175,715
74,764	56,691	39,122	235,429
257	210	98	675
—	11,717	—	22,420
—	59,126	—	60,226
—	—	—	34,578
—	106	—	58,542
—	—	—	2,877,013
—	—	—	136,619
—	19	—	10,676
105,659	129,713	61,437	6,740,826
—	—	105	647,432
—	—	244	427,185
—	—	—	359,744
—	—	1,411	2,703,908
—	—	12	1,315,407
—	4,488	43	313,012
—	—	27,180	27,868
—	—	6,072	6,520
—	1,722	16,744	493,067
158	129	60	414
158	6,339	51,871	6,294,557
105,501	123,374	9,566	446,269
—	—	—	808
—	—	—	13,785
—	6,976	8	8,016
—	—	4,575	4,575
—	—	(6,844)	(6,844)
—	—	—	271
275	5	39,984	340,824
(39,989)	(66,359)	(20,450)	(298,401)
(39,714)	(59,378)	17,273	63,034
65,787	63,996	26,839	509,303
1,089,950	710,197	429,241	4,019,698
—	—	(26)	194
1,089,950	710,197	429,215	4,019,892
—	—	—	1,418
$ 1,155,737	$ 774,193	$ 456,054	$ 4,530,613

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, 2019

(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 509,303
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):		
Capital outlay	$ 493,067	
Depreciation expense and amortization	(230,093)	262,974
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.		(1,635)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		9,660
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.		32,344
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.		(91,493)
Change in net position - governmental activities		$ 721,153

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

Proprietary
Fund Financial Statements

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.

Municipal Finance Programs Fund — accounts for the programs created under the Municipal Finance Consolidation Act and the Economic Development Act, both managed by the Montana Board of Investments. These are primarily revolving loan programs that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loans is from the issuance of put bonds.

Nonmajor Enterprise Funds — account for operations that provide goods or services to the general public in a manner similar to private business enterprises. These funds are presented in more detail within the Supplementary Information section.

Governmental Activities - Internal Service Funds — 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, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	$ 347,980	$ 27,724	$ 119,133	$ 494,837	$ 138,695
Receivables (net) (Note 4)	4,738	8,367	30,626	43,731	9,056
Interfund loans receivable (Note 12)	—	—	22	22	44
Due from other governments	43	—	166	209	6
Due from other funds (Note 12)	—	1,846	2	1,848	40
Due from component units	—	3,228	—	3,228	63
Inventories	—	—	5,022	5,022	4,331
Short-term investments (Note 3)	—	2,684	—	2,684	—
Securities lending collateral (Note 3)	—	—	211	211	233
Other current assets	—	—	368	368	917
Total current assets	352,761	43,849	155,550	552,160	153,385
Noncurrent assets:					
Advances to other funds (Note 12)	—	5,961	—	5,961	—
Advances to component units	—	22,119	—	22,119	—
Long-term investments (Note 3)	—	701	23,284	23,985	34,714
Long-term notes/loans receivable	507	39,009	—	39,516	—
Other long-term assets	—	2,211	1,351	3,562	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	10,199	10,199	6,069
Equipment	—	3	9,570	9,573	256,368
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	6,887	6,887	6,159
Intangible assets	—	—	2,062	2,062	1,093
Other capital assets	—	—	3,640	3,640	—
Less accumulated depreciation	—	(3)	(16,880)	(16,883)	(160,856)
Total capital assets	—	—	21,283	21,283	108,928
Total noncurrent assets	507	70,001	45,918	116,426	143,642
Total assets	353,268	113,850	201,468	668,586	297,027
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	80	2,839	2,919	12,159

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

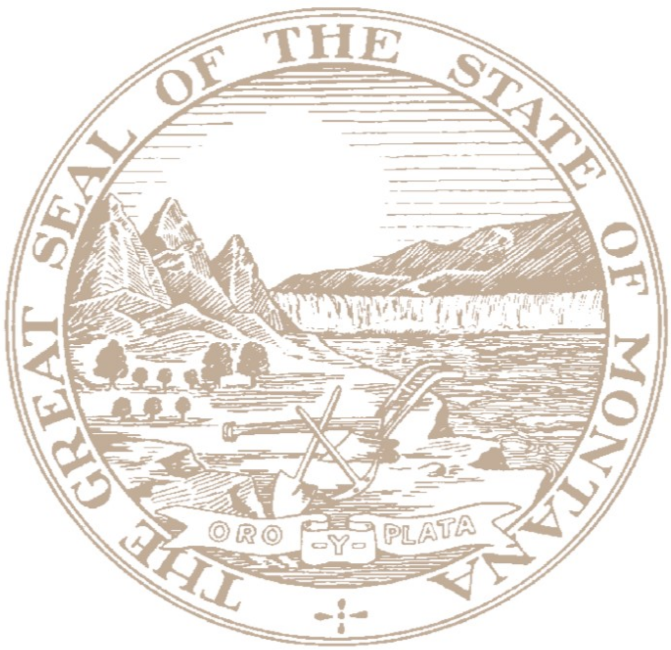
	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	$ 1,741	$ 681	$ 17,811	$ 20,233	$ 14,347
Lottery prizes payable	—	—	2,477	2,477	—
Interfund loans payable (Note 12)	—	—	—	—	15
Due to other governments	—	—	113	113	—
Due to other funds (Note 12)	—	—	17,691	17,691	1,842
Unearned revenue	—	—	2,205	2,205	1,380
Lease/installment purchase payable (Note 10)	—	—	18	18	3,336
Short-term debt (Note 11)	—	105,065	—	105,065	—
Bonds/notes payable - net (Note 11)	—	—	—	—	290
Amounts held in custody for others	—	—	30	30	—
Securities lending liability (Note 3)	—	—	211	211	233
Estimated insurance claims (Note 8)	—	—	12,717	12,717	23,296
Compensated absences payable (Note 11)	—	19	1,029	1,048	4,135
Arbitrage rebate tax payable (Note 11)	—	43	—	43	—
Total current liabilities	1,741	105,808	54,302	161,851	48,874
Noncurrent liabilities:					
Lottery prizes payable	—	—	957	957	—
Advances from other funds (Note 12)	—	—	—	—	3,371
Lease/installment purchase payable (Note 10)	—	—	—	—	8,119
Bonds/notes payable - net (Note 11)	—	—	—	—	409
Estimated insurance claims (Note 8)	—	—	6,352	6,352	11,757
Compensated absences payable (Note 11)	—	51	923	974	3,635
Arbitrage rebate tax payable (Note 11)	—	1	—	1	—
Net pension liability (Note 6)	—	344	11,599	11,943	52,086
Total OPEB liability (Note 7)	—	20	987	1,007	3,188
Other liabilities	—	2,211	—	2,211	—
Total noncurrent liabilities	—	2,627	20,818	23,445	82,565
Total liabilities	1,741	108,435	75,120	185,296	131,439
DEFERRED INFLOWS OF RESOURCES (Note 4)	—	82	3,559	3,641	11,768
NET POSITION					
Net investment in capital assets	—	—	21,266	21,266	92,265
Restricted for:					
Unemployment compensation	351,527	—	—	351,527	—
Other purposes	—	1,693	89,086	90,779	—
Unrestricted	—	3,720	15,276	18,996	73,714
Total net position	$ 351,527	$ 5,413	$ 125,628	$ 482,568	$ 165,979

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, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:					
Charges for services	$ 129	$ 41	$ 185,462	$ 185,632	$ 157,190
Investment earnings	8,036	683	3,798	12,517	3,432
Securities lending income	—	—	5	5	14
Financing income	—	2,516	—	2,516	—
Contributions/premiums	129,265	—	111,221	240,486	205,735
Grants/contracts/donations	7,510	—	45,856	53,366	3,380
Other operating revenues	—	—	2,833	2,833	10,154
Total operating revenues	144,940	3,240	349,175	497,355	379,905
Operating expenses:					
Personal services	—	402	15,489	15,891	62,255
Contractual services	—	85	22,089	22,174	37,911
Supplies/materials	—	8	92,234	92,242	21,660
Benefits/claims	108,507	35	137,756	246,298	182,211
Depreciation	—	—	1,013	1,013	16,285
Amortization	—	—	102	102	720
Utilities/rent	—	51	1,189	1,240	7,128
Communications	—	7	1,018	1,025	11,841
Travel	—	4	336	340	577
Repairs/maintenance	—	—	1,114	1,114	25,907
Grants	—	—	—	—	178
Lottery prize payments	—	—	34,492	34,492	—
Securities lending expense	—	—	3	3	7
Arbitrage rebate tax	—	27	—	27	—
Interest expense	—	2,255	14	2,269	512
Other operating expenses	—	63	3,125	3,188	5,695
Total operating expenses	108,507	2,937	309,974	421,418	372,887
Operating income (loss)	36,433	303	39,201	75,937	7,018
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	30,094	30,094	—
Insurance proceeds	—	—	—	—	368
Gain (loss) on sale of capital assets	—	—	(656)	(656)	(208)
Federal indirect cost recoveries	—	—	—	—	10,660
Increase (decrease) value of livestock	—	—	(4)	(4)	—
Total nonoperating revenues (expenses)	—	—	29,434	29,434	10,820
Income (loss) before contributions and transfers	36,433	303	68,635	105,371	17,838
Capital contributions	—	—	622	622	1,687
Transfers in (Note 12)	—	—	94	94	14,371
Transfers out (Note 12)	—	—	(56,012)	(56,012)	(1,550)
Change in net position	36,433	303	13,339	50,075	32,346
Total net position - July 1 - as previously reported	314,210	5,109	112,167	431,486	133,629
Adjustments to beginning net position (Note 2)	884	1	122	1,007	4
Total net position - July 1 - as adjusted	315,094	5,110	112,289	432,493	133,633
Total net position - June 30	$ 351,527	$ 5,413	$ 125,628	$ 482,568	$ 165,979

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


THE GREAT SEAL OF THE STATE OF MONTANA
ORO -Y- PLATA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 130,815	$ 41	$ 297,394	$ 428,250	$ 361,793
Payments to suppliers for goods and services	(462)	(240)	(117,386)	(118,088)	(107,870)
Payments to employees	—	(425)	(16,601)	(17,026)	(66,920)
Grant receipts (expenses)	7,489	—	45,784	53,273	3,198
Cash payments for claims	(109,510)	—	(137,049)	(246,559)	(174,849)
Cash payments for prizes	—	—	(34,858)	(34,858)	—
Other operating revenues	—	—	2,833	2,833	20,814
Other operating payments	—	—	(3,120)	(3,120)	(5,696)
Net cash provided by (used for) operating activities	28,332	(624)	36,997	64,705	30,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	30,094	30,094	—
Transfer to other funds	—	—	(56,015)	(56,015)	(1,552)
Transfer from other funds	—	—	274	274	14,371
Proceeds from interfund loans/advances	—	(1,788)	—	(1,788)	44
Payment of interfund loans and advances	—	—	(22)	(22)	(887)
Payment of principal and interest on bonds and notes	—	(435)	(14)	(449)	(1,291)
Net cash provided by (used for) noncapital financing activities	—	(2,223)	(25,683)	(27,906)	10,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	368
Acquisition of capital assets	—	—	(1,480)	(1,480)	(11,635)
Proceeds from sale of capital assets	—	—	495	495	723
Net cash provided by (used for) capital and related financing activities	—	—	(985)	(985)	(10,544)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(8,448)	(1,665)	(10,113)	11,306
Proceeds (loss) on sales or maturities of investments	—	10,064	—	10,064	—
Proceeds (loss) from securities lending transactions/ investments	—	—	5	5	14
Interest and dividends on investments	8,036	666	3,800	12,502	3,432
Payment of securities lending costs	—	—	(3)	(3)	(7)
Collections of principal and interest on loans	—	31,181	—	31,181	—
Cash payment for loans	—	(26,977)	—	(26,977)	—
Net cash provided by (used for) investing activities	8,036	6,486	2,137	16,659	14,745
Net increase (decrease) in cash and cash equivalents	36,368	3,639	12,466	52,473	45,356
Cash and cash equivalents, July 1	311,612	24,085	106,667	442,364	93,339
Cash and cash equivalents, June 30	$ 347,980	$ 27,724	$ 119,133	$ 494,837	$ 138,695

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 36,433	$ 303	$ 39,201	$ 75,937	$ 7,018
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	1,013	1,013	16,285
Amortization	—	—	102	102	720
Securities lending expense	—	—	3	3	7
Investment earnings	(8,036)	(683)	(3,800)	(12,519)	(3,432)
Securities lending income	—	—	(5)	(5)	(14)
Financing income	—	(2,516)	—	(2,516)	—
Interest expense	—	2,255	14	2,269	512
Other revenue	—	—	—	—	10,660
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	417	—	1,273	1,690	(1,389)
Decr (Incr) in due from other funds	—	—	9	9	62
Decr (Incr) in due from component units	—	—	—	—	(27)
Decr (Incr) in due from other governments	(21)	—	(71)	(92)	(4)
Decr (Incr) in inventories	—	—	(170)	(170)	(790)
Decr (Incr) in other assets	—	5	(458)	(453)	291
Incr (Decr) in accounts payable	(461)	7	(3,098)	(3,552)	(366)
Incr (Decr) in due to other funds	—	—	4,046	4,046	125
Incr (Decr) in due to other governments	—	—	31	31	—
Incr (Decr) in lottery prizes payable	—	—	(366)	(366)	—
Incr (Decr) in unearned revenue	—	—	6	6	(95)
Incr (Decr) in compensated absences payable	—	8	(27)	(19)	266
Incr (Decr) in total OPEB liability	—	—	64	64	226
Incr (Decr) in estimated claims	—	—	109	109	2,148
Incr (Decr) in other payables	—	(6)	(213)	(219)	(1,648)
Incr (Decr) in net pension liability and related accounts	—	3	(666)	(663)	(85)
Net cash provided by (used for) operating activities	$ 28,332	$ (624)	$ 36,997	$ 64,705	$ 30,470
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ —	$ 622	$ 622	$ 1,687
Incr (Decr) in fair value of investments	—	(18)	(903)	(921)	(1,098)
Total noncash transactions	$ —	$ (18)	$ (281)	$ (299)	$ 589

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

Fiduciary
Fund Financial Statements

Pension (and Other Employee Benefit) Trust Funds — account for provided retirement, disability, death, and lump-sum payments to public employee retirement system members.

Private-Purpose Trust Funds — 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 Funds — account for the receipt of monies held by Montana Board of Investments for investment in external investment pools, and the distribution of related investment earnings, for local government agencies.

Agency Funds — 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, 2019
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 384,487	$ 76,957	$ 1,375,776	$ 14,747
Receivables (net):				
Accounts receivable	21,296	—	—	555
Interest	753	40	2,965	—
Due from primary government	32,587	—	—	—
Due from other PERB plans	606	—	—	—
Long-term loans/notes receivable	13	—	—	—
Total receivables	55,255	40	2,965	555
Investments at fair value:				
Equity in pooled investments (Note 3)	11,474,079	—	12,562	—
Other investments (Note 3)	805,378	170,992	—	—
Total investments	12,279,457	170,992	12,562	—
Securities lending collateral (Note 3)	54,541	—	145	—
Capital Assets:				
Land	36	—	—	—
Buildings/improvements	186	—	—	—
Equipment	96	—	—	—
Construction work in progress	1,505	—	—	—
Accumulated depreciation	(252)	—	—	—
Intangible assets	5,190	—	—	—
Total capital assets	6,761	—	—	—
Other assets	—	39,486	—	254
Total assets	12,780,501	287,475	1,391,448	15,556
DEFERRED OUTFLOWS OF RESOURCES	466	—	—	—
LIABILITIES				
Accounts payable	1,943	187	2,922	776
Due to other PERB plans	605	—	—	—
Unearned revenue	434	—	—	—
Amounts held in custody for others	—	—	—	14,780
Securities lending liability (Note 3)	54,541	—	145	—
Compensated absences payable	554	—	—	—
Net pension liability (Note 6)	1,469	—	—	—
Total OPEB liability (Note 7)	238	—	—	—
Total liabilities	59,784	187	3,067	15,556
DEFERRED INFLOWS OF RESOURCES	324	—	—	—
NET POSITION				
Held in trust for pension benefits	12,704,134	—	—	—
Held in trust for other purposes	16,725	287,288	1,388,381	—
Total net position	$ 12,720,859	$ 287,288	$ 1,388,381	$ —

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, 2019
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS			
Contributions/premiums:			
Employer	$ 258,436	$ —	$ —
Employee	244,080	—	—
Other contributions	115,393	18,439	1,497,949
Net investment earnings:			
Investment earnings	770,064	3,997	30,704
Administrative investment expense	(73,253)	—	—
Securities lending income	2,916	—	3
Securities lending expense	(1,463)	—	(2)
Charges for services	567	—	—
Other additions	868	7,034	—
Total additions	1,317,608	29,470	1,528,654
DEDUCTIONS			
Benefits	928,849	—	—
Refunds	25,585	—	—
Distributions	—	29,337	1,373,628
Administrative expenses:			
Personal services	5,495	—	—
Contractual services	3,534	848	—
Supplies/materials	260	—	—
Depreciation	10	—	—
Amortization	1,288	—	—
Utilities/rent	374	—	—
Communications	209	—	—
Travel	52	—	—
Repair/maintenance	10	—	—
Other operating expenses	281	—	—
Local assistance	11	—	—
Transfers to MUS-RP	232	—	—
Transfers to PERS-DCRP	1,969	—	—
Total deductions	968,159	30,185	1,373,628
Change in net position	349,449	(715)	155,026
Net position - July 1 - as previously reported	12,371,361	288,003	1,233,355
Adjustments to beginning net position (Note 2)	49	—	—
Net position - July 1 - as adjusted	12,371,410	288,003	1,233,355
Net position - June 30	$ 12,720,859	$ 287,288	$ 1,388,381

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 includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes 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 condensed financial statements, presented in Note 18, 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

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

Universities and Colleges
Commissioner of Higher Education
560 North Park Ave, 4th Floor
PO Box 203201
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 with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget; the rate or fee changes affecting revenues; and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. It was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower income. 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. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, 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 State of Montana has the ability to modify or approve: the budget; the rate or fee changes affecting revenues; and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA 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. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is attached to the State of Montana, Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited 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 with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Comprehensive Annual Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the State of Montana, Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State's Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

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 workers' 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.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board 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 Technological University, 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 MUS, 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
100 North Park Avenue, Suite 110
PO Box 200139
Helena, MT 59620-0139

Public Employees' Retirement Board
100 North Park, Suite 200
PO Box 200131
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 benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers ten 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.

PERB is responsible for the ten separate public employee plans, which includes the Deferred Compensation Program, and a separate 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. Further detail related to the PERB is provided in Note 6 and its OPEB plan information is provided in Note 7.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, Statement of Net Position and 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. The State does not allocate indirect expenses to functions in the Statement of Activities.

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

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, 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 for activities funded from state resources 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 an $90.8 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 $25.3 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. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this

fund should be reported within Internal Service Funds. The respective effect on net position is approximately a $4.8 million increase.

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

Fiduciary Funds are used 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, 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 and Note 7.

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 and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

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 Severance Tax 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 Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. In previous years this activity was referred to as the Economic Development Bonds Fund. 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. Further detail related to cash and cash equivalents 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 related to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are reported 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, inventory balances 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. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local government can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. 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.

I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Investments (SMI). SMI participants have direct fixed income, equity, and Montana mortgage and loan investments. SMI investments are reported at fair value. 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. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on 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 is capitalized. Interest incurred during the construction of capital assets for higher education component units is expensed. The State has chosen to use the depreciation approach for infrastructure assets and is reporting accumulated depreciation on the Statement of Net Position and depreciation expense on 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 or amortized. 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. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

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 $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.

K. 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, non-exchange transactions, derivative investment, OPEB, and pension related components and are reported on the government-wide, proprietary fund, and fiduciary 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.

L. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported on 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 on the fund financial statements. The remaining portion of such obligations is reported on 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 long-term liabilities is provided in Note 10 and Note 11, respectively.

M. 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, on 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. On the governmental fund financial statements no asset or liability is recorded related to assets under capital leases. Rather, on 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.

N. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. 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.

O. 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, 2018, was 19,310 hours. For fiscal year 2019, 1,708 sick leave hours, 152 annual leave hours, and 305 excess annual leave hours were contributed to the sick leave pool, and 3,491 hours were withdrawn, leaving a balance of 17,984 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 on 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.

P. Nonexchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA), a discretely presented component unit of the State. BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

Q. 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 or 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 legislative 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 they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. 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. There is not a projected spend down for fiscal year 2020, thus a related assignment of fund balance is not reported at 2019 fiscal year-end.

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.

General Fund - Fund Balance

As of June 30, 2019, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2019, committed fund balance in the General Fund of $60.7 million, represents the Budget Stabilization Reserve Fund balance. Additionally, another $57.1 million was transferred to the Budget Stabilization Reserve Fund after the close of fiscal year 2019, in accordance with 2019 Session House Bill requirements.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund 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 Section 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 represents 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, 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 $3.7 billion.

Certain investments of the Municipal Finance Programs 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.

R. Property Taxes

Real property taxes are normally levied in October and are usually 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. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

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.

S. Other Taxes

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

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	$ 27,389	$ 36,590	$ —	$ 26	$ 64,005
Agriculture	—	10,406	—	—	10,406
Car rental	4,376	1,459	—	—	5,835
Cigarette/tobacco/etc.	33,307	43,886	1,585	—	78,778
Contractors gross receipts	3,597	—	—	—	3,597
Energy tax	7,456	38	—	—	7,494
Fire protection	—	3,921	—	—	3,921
Hospital benefit assessment	4,350	—	—	—	4,350
Insurance premium	76,108	31,162	—	—	107,270
Light vehicle registration	—	4,234	—	—	4,234
Liquor tax	5,517	2,227	—	30,068	37,812
Livestock	—	4,896	—	—	4,896
Other taxes	154	742	—	—	896
Public service commission	—	2,296	—	—	2,296
Railroad car companies	3,595	—	—	—	3,595
Telephone license	10,804	—	—	—	10,804
Video gaming	63,168	4	—	—	63,172
Total other taxes	$ 239,821	$ 141,861	$ 1,585	$ 30,094	$ 413,361

T. Tax Abatements

In the Montana Board of Investment’s (BOI) Commercial Loan Program within the SMI, by statute, the infrastructure loan program is funded by an $80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan and, only upon verification that the entities meet the loan requirements, is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

To be eligible for the program, the basic sector business must create at least 15 full-time basic sector jobs. The maximum loan size is $16.7 thousand times the number of full-time jobs created and the minimum loan size is $250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates 10 or more qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2019, basic sector business entities made total user fee payments of $6.6 million, representing $5.9 million of principal and $723.0 thousand in interest. During the fiscal year ended June 30, 2019, a total of $3.8 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2019 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed

	Tax Year 2018	Tax Year 2017	Total
Corporate income tax	$ —	$ 319	$ 319
Individual income tax	164	3,286	3,450
Total amount claimed	$ 164	$ 3,605	$ 3,769

U. Irrevocable Split Interest Agreements

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2019. Further detail related to these agreements are provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2019, the State of Montana implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset that has future legal obligations required to be performed. This Statement establishes criteria for measuring and recognizing a liability and a corresponding deferred outflow of resources for an ARO. The objective of this Statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the usefulness of the information provided to financial statement users by requiring related disclosures.

For the year ended June 30, 2019, the State of Montana implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). This Statement establishes a definition of debt for purposes of note disclosures to financial statements. This Statement requires that additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

B. Adjustments to Beginning Net Position

For the year ended June 30, 2019, there were no material adjustments to beginning net position.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

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

Cash/cash equivalents	$	4,452,168
Equity in pooled investments	$	13,986,428
Investments	$	3,346,082

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

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments, held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments, including the BOI Municipal Finance Programs Fund deposits and investments managed by BOI, have been detailed below.

(1) BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds and by statute voluntarily participating local government funds. BOI manages the UIP 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.

BOI is not registered with the US Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and Separately Managed Investments (SMI) participant, which provides BOI staff a broad strategic framework under which the investments are managed. The IPS's also reflect BOI approved asset allocation ranges. By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

As of June 30, 2019, BOI separately managed investments outside of the pools on behalf of 16 participants. The investments are combined for reporting purposes in the SMI portion of the UIP. In prior years, the SMI portion of the UIP was referred to as All Other Funds (AOF). SMI participants include the State Treasurer's Cash Fund, State agency insurance reserves, and other State agencies. SMI participation is at the discretion of BOI staff for State agencies allowed to participate in the UIP.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as SMI.

Separately issued 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

BOI's separately issued Unified Investment Program financial statements include the activity for MSF within SMI on a June 30, 2019, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

(a) 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, undeposited 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. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. 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.

(b) Investment securities are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 –Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market prices representing estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

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

(c) Security Lending - BOI is authorized by law to lend its securities and has contracted with the custodial 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 custodial bank is required to maintain collateral equal to 102.0% of the fair value of domestic securities and 105.0% of the fair value of international securities while the securities are on loan. On any day, including June 30, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings, 80/20 respectively, on security lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers.

During fiscal year 2019, the custodial bank lent BOI's 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 Group of Ten nations; and debt securities issued by certain supranational agencies. The custodial 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 2019. However, STIP assets are currently not available for securities lending. 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 2019 resulting from a borrower default. As of June 30, 2019, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Since 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. The average duration was 36 days and the average weighted final maturity was 109 days within the Navigator portfolio.

(d) Investment Pools and SMI are described in the following paragraphs.

CAPP

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as modifications are adopted by BOI. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner. Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Equities
- Natural Resources
- Real Estate
- US Treasury Inflation-Protected Securities (TIPS)
- Broad Fixed Income
- US Treasury/Agency
- Investment Grade
- Mortgage Backed Securities
- High Yield
- Cash
- Diversifying Strategies

The CAPP IPS is the only IPS that allows for investments that can be held in non-US securities in a foreign currency. Per the CAPP IPS, the Investment Grade Credit Asset Class, Agency Mortgage Backed Securities Asset Class, and High Yield Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the US dollar value of investments made.

TFIP

The TFIP IPS provides for a 2.0% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations, also known as Yankee bonds, and a 3.0% portfolio limit in non-agency mortgage pass-through (MBS) securities. TFIP invests primarily in investment grade, US dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

STIP

The STIP IPS limits concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for US Treasury and US Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 60 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2019, is detailed as follows:

STIP Reserve
(in thousands)

Beginning STIP Reserve	$	32,565
STIP Reserve activity		
Investment Earnings:		
Net increase (decrease) on fair value of investments		49
Interest income		774
Transfer of daily STIP income		4,927
Recoveries from write offs		9,055
Credit enhancement fees		158
Total STIP Reserve activity		14,963
Ending STIP Reserve	$	47,528

SMI

SMI invests primarily in investment grade, US dollar denominated fixed income securities. However, one participant portfolio has exposure to core real estate. The SMI portfolio also includes Veteran's Home Loan Mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

(e) Investment Risk Disclosures are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk
Custodial credit risk for cash and cash equivalents and 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. Per policy, BOI's custodial bank must hold short-term and long-term credit ratings by at least one Nationally Recognized Statistical Rating Organization (NRSRO) with a minimum requirement of A1/P1 (short-term) and A3/A-1 (long-term).

As of June 30, 2019, all the public securities, as well as securities held by the separate public equity account managers, were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

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. Concentration of credit risk for 2019 is addressed within all IPS as set by BOI.

Credit Risk and Interest Rate Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for US government securities, the pools' fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The US government guarantees its 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 risk.

As of June 30, 2019 the CAPP's cash equivalents' position held at the custodial bank included $566.4 million unrated held in money market funds and $9.8 million was invested in an overnight repurchase agreement collateralized at 102.0%.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved Approved Issuer list. By STIP policy, permitted money market investments include only SEC registered 2a-7 institutional money market funds that are considered US Treasury or US Government money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2019, all the STIP money market investments were in US Governmental money markets.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMI at fair value investments are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. 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. 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); and
3. STIP will maintain a reserve account.”

CAPP, TFIP, SMI, and STIP may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example the Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2019. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. 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. Inclusive of cash and cash equivalents, the WAM averages 41 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value, BOI determined the cash equivalents to have little discernible interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in US dollars, at fair value and is limited to CAPP.

Counterparty Credit Risk - Investment Derivatives

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The following table depicts BOI's counterparty credit risk exposure to its investment derivatives.

Counterparty Credit Risk - Credit Default Swaps - as of June 30, 2019
(in thousands)

Maximum loss before/after netting and collateral		
Maximum amount of loss BOI would face in case of default of all counterparties, i.e. aggregated (positive) fair value of OTC positions	$	310
Effect of collateral reducing maximum exposure		—
Liabilities subject to netting arrangements reducing exposure		—
Resulting net exposure		310

Other Policy Considerations
For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the TIPS PAC, US Treasury/Agency PAC, Investment Grade Credit PAC, and Agency Mortgage-Backed PAC, average duration will be maintained in a range within 20.0% of the benchmark duration. The Broad Fixed Income PAC and High Yield PAC average duration will be maintained in a range within 25.0% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20.0% of the benchmark duration. Interest rate risk for SMI is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments
The UIP invests in currency forward contract, credit default swaps, index futures (long duration) and warrants which are classified as investment derivatives. The derivatives increased in fair value for the year ended June 30, 2019, by $698.0 thousand. The contracts had a fair value of $400.0 thousand, and the notional amount of the contracts was $14.4 million as of June 30, 2019.

(2) The BOI Municipal Finance Programs Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. The bond trust indenture addresses custodial credit risk, concentration of credit risk, credit risk, interest rate and credit quality risk, by detailing the permitted investments. BOI's STIP IPS details custodial credit risk, concentration of credit risk, and credit risk. Deposits and investments must be made with Montana banks or in the STIP administered by BOI.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must hold short-term and long-term credit rating 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 bank, the cash or collateral securities may not be recovered from an outside party. The securities used as collateral are held by the trustee in the name of BOI.

Investments – As of June 30, 2019, the Municipal Finance Programs securities were recorded by the trustee in the name of BOI by specific account.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of any single investment per issuer name. The Municipal Finance Programs investments directly issued or explicitly guaranteed by the US government and investments in mutual funds are excluded from the concentration of credit risk requirement. The STIP investment policy limits concentration of credit risk by limiting portfolio investment types to 3.0% in any issuer with the exception of US Treasury and US Agency securities, as well as, any repurchase agreements with a financial institution. As of June 30, 2019, STIP concentration risk was within the policy as set by BOI.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Municipal Finance Programs US government direct-backed securities, consisting of US Treasury notes and bills, are guaranteed directly by the US government. 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. Permitted investments, as described in the indenture, include, "Either (i) long term obligations of such bank, trust company or association are rated in one of the three highest investment category of the Standard & Poor's Corporation or Moody's Investor Service Inc., which investment category shall not be less than the prevailing rate on the bonds or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund, or any successor to either, of the Federal Deposit Insurance Corporation (FDIC)."

BOI's STIP IPS specifies that STIP securities have a minimum of two credit ratings as provided by nationally recognized statistical rating organizations, to assist in the monitoring and management of credit risk. The purchase of STIP securities other than US government or US agency obligations are restricted to those which are pre-approved. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Permitted investments as described in the Indenture details the allowable investments, including those in STIP. STIP interest rate risk is determined using the WAM method. According to the STIP IPS, "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. 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); and
3. STIP will maintain a reserve account."

The Municipal Finance Program investments are categorized to disclose credit and interest rate risk as of June 30, 2019. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration as calculated by BOI. The credit quality ratings have been calculated excluding non-rated investment types. Both the credit quality ratings and duration have been calculated excluding cash equivalents, as BOI determined that these securities did not contain these risk elements. There were no derivative transactions during the 2019 fiscal year for investments held by the trustee. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, 2019, BOI deemed the cash equivalents to have little discernible interest rate risk.

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 50.0% 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	$ 72,193
Uninsured and uncollateralized cash	9,920
Undeposited cash	577
Cash in US Treasury	353,632
Cash in MSU component units	7,935
Cash in UM component units	16,200
Less: outstanding warrants	(49,688)
	$ 410,769

As of June 30, 2019, the carrying amount of deposits for component units was $207.2 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 that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value
Treasuries (1)	$ 174,733
Corporate commercial paper (2)	200,145
Corporate notes (2)	448,909
Certificates of deposit (2)	325,235
Agency or government related (2)	873,181
Money market fund unrated	150,638
STIP cash and cash equivalents (2)	1,995,098
Less: STIP Adjustments (3)	(126,540)
Total cash equivalents	$ 4,041,399

(1) A portion is also included in the Investments Measured at Fair Value and NAV table.
(2) Also included in the Investments Measured at Fair Value and NAV table.
(3) Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2019, local governments had invested $1.4 billion and component units of the State of Montana had invested $551.1 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of June 30, 2019
(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Treasuries	$ 310,466	A-1+
Agency or government related	356,614	A-1+
Asset backed commercial paper	1,116,921	A-1+
Corporate commercial paper	189,596	A-1+
Certificates of deposit	21,501	A-1+
Total cash equivalents	$ 1,995,098	

STIP
Credit Quality Rating and Weighted Average of Maturity as of June 30, 2019
(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 129,877	A-1+	20
Agency or government related	873,181	A-1+	69
Corporate:			
Commercial paper	200,145	A-1+	16
Notes	448,909	A-1+	61
Certificates of deposit	325,235	A-1+	45
Total STIP fixed income investments at fair value	$ 1,977,347		

C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) 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)

	Fair Value [(1)]
CAPP:	
Consolidated asset pension pool	$ 11,495,868
TFIP:	
Trust funds investment pool	2,456,087
Total pooled investments	13,951,955
Pool adjustments (net)	34,473
Total equity in pooled investments	$ 13,986,428

(1) Includes cash/cash equivalents and investments.

As of June 30, 2019, the fair value of the underlying securities on loan was $595.2 million. Collateral provided for the securities on loan totaled $606.9 million, consisting of $83.4 million in cash and $523.5 million in securities.

As of June 30, 2019, local governments invested $12.3 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2019, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2019
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMI	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	$ 1,337,688	$ 481,464	$ 346,460	$ 2,165,612	AAA	3.21-8.08
Agency or Government Related	218,805	340,285	150,949	710,039	AAA	2.97-4.22
Asset Backed Securities	33,332	75,392	57,708	166,432	AAA	1.88-1.99
Mortgage Backed Securities:						
Noncommercial	356,424	248,265	55,083	659,772	AAA	3.60-4.24
Commercial	162,244	220,519	27,312	410,075	AA+ to AAA	4.69-7.34
Corporate:						
Financial	248,750	324,236	270,351	843,337	BBB+ to A-	3.25-4.14
Industrial	492,119	500,951	356,212	1,349,282	BB to A-	3.63-6.44
Utility	24,490	21,222	21,630	67,342	BB+ to BBB+	1.94-3.07
High Yield Bond Fund	—	51,966	—	51,966	BB-	2.40
Commingled Asset Allocation Funds	104,686	—	—	104,686	NR	NA
Total fixed income investments at fair value	$ 2,978,538	$ 2,264,300	$ 1,285,705	$ 6,528,543		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraisal value.

Investments measured at cost are included to account for all investments within each pool and SMI. These assets represent cash equivalents and Montana Mortgages and Loans.

Each of the investment pools and SMI has the following fair value measurements as of June 30, 2019:

Investments Measured at Fair Value
(in thousands)

		Fair Value Measurements Using		
	June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by fair value level				
Fixed income investments:				
Treasuries	$ 2,295,489	$ 2,295,489	$ —	$ —
Agency or Government Related	1,583,220	—	1,583,220	—
Asset Backed Securities	166,431	—	166,431	—
Mortgage Backed Securities:				
Noncommercial	659,772	—	659,772	—
Commercial	410,075	—	410,075	—
Corporate:				
Commercial Paper	200,145	—	200,145	—
Commercial Notes	448,909	—	448,909	—
Certificates of Deposit	325,235	—	325,235	
Financial	843,337	—	843,337	—
Industrial	1,349,282	—	1,349,282	—
Utility	67,342	—	67,342	—
Equity investments	3,632,285	3,632,285	—	—
International equity investments	1,967,247	1,967,247	—	—
Direct Real Estate	19,185	—	—	19,185
Residential Mortgages	3,358	—	—	3,358
Investment derivate instruments:				
Credit default swaps	310	—	310	—
Total investments by fair value level	13,971,622	7,895,021	6,054,058	22,543
Investments measured at the net asset value (NAV)				
Commingled Asset Allocation Funds	104,686			
Private Equity Partnerships	1,551,573			
Core Real Estate	620,022			
Non-Core Real Estate	405,296			
Timber	106,902			
High Yield Bond Fund	51,966			

Investments Measured at Fair Value
(in thousands)

		Fair Value Measurements Using		
	June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Total investments measured at NAV	2,840,445			
Total investments measured at fair value	16,812,067			
Investments at cost				
Cash and cash equivalents held at custodial bank	2,594,018			
SMI Montana Mortgages and Loans	167,356			
Total investments not categorized	2,761,374			
Total investments	$ 19,573,441			

The investments measured at NAV for the year ended June 30, 2019, are detailed below.

	Investments Measured at NAV (in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Asset Allocation Funds	$ 104,686	$ —	Daily	1 day
Private Equity Partnerships	1,551,573	919,698		
Core Real Estate	620,022	—	Monthly, quarterly	45-90 days
Non-Core Real Estate	405,296	257,589		
Timber	106,902	14,225		
High Yield Bond Fund	51,966	—	Monthly	30 days
Total investments measured at the NAV	$ 2,840,445	$ 1,191,512		

STIP and $1.7 billion of SMI are included, and also reported in Tables 2 and 4, respectively.

Commingled Asset Allocation Funds – This type consists of institutional investment funds that invest in global tactical asset allocation funds. The fair values of these investments use the NAV per share (or its equivalent) of the investments.

Private Equity Partnerships – This type includes investments in limited partnerships. Generally, the types of partnership strategies included in this portfolio are: venture capital, growth equity, buyouts, special situations, mezzanine, energy, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially-leased institutional quality real estate in traditional property types (apartments, office, retail, industrial, and hotel), through commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds in order to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. These investments can never be redeemed. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital.

Timber – This type includes private partnership funds that primarily invest in timber funds. The underlying assets of these types of funds are typically made of tree farms and managed forest. Returns come from biological growth, upward product class movement, and appreciation in timber and land prices. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 12 to 20 years. These investments can never be redeemed with the funds. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital.

High Yield Bond Fund – This type consists of predominantly US corporate credits, whether in the form of bonds or loans, that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of these investments use the NAV per share (or its equivalent) of the investments.

As of the June 30, 2019, exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in US dollars, at fair value in the table below and is limited to CAPP. Excluded are the foreign investments denominated in US dollars for the American Depositary Receipts (ADRs), sovereign debt, and commingled index funds.

Foreign Currency Exposure by Country
Investment Type in US Dollar Equivalent
(in thousands)

Foreign Currency Denomination	Currency	International Equities	Private Equity	Real Estate Equity
Australian Dollar	$ —	$ 29,752	$ —	$ —
Brazilian Real	58	19,314	—	—
Canadian Dollar	76	56,063	—	—
Czech Koruna	—	799	—	—
Danish Krone	—	10,939	—	—
EMU – Euro	110	180,950	18,510	1,422
Hong Kong Dollar	67	36,067	—	—
Hungarian Forint	18	1,873	—	—
Indonesian Rupiah	2	1,120	—	—
Japanese Yen	276	100,630	—	—
Korean Fortnit	2	15,948	—	—
Malaysian Ringgit	1	1,596	—	—
Mexican Peso	4	4,976	—	—
New Israeli Sheqel	—	6,704	—	—
New Zealand Dollar	—	211	—	—
Norwegian Krone	—	6,243	—	—
Philippine Peso	3	70	—	—
Polish Zloty	—	2,238	—	—
Pound Stering	121	93,259	—	—
Singapore Dollar	1	12,220	—	—
South African Rand	19	11,715	—	—
South Korean Won	(97)	15,390	—	—
Swedish Krona	1	28,927	—	—
Swiss Franc	1	32,154	—	—
New Taiwan Dollar	8	4,178	—	—
Thailand Baht	—	5,142	—	—
Yuan Renminbi	316	8,898	—	—
Total cash and securities	$ 987	$ 687,376	$ 18,510	$ 1,422

Investments in alternative equity are usually made through 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 CAPP alternative equity managers by pension asset class (PAC), as of June 30, 2019.

Commitments to Fund Managers
(in thousands)

Pension Asset Class	Original Commitment	Commitment Remaining
Private Equities PAC	$ 2,570,722	$ 761,179
Real Estate PAC	1,511,666	257,589
Natural Resources PAC	464,412	172,744
Total	$ 4,546,800	$ 1,191,512

D. Investments

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

Long-term Investments

Department	Percent Administered
Board of Investments	50.00%
Universities	18.60
MPERA (Montana Public Employee Retirement Administration)	23.71
College Savings Plan	4.78
Montana Board of Housing	1.39
Other (1)	1.52
Total	100.00%

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Commerce, the Department of Natural Resources and Conservation, the Department of Revenue, 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. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. The PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors: stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund of the PERS-DCRP and Deferred Compensation Plan are held in a Pooled Trust. The third party record keeper, Empower ™ Retirement, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
Investments by fair value level				
Treasuries (1)	$ 3,959	$ 3,959	$ —	$ —
Agency/Government Related (1)	26,663	—	26,663	—
Government Securities	3,600	3,600	—	—
Stocks	6,258	6,258	—	—
Other	22,749	—	22,749	—
Total investments at fair value	63,229	13,817	49,412	—
Investments at cost				
Montana Mortgages and Loans (3)	157,935			

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total investments at cost	157,935			
Total primary government	221,164			
Component units/fiduciary funds				
Investments by fair value level				
Treasuries (1)	317,615	317,615	—	—
Agency/Government Related (1)	124,286	—	124,286	—
Asset Backed Securities (1)	57,708	—	57,708	—
Mortgage Backed Securities (1)	55,083	—	55,083	—
Commercial Mortgage Backed Securities (1)	27,312	—	27,312	—
Financial-Corporate (1)	270,351	—	270,351	—
Industrial-Corporate (1)	356,212	—	356,212	—
Utility-Corporate (1)	21,630	—	21,630	—
Equity Investments	169,265	169,265	—	—
529 College Savings Plan	160,074	—	160,074	—
VEBA	7,466	7,466	—	—
State Auditor	10,919	6,464	4,455	—
MSU Investments (2)	23,546	—	23,546	—
MSU Component Unit Investments (2)	161,675	158,066	2,346	1,263
UM Component Unit Investments (2)	186,536	136,896	38,839	10,801
Board of Housing (2)	41,971	8,323	33,648	—
Total investments at fair value	1,991,649	804,095	1,175,490	12,064
Investments at net asset value (NAV)				
Core Real Estate	85,053			
Deferred Compensation (2)	532,205			
Defined Contribution (2)	260,973			
MSU Component Unit Investments (2)	96,693			
UM Component Unit Investments (2)	124,344			
UM Other Investments (2)	363			
UM Interest in Split Interest (2)	4,399			
Total investments at NAV	1,104,030			
Investments at cost				
MSU Component Unit Investments (2)	24,875			
Board of Housing (2)	4,364			
Total Investments at Cost	29,239			
Total component unit/fiduciary investments	3,124,918			
Total investments	$ 3,346,082			
Securities lending investment pool	$ 8,047			

(1) The credit quality rating and duration are included in above sections for the rated investments.
(2) For more detail, refer to component unit separately issued financial statements.
(3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included on SMI financial statements. This amount of $9.4 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2019, the fair value of the investments on loan was $128.5 million. Collateral provided for the investments on loan totaled $131.2 million consisting of $8.1 million in cash and $123.1 million in securities.

$1.7 billion of SMI is included, and also reported in the Investments Measured at Fair Value and NAV table.

Municipal Finance Programs – Rated Securities
Credit Quality Rating and Effective Duration as of June 30, 2019
(in thousands)

Security Investment Type		Fair Value	Credit Quality Rating (1)	Effective Duration (1)
Short-term investments				
US Treasury obligations	$	2,684	AA+	0.15
Restricted investments				
US Treasury obligations		701	AA+	1.45
Total investments	$	3,385		

(1) Credit Quality Rating and Effective Duration are weighted.

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, 2019, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	$ —	$ 5,509	$ 1,919	$ 776	$ —	$ —	$ 10,025
Contributions/premiums	—	—	—	8,043	—	—	2,040
Grants/contracts/donations	—	—	—	—	—	16	304
Investment income	3,596	—	2,260	249	2,406	4,256	4,245
License and permits	—	—	—	—	—	—	8,524
Other receivables	—	72,891	6,797	4	—	—	667
Reimbursements/overpayments	—	348	19,337	—	—	—	15,039
Taxes	7,398	—	387,046	—	—	2,600	98,663
Total receivables	10,994	78,748	417,359	9,072	2,406	6,872	139,507
Less: allowance for doubtful accounts	—	(2,065)	(125,058)	(16)	—	—	(17,891)
Receivables, net	$ 10,994	$ 76,683	$ 292,301	$ 9,056	$ 2,406	$ 6,872	$ 121,616

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	$ —	$ 27,985	$ —
Contributions/premiums	—	2,776	5,387
Loans/investment income	8,367	265	—
Other receivables	—	64	—
Reimbursements/overpayments	—	—	2,279
Total receivables	8,367	31,090	7,666
Less: allowance for doubtful accounts	—	(464)	(2,928)
Receivables, net	$ 8,367	$ 30,626	$ 4,738

B. Deferred Outflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows (1)	$ —	$ 5,032	$ 239	$ —	$ —
Pension deferred outflows (2)	28	760,165	11,920	—	86
Refunding deferred outflows	—	—	—	2,461	—
Total deferred outflows	$ 28	$ 765,197	$ 12,159	$ 2,461	$ 86

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows (1)	$ 1	$ 65
Pension deferred outflows (2)	79	2,774
Total deferred outflows	$ 80	$ 2,839

(1) Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

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

C. Accounts Payables

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	$ 6	$ 387	$ 27	$ 1,668	$ 58
Payroll	8,554	21,965	3,829	6	20,567
Tax refunds	—	161,767	—	—	—
Vendors/individuals	229,267	73,312	10,491	2,663	153,880
Payables, net	$ 237,827	$ 257,431	$ 14,347	$ 4,337	$ 174,505

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	$ 655	$ 3	$ —
Payroll	19	986	—
Vendors/individuals	7	16,822	1,741
Payables, net	$ 681	$ 17,811	$ 1,741

D. Deferred Inflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred inflows [1]	$ —	$ 3,998	$ 257	$ —	$ —
Pension deferred inflows [2]	57	195,919	11,511	—	79
Refunding deferred inflows	—	—	—	235	—
Total deferred inflows	$ 57	$ 199,917	$ 11,768	$ 235	$ 79

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows [1]	$ 2	$ 77
Pension deferred inflows [2]	80	3,482
Total deferred inflows	$ 82	$ 3,559

(1) Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

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

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2019, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases [1]	Decreases [1]	Ending Balance
Capital assets not being depreciated:				
Land	$ 719,083	$ 18,281	$ (339)	$ 737,025
Construction work in progress	927,077	447,886	(269,145)	1,105,818
Easements	192,587	26,226	—	218,813
Museum and art	85,440	230	—	85,670
Other	29,282	560	—	29,842
Total capital assets not being depreciated	1,953,469	493,183	(269,484)	2,177,168
Capital assets being depreciated:				
Infrastructure	5,429,950	246,256	(102,648)	5,573,558
Land improvements	65,508	3,743	—	69,251
Buildings/improvements	591,294	18,362	(4,019)	605,637
Equipment	397,503	23,249	(10,491)	410,261
Easements - amortized	1,450	—	(73)	1,377
Other	5,402	164	—	5,566
Total capital assets being depreciated	6,491,107	291,774	(117,231)	6,665,650
Less accumulated depreciation for:				
Infrastructure	(1,615,849)	(186,967)	102,648	(1,700,168)
Land improvements	(30,431)	(3,035)	28	(33,438)
Buildings/improvements	(383,435)	(18,986)	3,397	(399,024)
Equipment	(253,624)	(25,772)	8,734	(270,662)
Other	(4,042)	(266)	—	(4,308)
Total accumulated depreciation	(2,287,381)	(235,026)	114,807	(2,407,600)
Total capital assets being depreciated, net	4,203,726	56,748	(2,424)	4,258,050
Intangible assets	33,498	41,595	(29,826)	45,267
Governmental activities capital assets, net	$ 6,190,693	$ 591,526	$ (301,734)	$ 6,480,485

[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	7,791	878	(1,782)	6,887
Other	4,251	46	(657)	3,640
Total capital assets not being depreciated	12,842	924	(2,439)	11,327
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	10,146	53	—	10,199
Equipment	9,546	159	(132)	9,573
Total capital assets being depreciated	24,697	212	(132)	24,777
Less accumulated depreciation for:				
Infrastructure	(727)	(19)	—	(746)
Land improvements	(1,915)	(149)	—	(2,064)
Buildings/improvements	(6,503)	(296)	—	(6,799)
Equipment	(6,845)	(549)	120	(7,274)
Total accumulated depreciation	(15,990)	(1,013)	120	(16,883)
Total capital assets being depreciated, net	8,707	(801)	(12)	7,894
Intangible assets	78	2,086	(102)	2,062
Business-type activities capital assets, net	$ 21,627	$ 2,209	$ (2,553)	$ 21,283

(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):

	Depreciation [2]
General government	$ 8,190
Public safety	7,570
Transportation, including depreciation of the highway system maintained by the State	189,740
Health and human services	2,480
Education	191
Natural resources, including depreciation of the state's dams	10,569
Depreciation on capital assets held by the internal service funds	16,286
Total depreciation expense – Governmental Activities	$ 235,026

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

	Depreciation [2]
Liquor Stores	$ 108
State Lottery	52
Prison Funds	566
West Yellowstone Airport	233
Other Enterprise Funds	54
Total depreciation expense – Business-type Activities	$ 1,013

(2) 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 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 payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund, a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for some pension related items.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) 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 oversees two defined contribution plans: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the 457-Deferred Compensation Plan (457 Plan). The PERB also oversees education funds related to the pension plans. 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 obtained 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 board, 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 MPERA, 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 OPEB Plan provides a defined benefit for 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.

Teachers' Retirement System

The Teachers' Retirement System (TRS) 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 100 N Park Avenue, Suite 110, 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 contributing entities as of June 30, 2019, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	546	320	57	33	27	235	366
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	547	320	57	34	28	236	367

There are 685 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. 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 the 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. The 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, 2019, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	JRS	HPORS (1)	GWPORS	PERS-DBRP(2)	SRS	MPORS (1)	FURS	VFCA	TRS	PERS-DCRP	457-DC
Classification of Member											
Active	58	232	1,021	28,908	1,454	806	722	2,249	19,686	2,871	4,922
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	18	138	3,943	135	94	36	777	1,791	559	4,618
Non-vested	1	25	447	19,316	633	164	67	—	14,261	713	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements(3)	68	324	332	22,592	673	786	632	1,484	15,589	111	—
Disability retirements	—	6	4	146	29	32	10	1	199	10	—
Survivor benefits(4)	5	12	10	507	24	32	19	3	468	2	—
Total membership	134	617	1,952	75,412	2,948	1,914	1,486	4,514	51,994	4,266	9,540

(1) Includes DROP in the Active count.

(2) The inactive Non-vested count includes dormant accounts that were previously not counted.

(3) Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

(4) Includes "Death Before Retirement" benefit payments.

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 for primary government and component units reported as of June 30, 2019, based on a June 30, 2018, actuarial valuation, follows with amounts presented in thousands:

Aggregate Pension Amounts - All Plans (State as employer)

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	$ 60,192	$ 102,651	$ (42,459)	$ (2,392)	$ 2,363	$ 3,116
HPORS	227,581	149,199	78,382	8,880	11,830	777
GWPORS	234,470	193,523	40,947	7,533	16,098	1,450
PERS-DBRP	3,111,159	2,285,772	825,387	69,675	189,135	182,664
SRS	21,151	17,488	3,663	(274)	2,798	4,041
FURS	12,634	9,984	2,650	485	1,227	47
TRS	153,359	105,952	47,407	11,538	32,691	1,725
Totals	$ 3,820,546	$ 2,864,569	$ 955,977	$ 95,445	$ 256,142	$ 193,820

(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 (Montana Code Annotated). 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. Benefits are based on eligibility, years of service and compensation. 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 – 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
3.33% 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. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system – As the employer, the State was required to contribute 25.81% of a member's compensation until January 1, 2018, at which time the contribution rate was reduced to 0% temporarily until June 30, 2019.

Actuarial Assumptions

The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability/(asset) to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability/(asset). Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.18%

- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases None
- 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 electing GABA or hired on or after July 1, 1997
  - Current 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. 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 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 2105. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the JRS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	**Current Discount Rate**	**1.0% Increase (8.65%)**
JRS net pension (asset)	$ (36,544)	$ (42,459)	$ (47,564)

Net Pension Asset

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its 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 6/30/17	**Net Pension Liability (Asset) as of 6/30/18**	**Percent of NPA**
Employer's proportionate share	$ (35,855)	$ (42,459)	100%

At June 30, 2019, the employer reported a net pension asset of $42.5 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of the JRS participating employers.

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

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 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 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 6/30/2017	$ 60,798	$ 96,653	$ (35,855)
Service costs	1,664	—	1,664
Interest	4,503	—	4,503
Difference between expected and actual experience	(2,901)	—	(2,901)
Contributions – employer	—	1,085	(1,085)
Contributions – member	—	575	(575)
Net investment income	—	8,467	(8,467)
Refunds of contributions	(149)	(149)	—
Benefit payments	(3,723)	(3,723)	—
Administrative expense	—	(264)	264
Other changes	—	7	(7)
Net changes	(606)	5,998	(6,604)
Balances at 6/30/2018	$ 60,192	$ 102,651	$ (42,459)

Pension Expense
At June 30, 2019, the employer recognized pension expense/(income) of $(2.4) million for the JRS.

Deferred Outflows and Inflows
At June 30, 2019, the employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $1.1 million.

As of the fiscal year ended June 30, 2019, 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
Net difference between projected and actual earnings on pension plan investments	$ —	$ 605
Changes of assumptions	1,932	—
Differences between expected and actual experience	431	2,511
Totals	$ 2,363	$ 3,116

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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

(in thousands)

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 679
2021	485
2022	(1,683)
2023	(234)
2024	—
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 statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include 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.

Deferred Retirement Option Plan (DROP)

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, 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 only participate in the DROP once. A participant remains a member of the HPORS, 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 employer contributions continue to the retirement system; mandatory employee contributions are deposited to the members DROP account. A monthly benefit is calculated based on salary and years of service to date as 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. As of June 30, 2019, the balance held by MPERA for HPORS DROP participants was approximately $2.0 million.

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 – 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.

Second Retirement (applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

- is not awarded service credit for the period of reemployment;
- is refunded the accumulated contributions associated with the period of reemployment;
- starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:

- is awarded service credit for the period of reemployment;
- starting the first month following termination of service, receives:
  - the same retirement benefit previously paid to the member; and
  - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
  - on the initial retirement benefit starting January immediately following second retirement; and
  - on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

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 – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. 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 13.00%.
Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

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 used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.30%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 6.30%
- 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%
    - Hired on or after July 1, 2013 – 1.50%

- ◦ Minimum Benefit Adjustment – Limited to 5% over the current benefit and may not exceed 60% 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. 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. The State contributes 10.18% of salaries paid by employers, however, this is considered an employer contribution since HPORS is a single-employer plan and the State is the only employer. 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 2129. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the HPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the HPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
HPORS net pension liability	$ 110,323	$ 78,382	$ 52,575

Net Pension Liability

In accordance with GASB 68, employer is required to recognize and report certain amounts associated with its participation in the HPORS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its 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 6/30/17	Net Pension Liability as of 6/30/18	Percent of NPL
Employer's proportionate share	$ 78,385	$ 78,382	100%

At June 30, 2019, the employer reported a liability of $78.4 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of the HPORS participating employers.

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 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 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 6/30/2017	$ 218,922	$ 140,537	$ 78,385
Service costs	3,643	—	3,643
Interest	16,294	—	16,294
Difference expected and actual experience	590	—	590
Contributions – employer	—	5,858	(5,858)
Contributions – non-employer (State)	—	250	(250)
Contributions – member	—	2,387	(2,387)
Net investment income	—	12,283	(12,283)
Refund of contributions	(322)	(322)	—
Benefit payments	(11,546)	(11,546)	—
Administrative expense	—	(256)	256
Other changes	—	8	(8)
Net changes	8,659	8,662	(3)
Balances at 6/30/2018	$ 227,581	$ 149,199	$ 78,382

Pension Expense

At June 30, 2019, the employer recognized pension expense of $8.9 million for the HPORS.

Deferred Outflows and Inflows

At June 30, 2019, the employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $6.1 million.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ 1,833	$ —
Changes of assumptions	3,946	—
Net difference between projected and actual earnings on pension plan investments	—	777
Contributions paid to HPORS subsequent to the measurement date – FY 2019 contributions	6,051	—
Totals	$ 11,830	$ 777

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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

(in thousands)

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 3,680
2021	2,891
2022	(1,235)
2023	(334)
2024	—
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.

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 – 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:

- 3.0% 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 used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of payroll 0.17%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%

- 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:
  - 3.00% for members hired prior to July 1, 2007
  - 1.50% 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. 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 2117. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the GWPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the GWPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Primary government employer GWPORS net pension liability	$ 72,781	$ 38,851	$ 11,194
Discretely presented component units employer GWPORS net pension liability	3,927	2,096	604
Total employer GWPORS net pension liability	$ 76,708	$ 40,947	$ 11,798

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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
Primary government employer proportionate share	$ 35,297	$ 38,851	94.880929%
Discretely presented component units employer proportionate share	2,063	2,096	5.119071%
Total employer GWPORS proportionate share	$ 37,360	$ 40,947	100%

At June 30, 2019, the employer reported a total liability of $40.9 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of GWPORS participating employers.

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: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion 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 6/30/2017	$ 201,284	$ 165,987	$ 35,297
Service costs	7,683	—	7,683
Interest	15,198	—	15,198
Difference between expected and actual experience	4,536	—	4,536
Contributions – employer	—	4,377	(4,377)
Contributions – member	—	5,230	(5,230)
Net investment income	—	14,776	(14,776)
Refunds of contributions	(1,049)	(1,049)	—
Benefit payments	(6,189)	(6,189)	—
Administrative expense	—	(350)	350
Other changes (1)	1,004	834	170
Net changes	21,183	17,629	3,554
Balances at 6/30/2018	$ 222,467	$ 183,616	$ 38,851

(1) The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

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 6/30/2017	$ 11,917	$ 9,854	$ 2,063
Service costs	415	—	415
Interest	820	—	820
Difference between expected and actual experience	245	—	245
Contributions - employer	—	236	(236)
Contributions - member	—	282	(282)
Net investment income	—	797	(797)
Refunds of contributions	(56)	(56)	—
Benefit payments	(334)	(334)	—
Administrative expense	—	(19)	19
Other changes (1)	(1,004)	(853)	(151)
Net changes	86	53	33
Balances at 6/30/2018	$ 12,003	$ 9,907	$ 2,096

(1) The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

Pension Expense

At June 30, 2019, the employer recognized a total pension expense of $7.5 million for its proportionate share of the GWPORS pension expense: $7.2 million related to the primary government and $360.3 thousand related to component units.

Deferred Outflows and Inflows

At June 30, 2019, the State, as a primary government employer, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $4.3 million.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ 7,340	$ —
Net difference between projected and actual earnings on pension plan investments	—	1,195
Changes in assumptions	3,346	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	191	111
Contributions paid to GWPORS subsequent to the measurement date – FY 2019 contributions	4,419	—
Totals	$ 15,296	$ 1,306

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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

(in thousands)

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 4,114
2021	3,270
2022	1,664
2023	523
2024	—
Thereafter	—

The State's discretely presented component units, as employers, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $234.2 thousand.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ 396	$ —
Net difference between projected and actual earnings on pension plan investments	—	64
Changes in assumptions	181	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	80
Contributions paid to GWPORS subsequent to the measurement date – FY 2019 contributions	225	—
Totals	$ 802	$ 144

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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

(in thousands)

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 195
2021	150
2022	63
2023	25
2024	—
Thereafter	—

(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 employees of the State and local governments, and 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).

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.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;
Hired on or after July 1, 2011 – HAC during any consecutive 60 months;
Hired on or after July 1, 2013 – 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.

Second retirement (all require retuning to PERS-covered employment or PERS service):

Retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

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:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
  a. 1.5% for each year PERS is funded at or above 90%;
  b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; 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 8.67% of member compensation.
Local government entities are required to contribution 8.57% of member compensation.
School district employers contributed 8.30% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. 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. As of January 1, 2019, the additional contributions will not be terminated.

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

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer 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.
The State contributes a Statutory Appropriation from General Fund. Funding provided for the year ended June 30, 2019, totaled $33.5 million.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.26%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 4.8%
- 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 all other adjustments to the member's benefit:
    - 3.00% for members hired prior to July 1, 2007
    - 1.50% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
        - 1.50% for each year PERS is funded at or above 90%
        - 1.50% is reduced by 0.1% for each 2% PERS is funded below 90%; and
        - 0% whenever the amortization period for PERS is 40 years or more
- 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 a Statutory Appropriation from the General Fund. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the PERS-DBRP. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the PERS-DBRP's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as an employer in PERS-DBRP – net pension liability	$ 1,193,700	$ 825,387	$ 522,943
State as a nonemployer contributing entity to PERS-DBRP – net pension liability	752,125	520,058	329,495

Net Pension Liability

In accordance with GASB 68, employers and the nonemployer contributing entities 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.

In accordance with GASB 68, the PERS-DBRP has a special funding situation where 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.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's proportionate share as an employer entity	$ 1,033,200	$ 825,387	39.546272%
State's proportionate share as a nonemployer contributing entity	19,622	520,058	24.917247%
State of Montana totals	$ 1,052,822	$ 1,345,445	64.463519%

Per Section 19-3-320, MCA, effective July 1, 2017, the State provided the state statutory appropriation directly to the PERS-DBRP. The state statutory appropriation is considered a special funding situation and increased the state's proportionate share. All PERS-DBRP participating employers' proportionate shares have decreased as a result of the increased state proportion as compared to prior years.

At June 30, 2019, the State reported a liability of $1.3 billion 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total employer and nonemployer special funding contributions received from all PERS-DBRP participating employers.

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: Between the measurement date of the collective net pension liability and the employer’s reporting date there were no changes in proportion that would have an effect on the employer’s proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Grant Expenses

At June 30, 2019, the State as an employer recognized a pension expense of $69.7 million for its proportionate share of the PERS-DBRP’s pension expense. The State as a nonemployer contributing entity recognized grant expense of $1.1 million for special funding support provided by the General Fund for its proportionate share of the PERS-DBRP’s pension expense that is associated with local government and school district participants in the plan. The State as a nonemployer contributing entity recognized grant expense of $33.6 million for special funding support provided by the General Fund as a statutory appropriation for all participating employers in the plan. The State as a nonemployer contributing entity recognized pension expense of $132.1 million that is actuarially allocated to the State as a nonemployer. The total pension expense recognized by the State as a nonemployer was $166.8 million. Total pension related expenses recognized by the State, both as employer and nonemployer contributing entity at June 30, 2019, were $236.5 million.

Deferred Outflows and Inflows

At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $54.8 million.

As of the fiscal year ended June 30, 2019, 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
Actual versus expected experience	$ 62,765	$ —
Net difference between projected and actual earnings on pension plan investments	—	12,818
Change of assumptions	70,187	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	169,846
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2019 contributions	56,183	—
Totals	$ 189,135	$ 182,664

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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
2020	$ 14,048
2021	2,003
2022	(60,496)
2023	(5,267)
2024	—
Thereafter	—

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $34.7 million.

As of the fiscal year ended June 30, 2019, 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
Actual versus expected experience	$ 39,547	$ —
Net difference between projected and actual earnings on pension plan investments	—	8,077
Change of assumptions	44,223	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	296,154	—
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2019 contributions	34,642	—
Totals	$ 414,566	$ 8,077

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction to its share of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred 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
2020	$ 144,020
2021	135,594
2022	95,552
2023	(3,319)
2024	—
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.

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 – 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.

Second Retirement (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   - is not awarded service credit for the period of reemployment;
   - is refunded the accumulated contributions associated with the period of reemployment;
   - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
   - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   - is awarded service credit for the period of reemployment;
   - starting the first month following termination of service, receives:
     - the same retirement benefit previously paid to the member; and

    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- do not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
    - on the initial retirement benefit starting in January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

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.

- 3.0% 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 and are a percentage of the member's compensation. 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 10.495% of member's compensation.

Employer contributions to the system – The employers are required to contribute 13.115% of member compensation. 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 used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.21%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.30%
- 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.
    - 3.00% for members hired prior to July 1, 2007
    - 1.50% 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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. 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 2118. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the SRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the SRS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's SRS net pension liability	$ 6,666	$ 3,663	$ 1,204

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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
Employer proportionate share	$ 3,696	$ 3,663	4.872800%

At June 30, 2019, the State as an employer reported a liability of $3.7 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of SRS participating employers.

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

Pension Expense

At June 30, 2019, the employer recognized a pension expense/(income) of $(274.0) thousand for its proportionate share of the SRS pension expense/(income).

Deferred Outflows and Inflows

At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $495.8 thousand.

As of the fiscal year ended June 30, 2019, 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
Difference between actual and expected experience	$ 202	$ 8
Net difference between projected and actual earnings on pension plan investments	—	102
Changes of assumptions	2,083	3,464
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	467
Contributions paid to SRS subsequent to the measurement date – FY 2019 contributions	513	—
Totals	$ 2,798	$ 4,041

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, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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

(in thousands)

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	
2020	$	(470)
2021		(557)
2022		(741)
2023		12
2024		—
Thereafter		—

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.

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 only participate in the DROP 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. As of June 30, 2019, the balance held by MPERA for MPORS DROP participants was approximately $9.5 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary 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 for MPORS 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 – 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit
Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.
Second Retirement: Age 50, reemployed in a MPORS position

Vesting
Death and disability rights are vested immediately.
5 years of membership service.

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

Second retirement benefit formula for members re-employed in a MPORS position after July 1, 2017:

1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   a. Is not awarded service credit for the period of reemployment;
   b. Is refunded the accumulated contributions associated with the period of reemployment;
   c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
   d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   a. Is awarded service credit for the period of reemployment;
   b. Starting the first month following termination of service, receives:
      i. The same retirement benefit previously paid to the member, and
      ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
   c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
      i. On the initial retirement benefit in January immediately following second retirement, and
      ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
3) A member who returns to covered service is not eligible for a disability benefit.

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 of the employer 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 – Contribution rates are dependent upon date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2019:
- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.

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 used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin expense as a % of Payroll 0.24%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.60%
- Postretirement Benefit Increases
    - 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% the compensation of a newly confirmed officer in the city that the member was last employed
- 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 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 2132. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the MPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the MPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 174,579	$ 114,956	$ 67,274

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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State as a nonemployer contributing entity – proportionate share	$ 119,354	$ 114,956	67.124706%

At June 30, 2019, the State as a nonemployer contributing entity reported a liability of $115.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to total contributions received from all of the MPORS's participating employers and the nonemployer contributing entity.

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: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

The State recognized grant expense of $13.0 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, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $15.3 million.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ 322	$ 2,293
Net difference between projected and actual earnings on pension plan investments	—	871
Change of assumptions	5,374	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	358	—
Contributions paid to MPORS subsequent to the measurement date – FY 2019 Contributions	15,941	—
Totals	$ 21,995	$ 3,164

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred 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	
2020	$	3,072
2021		2,479
2022		(2,149)
2023		(512)
2024		—
Thereafter		—

Firefighters' Unified Retirement System – 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 compensation.

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.
Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

Eligibility for benefit

Service retirement: 20 years of membership service, regardless of age.
Early Retirement: Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately
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**

- if less than 20 years of service – 2% of HMC for each year of service;
- 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 and the 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 active firefighter of the employer that last employed the member.

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 9.50%;
Hired on or after July 1, 1997 and electing GABA, member contributions as a percentage of salary are 10.70%.

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 used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.23%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Postretirement Benefit Increases
    - 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 adjustment to the member's benefit.
    - Minimum Benefit Adjustment (non-GABA)
      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% the compensation of a newly confirmed firefighter employed by the city that last employed the member.
- 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 2020 using Scale BB, set back one year for males.

- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 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 2134. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the FURS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the FURS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as an employer in FURS – net pension liability	$ 4,542	$ 2,650	$ 1,126
State as a nonemployer contributing entity to FURS – net pension liability	134,175	78,285	33,263

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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's proportionate share as an employer entity	$ 2,525	$ 2,650	2.300917%
State's proportionate share as a nonemployer contributing entity	76,724	78,285	67.972164%
State of Montana totals	$ 79,249	$ 80,935	70.273081%

At June 30, 2019, the State reported a liability of $80.9 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to the total contributions received from all FURS participating employers and the nonemployer contributing entity.

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: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense
At June 30, 2019, the State as an employer recognized pension expense of $485.0 thousand for its proportionate share of the FURS pension expense. The State also recognized grant expense of $11.7 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. Total pension related expenses at June 30, 2019, was $12.2 million.

Deferred Outflows and Inflows
At June 30, 2019, the State, as an employer, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $517.9 thousand.

As of the fiscal year ended June 30, 2019, 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 actual and expected experience	$ 297	$ 15
Net difference between projected and actual earnings on pension plan investments	—	32
Change of assumptions	259	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	177	—
Contributions paid to FURS subsequent to the measurement date – FY 2019 contributions	494	—
Totals	$ 1,227	$ 47

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, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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
2020	$ 265
2021	217
2022	22
2023	114
2024	68
Thereafter	—

At June 30, 2019, the State recognized a beginning deferred outflow of resources as a nonemployer contributing entity for fiscal year 2018 contributions of $15.3 million.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ 8,788	$ 431
Net difference between projected and actual earnings on pension plan investments	—	950
Change in assumptions	7,665	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	117	—
Contributions paid to FURS subsequent to the measurement date – FY 2019 contributions	16,209	—
Totals	$ 32,779	$ 1,381

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred 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**	
2020	$	5,204
2021		3,784
2022		1,314
2023		3,195
2024		1,692
Thereafter		—

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was 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 includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The 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.

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 $250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting
10 years of credited service.

Monthly benefit formula (effective January 1, 2016)
$8.75 per year of credited service up to 20 years;
$7.50 per year of credited service after 20 years

Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 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. 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.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Inflation at 2.75%
- 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 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

For VFCA, administrative expenses are assumed to equal $89.3 thousand. This dollar amount is added to normal cost for valuation purposes.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 2110. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the VFCA. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension 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 and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the VFCA's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 12,207	$ 7,667	$ 3,821

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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State as a nonemployer proportionate share	$ 10,087	$ 7,667	100%

At June 30, 2019, the State reported a liability of $7.7 million for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. 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, 2017, through June 30, 2018, relative to total contributions received.

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 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

The State as a nonemployer contributing entity recognized grant expense of $664.1 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, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $2.2 million.

As of the fiscal year ended June 30, 2019, 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 expected and actual experience	$ —	$ 884
Change of assumptions	761	—
Net difference between projected and actual earnings on pension plan investments	—	33
Contributions paid to VFCA subsequent to the measurement date – FY 2019 contributions	2,361	—
Totals	$ 3,122	$ 917

Amounts reported as deferred outflows of resources related to pensions resulting from the State's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows and deferred 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**
2020	$ 476
2021	(236)
2022	(323)
2023	(73)
2024	—
Thereafter	—

<u>**Teachers' Retirement System**</u> – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that 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 TRS 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% of the AFC multiplied by the 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 1 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 for Tier 1 members is 1.5% of the benefit payable as of January 1. For Tier Two members the GABA 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.

Contributions to the System

All active employees in the TRS, 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 11.35% of compensation provided to an active, nonreemployed member. All school district and other employers are required to contribute 8.97% 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 Section 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.

The TRS receives a portion of the total required statutory contributions 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 System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute $25 million in perpetuity payable July 1 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, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of the last actuarial experience study, dated May 2018. Among those assumptions were the following:

• Total Wage Increases (includes 3.25% general wage increase assumption)	3.25% to 7.76% for non-university members 4.25% for university members
• Merit Increases	0 to 4.51% for non-university members 1.00% for university members
• Investment Return	7.50%
• Price Inflation	2.50%
• Admin Expense as a % of Payroll	0.36%

- Postretirement Benefit Increases (starting three years after retirement)
  - Tier One members: If the retiree has received benefits for at least three years, the retirement allowance will be increased by 1.5% on January 1.

   - Tier Two members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the TRS to be at least 90.0% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85.0%.
- Mortality among contributing members, service retired members, and beneficiaries:
   - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future.
- Mortality among disabled members
   - For Males: RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
   - For Females: RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 $25.0 million annually to the TRS payable July 1 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 2126. 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 assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the TRS's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. The TRS's recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of June 30, 2018, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	35.00%	6.68%
Broad International Equity	18.00%	6.98%
Private Equity	10.00%	10.15%
Natural Resources	3.00%	4.09%
Core Real Estate	7.00%	5.38%
TIPS	3.00%	1.78%
Intermediate Duration Bonds	19.00%	2.15%
High Yield Bonds	3.00%	4.36%
Cash	2.00%	0.81%
Total	100.00%	

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

(in thousands)

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
State as an employer in TRS – net pension liability	$ 65,186	$ 47,407	$ 32,515
State as a nonemployer contributing entity to TRS – net pension liability	963,094	700,417	480,403

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 TRS. 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 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's as an employer entity	$ 48,227	$ 47,407	2.554088%
State's as a nonemployer entity	642,958	700,417	37.735743%
State of Montana totals	$ 691,185	$ 747,824	40.289831%

At June 30, 2019, the State reported a liability of $747.8 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2017, through June 30, 2018, relative to all contributions received from the TRS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: As a result of the recent actuarial experience study, dated May 2018, the following changes to the actuarial assumptions were made since the previous measurement date:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
    - For Males: RP-2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For Females: RP-2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

At June 30, 2019, the State as an employer recognized a pension expense of $11.5 million for its proportionate share of the collective TRS pension expense. The State as a nonemployer contributing entity also recognized grant expense of $41.4 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. Total pension related expenses for fiscal year 2019 was $52.9 million.

Deferred Outflows and Inflows

At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $17.3 million.

As of the fiscal year ended June 30, 2019, 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	$ 338	$ 29
Net difference between projected and actual earnings on pension plan investments	—	428
Change of assumptions	3,864	70
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,951	1,198
Contributions paid to TRS subsequent to the measurement date – FY 2019 contributions	16,538	—
Totals	$ 32,691	$ 1,725

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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
2020	$ 7,677
2021	5,309
2022	1,663
2023	(221)
2024	—
Thereafter	—

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $43.7 million.

As of the fiscal year ended June 30, 2019, 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	$ 4,998	$ 437
Net difference between projected and actual earnings on pension plan investments	—	6,322
Changes of assumptions	57,095	1,037
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,910	29,044
Contributions paid to TRS subsequent to the measurement date – FY 2019 Contributions	44,333	—
Totals	$ 112,336	$ 36,840

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

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
2020	$ 18,583
2021	16,529
2022	(688)
2023	(3,261)
2024	—
Thereafter	—

D. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state 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.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress, and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2019. 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, within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) 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 PERS 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. 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. The PERS-DBRC provides retirement, disability and death benefits to plan members and their beneficiaries.

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, 2019, is $7.5 million and contribution forfeitures were $414.7 thousand.

Local government entities contribute 8.57% of member compensation. School district employers contributed 8.30% of member compensation. The State contributes 0.10% 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 8.67% of member compensation.

The total contribution rate of 8.67%, referenced in the preceding paragraph, is allocated as follows: 8.33% to the member's retirement account; 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. Refer to PERB's annual financial report 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) Section 457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 53 non-state entity employers participate in the 457-Plan.

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. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC 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 (TIAA). 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, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.57% per Section 19-3-316, MCA and Section 19-3-315, 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. Individuals are immediately vested with all contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were $16.7 million and the total employee contributions were $19.3 million for the fiscal year ended June 30, 2019.

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 two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. The fair value of direct real estate investments is based on the latest appraised value. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

H. Long-term Contracts for Contributions

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) 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 2019, there were 260 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 MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2019 totaled $136.7 thousand. The outstanding balance at June 30, 2019, totaled $12.8 thousand.

I. Litigation

Tadman, et al. v. State. A retired member of the Sheriffs' Retirement System filed a class action in the eighth Judicial District of Montana against the State of Montana on October 6, 2015, alleging the inappropriate advising, reporting, and withholding of state and federal income taxes on certain line-of-duty disability benefits before conversion to a normal retirement benefit. The 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 is represented by Jean Faure and Jason Holden of the Faure Holden law firm in Great Falls, Montana. On June 11, 2019, the Court issued an Order granting Plaintiff's Motion to Certify Class. The Court has defined the prospective class of plaintiffs in this matter and the parties were instructed by the Court to meet and confer to agree on the class form of notice and notice plan concerning the matter.

Murnion v. MPERA AND PERB. A retired member of the Public Employees' Retirement System appealed a Final Order of the PERB upholding the Hearing Examiner's Proposed Findings of Fact and Conclusions of Law determining that the retired member was not entitled to full-time PERS service credit for his part-time years of employment. On March 15, 2019, the retired member filed a Petition for Appeal of Agency Action and Complaint in the first Judicial District of Montana in order to appeal the PERB's Final Order under the provisions of the Montana Administrative Procedure Act (MAPA). On June 26, 2019, MPERA filed a motion to vacate any forthcoming Scheduling Order, set a briefing schedule to control the judicial review of this matter, and dismiss the retired member's Count II and III for failure to state a claim within the Court's jurisdiction, or, in the alternative, confine any review of each claim to the administrative record. On July 12, 2019, a Scheduling Order was issued by the Court calling for additional periods for discovery and setting a date for a two-day non-jury bench trial beginning on July 8, 2020. On July 15, 2019, Petitioner filed a response to MPERA's motion, and MPERA filed a reply on July 19, 2019. A notice of submittal was filed by MPERA on July 22, 2019. An estimate of the potential liability for the Murnion case cannot be made.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information Non-trust Plans

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by State retirement plan. Further detail on State Retirement Plans are provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

B. Plan Descriptions

Both healthcare OPEB plans for the State and MUS are reported as single employer plans. In addition to the primary government, the participating employers under the State OPEB plan are: Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are: Office of Commissioner of 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), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are: Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post employment healthcare benefits on a pay-as-you-go basis. Section 2-18-8, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-13, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. 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 reporting the total OPEB liability in the related financial statements and note disclosures. 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.

As of December 31, 2018, the State OPEB plan's administratively established retiree medical premiums vary between $439.00 and $1,633.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $41.10 and $70.00 per month and vision hardware premiums vary between $7.64 and $22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

As of June 30, 2019, the MUS OPEB plan's administratively established retiree medical premiums vary between $327.00 and $2,403.00 per month. Retiree dental premiums vary between $52.00 and $156.00 per month while vision premiums vary from $9.71 to $28.31, depending on the types and number of dependents enrolled. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

C. Basis of Accounting

Total OPEB liability 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. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. 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.

Both OPEB plans state that an employee enrolled in the OPEB plan who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2019.

The number of State Plan participants as of March 31, 2018[1], follows:

State Plan Participants

Enrollment	State [2]	Facility Finance Authority [3]	Montana Board of Housing [3]	Public Employee Retirement Board [3]	Montana State Fund [3]	Teachers Retirement System [3]	Total
Active employees	12,210	1	15	46	293	20	12,585
Retired employees, spouses, and surviving spouses	2,846	2	3	1	14	7	2,873
Total	15,056	3	18	47	307	27	15,458

The number of MUS Plan participants as of March 31, 2018[1], follows:

MUS Plan Participants

Enrollment	MSU-GFC [3]	UM-HC [3]	MSU-Billings [3]	MSU-Bozeman [3]	MSU-Northern [3]	OCHE [2]	UM-Missoula [3]	UM-MT Tech [3]	UM-Western [3]	Total
Active employees	120	97	462	3,094	176	61	2,143	437	188	6,778
Retired employees, spouses, and surviving spouses	7	20	136	578	42	23	579	102	61	1,548
Total	127	117	598	3,672	218	84	2,722	539	249	8,326

(1) Due to roll-forward of the actuary report, Plan Participants are the same as the previous measurement date.
(2) Primary Government
(3) Discrete Component Units of Primary Government

D. Schedule of Changes in Total OPEB liability

The following table presents the other items related to and changes in the total OPEB liability:

Annual OPEB Cost & Changes in Total OPEB liability
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2018 (1)	$ 49,473	$ 986	$ 50,459	$ 401	$ 35,037	$ 35,438
Changes for the year:						
Service cost	2,017	45	2,062	12	1,940	1,952
Interest	1,947	43	1,990	9	1,486	1,495
Changes of assumptions or other inputs	2,828	67	2,895	8	1,343	1,351
Benefit payments	(1,672)	(37)	(1,709)	(5)	(883)	(888)
Net changes	5,120	118	5,238	24	3,886	3,910
Balances at 6/30/2019 (2)	$ 54,593	$ 1,104	$ 55,697	$ 425	$ 38,923	$ 39,348

(1) Primary Government and Discrete Component Unit beginning balance for the Total OPEB Liability of the State Plan includes a prior period adjustment of $3.0 thousand between the State and Facility Finance Authority.
(2) State and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2018 and 2019 for the State Plan was 100% both years and for the MUS Plan is 95.62% and 95.59%, respectively.

E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2017, rolled forward to March 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Other Postemployment Benefits
State Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	$ 13,572	$ 5,268
After Medicare eligibility	5,271	4,403
Actuarial valuation date	December 31, 2017	
Experience study period	January 1, 2015 through December 31, 2017	
Actuarial measurement date (1)	March 31, 2019	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Remaining amortization period	20 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.79%	
Projected payroll increases	4.00%	
Participation:		
Future retirees	55.00%	
Future eligible spouses	60.00%	
Marital status at retirement	70.00%	

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Health: For TRS, healthy mortality is assumed to follow the 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 for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

Changes in benefit terms since last measurement date: None.

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

Other Postemployment Benefits
MUS Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	$ 11,264	$ 4,728
After Medicare eligibility	4,806	3,620
Actuarial valuation date	December 31, 2017	
Actuarial measurement date [1]	March 31, 2019	
Experience study period	January 1, 2015 through December 31, 2017	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Remaining amortization period	20 year period	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.79%	
Projected payroll increases	4.00%	
Participation:		
Future retirees	55.00%	
Future eligible spouses	60.00%	
Marital status at retirement	70.00%	

[1] Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Health: For TRS and MUS-RP, healthy mortality is assumed to follow the 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 for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

Changes in benefit terms since last measurement date: None.

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.79 percent) or 1-percentage-point higher (4.79 percent) than the current discount rate:

	State OPEB plan (in thousands)		
	1.0% Decrease (2.79%)	Current Discount Rate (3.79%)	1.0% Increase (4.79%)
Primary Government	$ 67,045	$ 54,593	$ 45,078
Discrete Component Units	1,422	1,104	865
Total OPEB liability	$ 68,467	$ 55,697	$ 45,943

	MUS OPEB plan (in thousands)		
	1.0% Decrease (2.79%)	Current Discount Rate (3.79%)	1.0% Increase (4.79%)
Primary Government	$ 518	$ 425	$ 353
Discrete Component Units	47,107	38,923	32,564
Total OPEB liability	$ 47,625	$ 39,348	$ 32,917

Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current healthcare cost trend rates:

	State Plan (in thousands)		
	1.0% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1.0% Increase (8.0%)
Primary Government	$ 44,316	$ 54,593	$ 68,535
Discrete Component Unit	847	1,104	1,460
Total OPEB liability	$ 45,163	$ 55,697	$ 69,995

	MUS Plan (in thousands)		
	1.0% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1.0% Increase (8.0%)
Primary Government	$ 347	$ 425	$ 528
Discrete Component Unit	31,821	38,923	48,321
Total OPEB liability	$ 32,168	$ 39,348	$ 48,849

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the State OPEB plan's OPEB expense is $2.0 million and MUS OPEB plan's OPEB expense is $2.3 million.

At June 30, 2019, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 4,064
Changes of assumptions or other inputs	2,828	254
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	2,496	—
Total	$ 5,324	$ 4,318
Discrete Component Units		
Difference between expected and actual experience	$ 105	$ 373
Changes of assumptions or other inputs	74	23
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	40	—
Total	$ 219	$ 396

At June 30, 2019, MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 14
Changes of assumptions or other inputs	8	2
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	5	—
Total	$ 13	$ 16
Discrete Component Units		
Difference between expected and actual experience	$ —	$ 1,198
Changes of assumptions or other inputs	1,343	166
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	264	—
Total	$ 1,607	$ 1,364

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	State Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	State Plan Total
2020	$ (141)	$ (20)	$ (161)
2021	(141)	(20)	(161)
2022	(141)	(20)	(161)
2023	(141)	(20)	(161)
2024	(141)	(20)	(161)
Thereafter	(783)	(119)	(902)

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	MUS Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total
2020	$ (1)	$ (5)	$ (6)
2021	(1)	(5)	(6)
2022	(1)	(5)	(6)
2023	(1)	(5)	(6)
2024	(1)	(5)	(6)
Thereafter	(5)	6	1

F. General Information Trust Plan

General Information
Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee 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.

Plan Description
The PERS-DCRP Disability is a multiple-employer cost sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues 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 Board
100 North Park, Suite 200
P.O. Box 200131
Helena, MT 59620-0131

G. Termination Benefits

During the year ended June 30, 2019, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for thirty-five employees provided for up to six months, one-time lump-sum incentive payments for thirty-six employees, and paid administrative leave for nine employees. In determining the 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, 2019, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for seventeen employees.

During the year ended June 30, 2019, the cost of termination benefits for the fiscal year was $510.2 thousand and $673.9 thousand for the 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 funds. 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 641 policies during the 2019 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 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2019 growing season, with an 80.0% share of premiums and losses allotted to the Reinsurer and a 20.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of $17.4 thousand which is 20.0% of the estimated claims ($79.9 thousand) plus adjustment expenses through June 30, 2019. The amount deducted from the estimated claims as of June 30, 2019, for reinsurance was $63.9 thousand (80.0% of estimated claims). The premiums ceded to the reinsurer through June 30, 2019 were $990.6 thousand which was 80.0% of total premiums of $1.2 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 Board of Regents and in Section 20-25-13, MCA. 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 Navitus 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 $10.0 million as of June 30, 2019, 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 MUS. The MUS Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of $750.0 thousand per occurrence ($500.0 thousand for claims occurring prior to July 1, 2013) and $1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1.0 million above the self-insured amount of $750.0 thousand ($500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2019, the program ceded $311.5 thousand 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 composite 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 $6.8 million for estimated claims at June 30, 2019. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, 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 limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus the expenses of administration, less other income earned. Employers share in the reimbursement in two ways: (1) If self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year. (2) If insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year and the amount of the employer's premium paid for their business.

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. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could 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, 2019, the amount of this liability was estimated to be $2.3 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	
	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of year	$ 35	$ 2	$ 10,200	$ 10,000	$ 5,831	$ 7,298
Incurred claims and claim adjustment expenses: provision for insured events of the current year	422	120	88,473	86,485	2,523	2,794
Less excess insurance reimbursement	-	-	-	-	-	-
Increase (decrease) in provision for insured events of prior years	96	12	-	-	93	(1,273)
Total incurred claims and claim adjustment expenses	518	132	88,473	86,485	2,616	1,521
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(405)	(85)	(88,673)	(86,285)	(644)	(605)
Claims and claim adjustment expenses attributable to insured events of prior years	(131)	(14)	-	-	(1,014)	(2,383)
Total payments	(536)	(99)	(88,673)	(86,285)	(1,658)	(2,988)
Total unpaid claims and claim adjustment expenses at end of year	$ 17	$ 35	$ 10,000	$ 10,200	$ 6,789	$ 5,831

B. Entities Other Than Pools

(1) 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 $1.5 million 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 $1.5 million of value, with State agencies paying the first $1.0 thousand. Commercial property insurance protects approximately $5.8 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of $2.0 million for earthquake and $2.0 million 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 Willis Towers Watson Company, and issued for the accident period July 1, 2009, through June 30, 2019, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2019, estimated claims liability was $16.2 million.

(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 Allegiance as the third-party administrator for medical coverage. Delta Dental is the administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2019, 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 $18.9 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2020, $18.7 million of these claims liabilities are estimated to be paid.

(3) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2019, 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, 2019, $44.3 million of unpaid claims and claim adjustment expenses were reported at face value.

(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).

	Administration Insurance Plans		Employers Group Benefits Plan		State of Montana Old Fund	
	2019	2018	2019	2018	2019	2018
Amount of claims liabilities at the beginning of each fiscal year	$ 15,180	$ 16,054	$ 17,723	$ 17,696	$ 31,109	$ 32,212
Incurred claims:						
Provision for insured events of the current year	4,803	4,714	175,435	171,930	-	-
Increase (decrease) in provision for insured events of prior years	12,348	11,070	(1,672)	(4,013)	22,193	6,002
Total incurred claims	17,151	15,784	173,763	167,917	22,193	6,002
Payments:						
Claims attributable to insured events of the current year	(2,167)	(1,852)	(156,695)	(154,468)	-	-
Claims attributable to insured events of prior years	(14,007)	(14,806)	(15,895)	(13,422)	(9,036)	(7,105)
Total payments	(16,174)	(16,658)	(172,590)	(167,890)	(9,036)	(7,105)
Total claims liability at end of each fiscal year	$ 16,157	$ 15,180	$ 18,896	$ 17,723	$ 44,266	$ 31,109

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2019, the Department of Transportation had contractual commitments of approximately $294.4 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, 2019, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $30.4 million for capital projects construction. The primary government will fund $3.7 million of these projects, with the remaining $26.8 million funding coming from the Montana University System.

At June 30, 2019, Fish, Wildlife, and Parks (FWP) had contractual commitments of approximately $4.6 million for engineering and construction of various capital projects. The majority of the funding for these projects is to be provided by federal grants and state special revenue funds.

C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages 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, 2019, BOI had committed, but not yet purchased, $38.7 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $23.9 million for loans as of June 30, 2019. As of June 30, 2019, another $1.7 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

The BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2019, 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, 2019, totaled $33.0 million.

D. Department of Corrections Bond Commitments

At June 30, 2019, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of $12.6 million of which $1.7 million in principal payments are scheduled to be paid by June 30, 2020. 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 regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Department of Labor and Industry Commitments

At June 30, 2019, Department of Labor and Industry, had $1.8 million contractual commitments for Montana State AmeriCorps Programs and a $2.3 million commitment for IT contracts. The funding for these programs is federal grants and state special revenue funds.

F. 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):

Enterprise Funds	Amount
Hail Insurance	$ 13
Liquor Warehouse	219
Prison Industries	3
Secretary of State Business Services	1,957
West Yellowstone Airport	4
Subtotal - Enterprise funds	$ 2,196
Internal Service Funds	
Aircraft Operations	$ 195
Commerce Centralized Services	5
Labor Central Services	1,048
Admin Central Services	2
Print and Mail Services	70
Buildings and Grounds	80
Subtotal - Internal Service funds	$ 1,400

G. Encumbrances

As of June 30, 2019, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	Federal Special Revenue Fund	General Fund	Nonmajor Governmental Funds	State Special Revenue Fund	Total
Encumbrances	$ 47,391	$ 17,178	$ 431	$ 60,810	$ 125,810

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, 2019, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2020	$ 3,939	$ 18
2021	3,598	—
2022	2,877	—
2023	1,710	—
2024	774	—
2025 - 2029	229	—
Total minimum payments	13,127	18
Less: interest	(582)	—
Present value of minimum payments	$ 12,545	$ 18

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

Asset Class	
Buildings	$ 1,596
Equipment	21,496
Less: Accum Depreciation	(9,901)
Net Book Value	$ 13,191

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2019 totaled $27.5 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2020	$ 23,746	$ 584
2021	18,961	592
2022	17,689	559
2023	19,012	563
2024	13,239	563
2025 - 2029	47,159	1,656
2030 - 2034	26,741	744
Thereafter	15,392	888
Total future rental payments	$ 181,939	$ 6,149

NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES

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 2019, the State issued two bond anticipation notes. The proceeds of Water/Wastewater 2019B and Drinking Water 2019A will be used to fund water and wastewater system improvements and rehabilitation. The State issued three bond anticipation notes during fiscal year 2016, the last of which was paid off during fiscal year 2019. The State issued one bond anticipation note in fiscal year 2017 and two bond anticipation notes in fiscal year 2018, all of which were paid off during fiscal year 2019. The following schedule summarizes the activity for the year ended June 30, 2019 (in thousands):

BANS	Beginning Balance	Additions	Reductions	Ending Balance
Drinking Water – 2015B	350	—	350	—
Coal Severance Tax – 2016E	1,180	520	1,700	—
Water/Wastewater – 2017B	450	1,050	1,500	—
Drinking Water – 2017C	900	1,600	2,500	—
Drinking Waste – 2019A [1]	—	1,400	—	1,400
Water/Wastewater – 2019B [1]	—	1,190	—	1,190

[1] These bond anticipation notes have not been fully drawn at fiscal year-end.

The Board of Investments (BOI) of the State is authorized to issue Intermediate Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than $190.0 million as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from (1) repayments of principal and interest on loans made by BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by BOI. BOI has no taxing power. The bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. BOI did not enter into an arms-length financing agreement to convert the bonds "put," or tender, and were not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are included in short-term debt. The amounts issued and outstanding at June 30, 2019, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2019
2000	$ 15,000	$ 14,255
2003	15,000	14,330
2004	18,500	18,000
2007	15,000	14,650
2010	12,000	11,900
2013	12,000	11,970
2017	20,000	19,960
		$ 105,065

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2019 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$ 105,110	$ —	$ 45	$ 105,065

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, 2019, were as follows (in thousands):

				Principal Payments		
Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Fiscal Year 2020	In Year of Maturity (2)	Balance June 30, 2019
General obligation bonds						
Hard Rock Mining Reclamation	2002C	$ 2,500	3.5-4.7	$ 170	200 (2023)	$ 740
CERCLA Program (5)	2005D	2,000	3.25-4.3	110	140 (2026)	875
Energy Conservation Program (4)	2006B	3,750	4.0-6.0	305	330 (2022)	955
Long-Range Bldg Program	2008D	3,100	3.375-4.35	150	220 (2028)	1,645
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	685	710 (2021)	1,395
Drinking Water Revolving Fund Refunding (3)	2010B	5,400	2.0-4.0	510	110 (2026)	1,750
Trust Land (Taxable)	2010F	21,000	1.55-4.9	970	1,450 (2031)	14,235
Long-Range Bldg Program	2010G	550	1.5-2.7	60	60 (2021)	120
Long-Range Bldg Program Refunding	2011D	5,755	3.0 -3.25	650	720 (2023)	2,735
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	670	115 (2025)	3,680
Water Pollution Control Revolving Fund (Taxable)(3)	2013D	1,035	0.4-3.7	105	120 (2024)	555
Water Pollution Control Revolving Fund (3)	2013E	5,000	2.0-3.0	300	300 (2024)	1,500
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,035	820 (2028)	19,590
Long-Range Bldg Program Refunding	2015A	9,340	2.0-4.0	1,260	1,260 (2020)	1,260
Water Pollution Control Revolving Fund (3)	2015C	24,365	3.0-5.0	870	1,860 (2036)	22,055
Total general obligation bonds		$139,605		$ 8,850		$ 73,090
Special revenue bonds						
State Hospital Project (6)	2018	$ 4,575	4.0-5.05	$ 1,095	1,165 (2022)	$ 3,390
Renewable Resource Program (7)	2003A	3,000	1.05-4.05	180	215 (2024)	985
Renewable Resource Program (7)	2010B	1,730	2.0-3.6	80	115 (2031)	1,145
Renewable Resource Program (Taxable) (7)	2010C	6,720	0.9-4.2	395	170 (2031)	3,935
U.S. Highway 93 GARVEE (8)	2012	50,915	0.9-1.9	11,040	11,040 (2020)	11,040
Renewable Resource Program (7)	2013A	2,255	2.0-3.625	140	185 (2029)	1,600
Renewable Resource Program (Taxable) (7)	2013B	3,390	1.0-4.75	205	290 (2029)	2,420
U.S. Highway 93 GARVEE Refunding (8)	2016	22,540	0.74-1.86	3,225	3,740 (2023)	13,910
Total special revenue bonds		$ 95,125		$ 16,360		$ 38,425

Governmental Activities	Amount Issued	Interest Range (%) (1)	Principal Payments Fiscal Year 2020	Principal Payments In Year of Maturity (2)	Balance June 30, 2019
Notes Payable					
Middle Creek Dam Project (9)	$ 3,272	8.125	$ 92	226 (2034)	$ 1,945
Tongue River Dam Project (10)	11,300	—	290	290 (2038)	5,506
ITSD IBM Mainframes Maintenance	500	1.07	127	127 (2020)	127
ITSD IBM Professional Services	758	0.19	163	72 (2023)	572
Total notes payable	$ 15,830		$ 672		$ 8,150
Subtotal governmental activities, before unamortized balances					119,665
Unamortized discount					(7)
Unamortized premium					7,461
Total governmental activities	$250,560		$ 25,882		$ 127,119

(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) Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.
(5) 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.
(6) Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana State Hospital Project.
(7) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.
(8) 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.
(9) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.
(10) 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, 2019, 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
2020	$ 8,850	$ 2,990	$ 16,360	$ 1,657	$ 672	$ 54
2021	7,825	2,706	5,555	974	552	48
2022	7,080	2,485	5,790	729	560	45
2023	6,825	2,145	4,860	472	466	41
2024	6,155	1,870	1,165	238	398	40
2025 - 2029	22,205	5,706	4,140	561	2,067	204
2030 - 2034	10,520	2,045	555	27	2,276	204
2035 - 2039	3,630	184	—	—	1,159	—
Total	$ 73,090	$ 20,131	$ 38,425	$ 4,658	$ 8,150	$ 636

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2019, were 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	$ 84,460	$ —	$ 11,370	$ 73,090	$ 8,850	$ 64,240
Special revenue bonds	56,435	—	18,010	38,425	16,360	22,065
Notes payable	9,307	—	1,157	8,150	672	7,478
	150,202	—	30,537	119,665	25,882	93,783
Unamortized discount	(8)	1	—	(7)	—	(7)
Unamortized premium	9,095	—	1,634	7,461	—	7,461
Total bonds/notes payable (2)	159,289	1	32,171	127,119	25,882	101,237
Other liabilities						
Lease/installment purchase payable	13,698	2,458	3,611	12,545	3,684	8,861
Operating lease rent holiday	17	—	9	8	8	—
Pension benefits payable	4	—	—	4	2	2
Compensated absences payable (1)	101,759	54,683	54,757	101,685	54,443	47,242
Arbitrage rebate tax payable (1)	83	—	83	—	—	—
Estimated insurance claims (1)	64,013	213,107	197,802	79,318	30,662	48,656
Pollution remediation	198,645	—	20,795	177,850	19,509	158,341
Net pension liability (3)	1,831,200	564,245	174,680	2,220,765	—	2,220,765
Total OPEB liability	48,930	5,079	—	54,009	—	54,009
Total other liabilities	2,258,349	839,572	451,737	2,646,184	108,308	2,537,876
Total governmental activities long-term liabilities	$ 2,417,638	$ 839,573	$ 483,908	$ 2,773,303	$ 134,190	$ 2,639,113
Business-type activities						
Lease/installment purchase payable	$ 231	$ —	$ 213	$ 18	$ 18	$ —
Compensated absences payable	2,042	1,030	1,050	2,022	1,048	974
Arbitrage rebate tax payable	17	70	43	44	43	1
Estimated insurance claims	18,960	91,609	91,500	19,069	12,717	6,352
Net pension liability (3)	16,371	123	4,551	11,943	—	11,943
Total OPEB liability	942	65	—	1,007	—	1,007
Total business-type activities long-term liabilities	$ 38,563	$ 92,897	$ 97,357	$ 34,103	$ 13,826	$ 20,277

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service 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) Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

(3) The total net pension liability beginning balances were restated due to a prior period adjustment.

F. Refunded and Early Retired Debt

Refunded

On July 24, 2018, the Facility Finance Authority (FFA) issued revenue refunding bonds in the amount of $4.6 million to make a current refunding of $6.8 million Series 1997 Montana State Hospital Revenue Bonds. The refunding resulted in an economic gain of $174.9 thousand and a difference in cash flow requirements of $2.6 million.

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make a prepayment of $180.0 thousand on Series 2010H general obligation bond, resulting in a payoff.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected on the accompanying financial statements.

Montana Board of Investments (BOI)

BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases, the taxing power of the borrower are pledged to repay the bonds. At June 30, 2019, QZAB debt outstanding aggregated $5.0 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2019, QSCB debt outstanding aggregated $4.5 million.

Beginning Farm Loan Program

The Department of Agriculture is authorized to request issuance of bonds by 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. The remaining balance of this bond was paid in full during 2019.

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 are 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, 2019, was $177.8 million. Of this liability, $6.2 million resulted in settlement agreements to provide restoration of natural resources, water supplies and natural resource-based recreational opportunities up to the settlement amount; $165.4 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 the State's total acceptance of the liability or responsibility on these matters.

I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was $133.5 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2019 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 81,451	$ 11,000	$ 3,510	$ 88,941

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 Municipal Finance Programs 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 origination.

Balances due from/to other funds at June 30, 2019, consisted of the following (in thousands):

	Due to Other Funds							
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds [3]	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds								
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ 5	$ —	$ 5
Municipal Finance Programs	—	—	—	1,842	—	4	—	1,846
Federal Special Revenue	—	—	2,418	—	—	—	468	2,886
General Fund	—	863	—	—	17,422	—	12,728	31,013
Internal Service Funds	33	—	—	—	—	—	7	40
Nonmajor Enterprise Funds	—	2	—	—	—	—	—	2
Nonmajor Governmental Funds [1]	—	71	331	—	—	—	288	690
State Special Revenue [2]	—	—	121	—	—	694	—	815
Total	$ 33	$ 936	$ 2,870	$ 1,842	$ 17,422	$ 703	$ 13,491	$ 37,297

(1) Total due from other funds to the non-major governmental funds on the financial statements is reported as $1.6 million. The difference of $929.0 thousand between the amount reported above of $690.0 thousand and the amount reported in the fund financial statements relates to long-term receivables. The receivables are reported on the fund financial statement and the long-term liabilities are reported on the government-wide statement.

(2) Total due from other funds to the state special revenue fund on the fund financial statement is reported as $10.2 million. The difference of $9.4 million between the amount reported above of $815.0 thousand and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement and the long-term liabilities are reported on the government-wide statement.

(3) Total due to other funds from the non-major enterprise funds on the fund financial statement is reported as $17.7 million. The difference of $268.5 thousand between the amount reported above of $17.4 million and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement and the liabilities are reported on 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 origination.

Interfund loans receivable/payable at June 30, 2019, consisted of the following (in thousands):

	Interfund Loans Payable					
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Interfund Loans Receivable						
General Fund	$ 1,678	$ 68,792	$ —	$ 357	$ 3,143	$ 73,970
Internal Service Funds	—	44	—	—	—	44
Nonmajor Enterprise Funds	—	13	—	—	9	22
State Special Revenue	—	83,762	15	—	—	83,777
Total	$ 1,678	$ 152,611	$ 15	$ 357	$ 3,152	$157,813

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 origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs 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, 2019, consisted of the following (in thousands):

	Advances from Other Funds				
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Advances to Other Funds					
Coal Severance Tax	$ —	$ —	$ 1,725	$ —	$ 1,725
General Fund	300	—	—	63	363
Municipal Finance Programs	—	3,371	2,590	—	5,961
Nonmajor Governmental Funds	—	—	—	6,773	6,773
State Special Revenue	35,909	—	3,108	—	39,017
Total	$ 36,209	$ 3,371	$ 7,423	$ 6,836	$ 53,839

Additional detail for certain advance balances at June 30, 2019, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program

Departmental Function	Balance
Natural Resources and Conservation	$ 2,590
Transportation	3,371
Total	$ 5,961

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, 2019, consisted of the following (in thousands):

	Transfers Out								
	Coal Severance Tax	Federal Special Revenue	General Fund (1)	Internal Service Funds (2)	Land Grant	Nonmajor Enterprise Funds (3)	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers In									
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ —	$ 275	$ —	$ 275
Federal Special Revenue	—	—	—	—	—	—	—	2,368	2,368
General Fund (1)	18,172	135	—	638	6	48,212	—	55,416	122,579
Internal Service Funds	—	—	1,241	—	—	—	—	13,130	14,371
Land Grant	—	—	5	—	—	—	—	—	5
Nonmajor Enterprise Funds	—	—	—	69	—	—	—	25	94
Nonmajor Governmental Funds	635	17,814	9,664	160	1,601	—	508	9,602	39,984
State Special Revenue	21,182	14,137	48,066	20	64,752	7,789	19,667	—	175,613
Total	$ 39,989	$ 32,086	$ 58,976	$ 887	$ 66,359	$ 56,001	$ 20,450	$ 80,541	$ 355,289

(1) $60.7 million was transferred from the General Fund to the Budget Stabilization Reserve Fund, however, those funds are combined for reporting purposes. Therefore the transfer is not accounted for in the above table as both the transfer-in and the respective transfer-out have been eliminated as required for proper financial reporting.

(2) Total transfers-out for internal service funds on the fund financial statements is reported as $1.6 million. The difference of $663.2 thousand between the amount reported above of $887.0 thousand 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.

(3) Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as $56.0 million. The difference of $10.7 thousand between the amount reported above of $56.0 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise 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 EQUITY DEFICITS

The following funds have a deficit net position remaining at June 30, 2019, as follows (in thousands):

Fund Type/Fund	Deficit [1]
Governmental Funds	
Federal Special Revenue [2]	$ (12,614)
Federal/Private Construction Grants	(28)
Internal Service Funds	
Information Tech Services	$ (15,163)
Building and Grounds	(1,111)
Admin Central Services	(1,594)
Labor Central Services	(5,433)
Commerce Central Services	(1,256)
OPI Central Services	(1,948)
DEQ Indirect Cost Pool	(3,460)
Payroll Processing	(1,626)
Investment Division	(2,941)
Aircraft Operation	(617)
Justice Legal Services	(491)
Personnel Training	(170)
Other Internal Services	(444)
SABHRS Finance & Budget Bureau	(404)
Enterprise Fund	
State Lottery	$ (1,855)
Subsequent Injury	(811)

(1) The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7 respectively.

(2) The primary reason causing fund deficit in Federal Special Revenue Fund is due to CY2017 and CY2018 fire season federally reimbursable costs. The federal fund reimbursement was unavailable to receive within 60 days of 6/30/2019, creating a deferred inflow and a fund deficit in the same amount.

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, 2019.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 77,119	$ 44,902	$ 23,331	$ 3,498	$ 160	$ 85,400	$ 234,410
Taxes	221,994	4,238	261,298	—	1	15,544	503,075
Charges for services	40,467	21,023	6,638	33,845	1,935	16,625	120,533
Investment earnings	833	13,158	442	455	1,529	24,189	40,606
Securities lending income	—	44	—	1	5	60	110
Sale of documents/ merchandise/property	1,512	3,050	115	98	2	5,597	10,374
Rentals/leases/royalties	263	11	416	56	5	339	1,090
Contributions/premiums	28,440	—	—	—	—	305	28,745
Grants/contracts/donations	2,164	15,779	630	9,083	1,794	20,708	50,158
Federal	7,051	19	1	335	5	78	7,489
Federal indirect cost recoveries	—	—	49,891	43	—	4,477	54,411
Other revenues	2,150	558	335	209	170	66	3,488
Transfers in	45,259	7,962	1,491	8,158	886	111,857	175,613
Total State Special Revenue	$ 427,252	$ 110,744	$ 344,588	$ 55,781	$ 6,492	$ 285,245	$ 1,230,102

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Taxes	$ —	$ —	$ —	$ —	$ —	$ 1	$ 1
Charges for services	822	29	—	5,929	1	5	6,786
Investment earnings	282	16	—	—	100	201	599
Sale of documents/ merchandise/property	15	—	—	—	—	—	15
Grants/contracts/donations	—	—	—	17	—	—	17
Federal	93,337	17,802	517,211	1,919,819	196,211	103,669	2,848,049
Federal indirect cost recoveries	1	—	—	80,701	46	1,303	82,051
Other revenues	7	8	—	1,229	2	60	1,306
Transfers in	—	1,359	—	1,009	—	—	2,368
Total Federal Special Revenue	$ 94,464	$ 19,214	$ 517,211	$ 2,008,704	$ 196,360	$ 105,239	$ 2,941,192

Governmental Fund Balance By Function, June 30, 2019
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances:							
Nonspendable							
Inventory	$ 3,501	$ 19,910	$ —	$ —	$ —	$ —	$ 23,411
Permanent fund principal	—	500	—	622,645	774,193	362,256	1,759,594
Long-term notes/receivables	363	—	—	—	—	—	363
Prepaid expense	333	396	119	—	—	—	848
Total nonspendable	4,197	20,806	119	622,645	774,193	362,256	1,784,216
Restricted							
General government	—	320	—	—	—	18,495	18,815
Public safety	—	204,134	—	—	—	1	204,135
Transportation	—	111,164	—	—	—	—	111,164
Health and human services	—	5,470	—	—	—	680	6,150
Education	—	14,438	—	—	—	20	14,458
Natural resources	—	741,624	—	—	—	11,696	753,320
Total restricted	—	1,077,150	—	—	—	30,892	1,108,042
Committed							
General government	60,721	154,593	—	533,092	—	30,488	778,894
Public safety	—	73,059	—	—	—	—	73,059
Transportation	—	16,781	—	—	—	—	16,781
Health and human services	—	44,461	—	—	—	—	44,461
Education	—	17,413	—	—	—	—	17,413
Natural resources	—	309,571	—	—	—	31,641	341,212
Total committed	60,721	615,878	—	533,092	—	62,129	1,271,820
Assigned							
General government	—	—	—	—	—	467	467
Public safety	—	—	—	—	—	338	338
Encumbrance	17,178	—	—	—	—	—	17,178
Total assigned	17,178	—	—	—	—	805	17,983
Unassigned	361,313	—	(12,733)	—	—	(28)	348,552
Total fund balance	$ 443,409	$ 1,713,834	$ (12,614)	$ 1,155,737	$ 774,193	$ 456,054	$ 4,530,613

NOTE 15. RELATED PARTY TRANSACTIONS

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 annually 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 Department of Labor and Industry's Workforce Services Division rents space in Libby, MT, from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013 and ending June 30, 2021. The annual lease amount is currently set at $21.3 thousand.

The relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of $100.0 thousand for the fiscal year ended June 30, 2019.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of $19.7 thousand for the fiscal year ended June 30, 2019.

Per Section 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the SRF program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2019 was $3.1 million. The loans have interest rates ranging from 3.0% to 4.3% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, that includes recusing oneself in matters related to a conflict of interest. To ensure DEQ are following state law, all contracts are required to go through a competitive bidding process. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an employee of a company that had a release and is receiving funds; 2) an agent for an insurer that covered a station tank release and is receiving funds; 3) an officer in a bank that receives funds; and 4) a contractor for DEQ, that is responsible for clean-up oversite, and is also a shareholder of a separate company that receives funds. Total payments to all related parties were direct payments to the contractors in the amount of $146.4 thousand and $15.2 thousand, and indirect payments to the bank and the insurance company in the amount of $7.9 thousand and $11.9 thousand, respectively, for the fiscal year ended June 30, 2019.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board, along with being the Secretary of the MUSL board of directors. The Director of the Montana Lottery is in a management position for both MUSL and the Montana Lottery, who have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of $1.1 million for the fiscal year ended June 30, 2019. The prize reserve monies are assets to the Montana Lottery and would be transferred over if the lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough amount/number of winners for any particular draw, MUSL would then reimburse any state for the excess amount of prizes paid out. The Montana Lottery paid MUSL $8.9 million for its share of prizes and received reimbursements for prizes in the amount of $661.2 thousand for the fiscal year ended June 30, 2019.

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. first 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 $1.0 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 settlement amount calculated annually on cigarette sales by Participating Manufacturers in perpetuity. The base amount was augmented by $90.0 million in 1999 for a strategic contribution portion for those states instrumental in obtaining the settlement, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007 and ending in 2017. Multiple other tobacco product manufacturers joined the MSA after the initial signing period. Collectively, the signing manufacturers are known as "Participating Manufacturers."

The settlement provides that the tobacco product manufacturers may potentially offset, against their payment in any year, certain amounts of money if it is found that the Participating Manufacturers have lost more than 2% of their national market share (from 1997) 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, Section 16-11-401 to 404, MCA, and complementary legislation in 2003, Section 16-11-501 to 512, MCA.

In March 2006, a determination was made (pursuant to the settlement) that the Participating Manufacturers 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 2017. The State filed a motion in the Montana lawsuit seeking a declaration that it diligently enforced its Qualifying Statute during 2003. The Participating Manufacturers moved to compel arbitration of the question. The First Judicial 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 to discovery.

The Montana litigation ended with entry of a stipulated consent decree on June 25, 2012, reflecting the tobacco companies' determination after initial 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 would not participate in the NPM Adjustment for 2003, (*i.e.*, as a "no contest" state Montana had 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 was not subject to the 2003 NPM Adjustment, but the consent decree specifically articulated 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 and 2004 enforcement actions, no precedential protections exist, and the State remains vulnerable to further expected, litigation regarding its diligent enforcement in 2005-2017, for which years the Participating Manufacturers have already received a determination that MSA 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.

The Participating Manufacturers conceded that Montana enacted a qualifying statute within the meaning of the MSA, which was in full force and effect during 2005-2016 and thereafter to date. Factual arguments exist to show that Montana diligently enforced its Qualifying Statute during 2005-2017. However, legal and procedural uncertainties exist that make an adverse determination possible. An adverse determination on the diligent enforcement issue could result in the loss of some or all of the MSA annual payments to the State for years 2005-2017, which would be recouped through an offset of payments due to Montana in future years. The Participating Manufacturers will assert claims for NPM adjustments for future years as well. The outcome of these claims is also uncertain.

In 2015, certain Settling States and Participating Manufacturers commenced multi-state arbitration of the issue of diligent enforcement for calendar year 2004. Montana is not a party to this arbitration; this arbitration continues.

Montana filed a Declaratory Judgment Motion in 2017 for the 2004 NPM Adjustment to have its MSA Court (First Judicial District) declare that Montana had a qualifying statute in place and diligently enforced its Qualifying Statute for the 2004 calendar year. The Participating Manufacturers conceded that Montana has a Qualifying Statute. As part of this action, Montana successfully obtained a ruling from its MSA Court on the burden of proof whereby the Participating Manufacturers must prove that Montana did not diligently enforce its Qualifying Statute to succeed under the NPM Adjustment. Montana is the only state party to the MSA with this ruling on the burden of proof. On the eve of trial, the Participating Manufacturers settled with Montana for all of the 2004 NPM Adjustment funds previously withheld plus interest and earnings. The settlement does not provide precedent for future NPM Adjustment proceedings with the exception of the ruling on the burden of proof.

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 Petitioner PPL Montana, LLC (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 $41.0 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 Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the $41.0 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 $31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the $41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for $31.3 thousand. 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.

This case, also known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL), was remanded to the United States District Court, District of Montana, Helena Division, and carries on with the Honorable Dana L. Christensen, United State Judge, assigned to further proceedings and entry of judgment. The District Court entered an order on February 12, 2019, joining the United States (U.S.) as a defendant, due to the potential of overlapping claims between the State and the U.S. After expiration of the statutory notice period required for claims against the U.S., the State's Complaint was amended to add the U.S. The U.S., Talen, and NW Energy have not yet filed answers to the Amended Complaint but will do so before year end 2019. The State's claims against the utilities remain unchanged and the State still holds the opinion that no further potential liability to the State is expected relative to this action and no additional updates are necessary in regard to the outstanding litigation.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz), was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and 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, and the 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 the 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 Section 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 Section 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 10.0% 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.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

As of June 30, 2016, the State booked an accrual of approximately $1.5 million, which includes a base payment plus interest consistent with the District Court's April 13, 2015, order. Interest will be recalculated based on the Supreme Court's October 25, 2016, decision.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case. The Special Master has held several hearings regarding these issues and a recommended decision was expected to be issued in early 2018.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel $400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made whole analysis) because the State and the third party administrators programmatically failed to pay benefits for their covered medical costs. The District Court Judge has yet to approve these recommendations.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of $122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010 through June 30, 2016. Notice was distributed through email and first-class mail. Initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State is November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs $2.0 million, including the payment for residual funds and interest. Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Batista (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. The District Court dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. Recently, the Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) is ramping up discovery and the defense of the case through outside legal counsel. The department had previously exchanged settlement proposals without success. Because of recently passed legislation, the department is required to implement significant changes in the use of restrictive housing, especially with seriously mentally ill inmates. The Plaintiff has made a number of unreasonable demands that would cost the Department millions of dollars and at least $800.0 thousand in attorney's fees and undisclosed expert witness fees. At this time the Department cannot specify an anticipated amount of financial obligation.

Michael Jackson v. Montana Department of Corrections (Department), Montana State Prison (MSP) (Cause # DV-18-70) is a case pending in Powell County District Court. Mr. Jackson is a current employee, suing the Department for allowing race discrimination at MSP and creating a hostile work environment. He is seeking lost wages, humiliation, and emotional distress damages as well as attorney's fees and costs. The Human Rights Bureau found no reasonable cause in his claims. The Department has hired outside legal counsel to represent it in this matter. At this time, the Department is discussing a possible settlement of the case for a minimal amount.

Kila Sheperd v. Montana Department of Corrections (Department) is a Step III Grievance proceeding, in accordance with 2.21.8017, Administrative Rules of Montana (ARM), and the Department has hired outside counsel to represent it regarding Ms. Sheperd's termination from her position at the Department. Ms. Sheperd seeks in excess of $1.0 million for punitive damages, lost wages, loss of benefits, emotional distress, and attorney's fees.

Smith, et al. v. State of Montana (Cause # BDV-2018-804) is a case filed by a group of Medicaid recipients as well as a group of Medicaid providers. The allegations include violations of the Montana Administrative Procedure Act and other related allegations. The complaint also includes an alleged violation of the Americans with Disabilities Act based on a reduction in rates and resulting reductions in services. The rules in question set Medicaid reimbursement rates at 2.99% less than the previously set rates, as well as a reduction in rates for targeted Case Management. The potential liability in this case is estimated to be between $19.0 and $21.0 million.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors osteopathy) for performing the same services. They cite Section 37-10-104, MCA as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, and breach of contract and implied covenant of good faith. They request damages, interests, costs and attorney fees, which would amount to more than $1 million.

Moody's Market, Inc. et al. v. Montana State Fund, Montana Board of Investments, and State of Montana (Cause # DV-18-12) is a case filed by a group of Montana State Fund (MSF) policyholders, in Lake County District Court, in an effort to prevent the Board of Investments (BOI) from charging a 3.0% management fee on any single investor whose average portfolio balance held by BOI is greater than $1.0 billion. This fee was implemented per Senate Bill 4, passed during the 2017 Legislative Special Session. The District Court issued a decision dismissing MSF as a party and subsequently dismissed the case against the State of Montana and Board of investments. The plaintiffs appealed the District Court Decision to the Montana Supreme Court.

The Public Employee Retirement Board (PERB) has two items of outstanding litigation in relation to the Sheriffs' Retirement System (SRS) and the Montana Public Employee's Retirement Administration (MPERA). Refer to Note 6, section I for additional disclosure in relation to this legal proceeding.

The Montana State Fund, a discretely presented component unit of the State, has three items of litigation, in addition to the case listed above, in relation to their operations and underlying statutory authority governing the program. Refer to Note 18, section O for additional disclosure in relation to these 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. The State 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 2019, the State distributed $1.6 million of food commodities under CFDA #10.567 to other states.

The State of Montana distributed $13.8 million in commodities in fiscal year 2019. The value at June 30, 2019, of commodities stored at the State's warehouse is $3.7 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, 2019, the Board of Investments (BOI) had provided loan guarantees from the Coal Severance Tax Permanent Fund to the Municipal Finance Programs and the Facility Finance Authority (a component unit of the State of Montana), totaling $186.6 million. The BOI's exposure to bond issues of the Municipal Finance Programs was $105.1 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority was $88.9 million. The BOI has not been held responsible on any loan guarantee in the past.

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2019, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General Fund
Corporate Tax	$ 13,238

Collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate 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, 2019. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2019, these include $5.3 million of General Fund corporate tax refunds. It is estimated that the majority of these corporations' tax refunds would consist primarily of tax and could be significantly reduced or eliminated due to audits and appeals currently in process.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2019. As of June 30, 2019, these include $405.6 thousand of protested property taxes recorded in the General Fund and $459.2 thousand recorded in the State Special Revenue Fund.

Federal Grants - The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from $1.2 million to $5.0 million at June 30, 2019. The State's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

Since June 30, 2019, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of $12.8 million.

In June 2019, BOI requested a 100.0% redemption in the amount of $101.0 million from one manager, pertaining to investments within the Trust Funds Investment Pool. Since the date of the request, the redemption has been received.

Since June 30, 2019, BOI has committed an additional $380.0 million to alternative equity partnerships within Consolidated Asset Pension Pool, with allocations of $160.0 million within the Private Equity Pension Asset Class, $50.0 million within the Natural Resource Pension Asset Class, and $170.0 million within the Real Estate Pension Asset Class.

Since June 30, 2019, BOI has received an additional $5.5 million in loan reservations from Montana Lenders and committed $17.8 million in loans from the Coal Severance Tax Permanent Fund.

The BOI's Chief Investment Officer (CIO) resigned July 19, 2019. Per the BOI's Governance Policy, the Executive Director will be the acting CIO until the BOI hires a replacement.

In August 2019, the plaintiffs, in relation to the case of the Moody's Market, Inc. et al. v. Montana State Fund, Montana Board of Investments, and State of Montana disclosed in Note 16 - *Contingencies*, appealed the District Court Decision to the Montana Supreme Court.

In October 2019, a single state entity borrower pre-paid $11.5 million in principle on outstanding INTERCAP loans to BOI.

Other Subsequent Events

On May 21, 2018, the Board of Examiners authorized a $4.0 million General Obligation Bond Anticipation Note for the Water Pollution Control State Revolving Fund Program, and a $3.4 million General Obligation Bond Anticipation Note for the Drinking Water State Revolving Fund Program. BOI has approved the loans. As of June 30, 2019, the bonds have not been issued.

On June 17, 2019, the Board of Examiners authorized a $6.5 million Coal Severance Tax bond for the Renewable Resource Grant and Loan Program. As of June 30, 2019, the bond has not been issued.

Since June 30, 2019, the Risk Management and Tort Defense Division of the Department of Administration has received $12.4 million of commercial insurance proceeds related to a catastrophic property loss at Montana State University - Bozeman that occurred on March 7, 2019. The total cost of this claim is projected at $44.0 million, of which the division paid a deductible of $1.5 million in fiscal year 2019. The remainder of the loss will be paid by the State's commercial excess property insurance carriers and it is estimated that the claim will be closed by the end of fiscal year 2023.

On August 26, 2019, the State paid $74.6 thousand to a Missoula lawmaker to settle a request in legal fees filed in July. The legal fees were split in half between the Commissioner of Political Practice and the Department of Justice.

On October 8, 2019, the Board of Examiners authorized a resolution to issue an amount, not to exceed $33.0 million, of General Obligation Bonds Series 2019. The bonds were authorized in House Bill 652 during the 2019 Legislative Session.

On October 21, 2019, the case of the Montana Health Care Association, et al, v. Department of Public Health and Human Services was settled. On November 26, 2019, a final adoption notice for Montana Administrative Register (MAR) Notice No. 37-898 was filed for the rate increases made retroactive to November 1, 2019. As soon as the rule notice is filed, the parties will jointly request the court stay the proceedings for so long as the Medicaid reimbursement rates remain at or above the new rate. If the rates remain at or above such levels through June 30, 2021, the parties agree to dismiss the matter with prejudice as fully settled on the merits.

During the 2019 Legislative Session, House Bill 725 passed and was later signed by the Governor. This bill allowed sports wagering in the state with the Montana Lottery facilitating this activity. Though it is difficult to quantify the results of this new Lottery product, it may have a significant effect on the Montana Lottery and its financial statements. This new gaming will most likely be started in the fiscal year ended June 30, 2020.

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, 2019 (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	$ 664,517	$ 8,350	$ 1,560,689	$ 677,096	$ 534,479	$ 3,445,131
Due from primary government	—	—	—	390	949	1,339
Due from component units	—	—	—	5	199	204
Capital assets (net) (Note 18C)	1	—	34,806	536,633	403,853	975,293
Total assets	664,518	8,350	1,595,495	1,214,124	939,480	4,421,967
Deferred Outflows of Resources	699	55	6,965	40,416	29,305	77,440
Liabilities:						
Accounts payable and other liabilities	10,771	21	93,269	78,449	63,482	245,992
Due to primary government	—	24	—	2,114	2,165	4,303
Due to component units	—	—	—	199	5	204
Advances from primary government	—	—	—	18,964	17,631	36,595
Long-term liabilities (Note 18I)	496,541	239	1,025,191	362,294	221,482	2,105,747
Total liabilities	507,312	284	1,118,460	462,020	304,765	2,392,841
Deferred Inflows of Resources	429	78	814	13,498	20,885	35,704
Net Position:						
Net investment in capital assets	1	—	34,806	351,533	298,999	685,339
Restricted	157,475	—	—	335,500	335,595	828,570
Unrestricted	—	8,043	448,380	91,989	8,541	556,953
Total net position	$ 157,476	$ 8,043	$ 483,186	$ 779,022	$ 643,135	$ 2,070,862

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2018.

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	$ 22,715	$ 696	$ 228,399	$ 601,728	$ 455,815	$ 1,309,353
Program Revenues:						
Charges for services	1,802	831	161,259	288,465	180,684	633,041
Operating grants and contributions	24,873	188	—	205,073	134,960	365,094
Capital grants and contributions	—	—	—	15,551	20,299	35,850
Total program revenues	26,675	1,019	161,259	509,089	335,943	1,033,985
Net (expense) program revenues	3,960	323	(67,140)	(92,639)	(119,872)	(275,368)
General Revenues:						
Unrestricted grants and contributions	—	—	—	109	—	109
Unrestricted investment earnings	—	—	4,555	8,445	6,520	19,520
Transfer from primary government	—	—	—	130,064	101,416	231,480
Gain (loss) on sale of capital assets	—	—	(30)	(739)	1	(768)
Miscellaneous	—	—	479	—	—	479
Contributions to term and permanent endowments	—	—	—	16	35,857	35,873
Total general revenues and contributions	—	—	5,004	137,895	143,794	286,693
Change in net position	3,960	323	(62,136)	45,256	23,922	11,325
Total net position – July 1 – as previously reported	153,519	7,718	539,091	733,766	619,264	2,053,358
Adjustments to beginning net position	(3)	2	6,231	—	(51)	6,179
Total net position – July 1 – as restated	153,516	7,720	545,322	733,766	619,213	2,059,537
Total net position – June 30	$ 157,476	$ 8,043	$ 483,186	$ 779,022	$ 643,135	$ 2,070,862

[1] Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2018.

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	$ 8,323	$ 8,306	$ 1,139	$ 17,768
Construction work in progress	37,180	7,384	8,292	52,856
Capitalized collections	9,882	28,063	—	37,945
Livestock for educational purposes	4,092	—	—	4,092
Total capital assets not being depreciated	59,477	43,753	9,431	112,661
Capital assets being depreciated:				
Infrastructure	44,999	9,904	—	54,903
Land improvements	30,519	16,408	—	46,927
Buildings/Improvements	739,491	658,891	27,942	1,426,324
Equipment	165,612	98,096	7,747	271,455
Livestock	—	255	—	255
Library books	67,651	62,205	—	129,856
Leasehold improvements	7,318	—	—	7,318
Total capital assets being depreciated	1,055,590	845,759	35,689	1,937,038
Total accumulated depreciation	(593,560)	(490,519)	(10,322)	(1,094,401)
Total capital assets being depreciated, net	462,030	355,240	25,367	842,637
Intangible assets	2,045	2,359	9	4,413
MSU Component Unit capital assets, net	13,081	—	—	13,081
UM Component Unit capital assets, net	—	2,501	—	2,501
Discretely Presented Component Units capital assets, net	$ 536,633	$ 403,853	$ 34,807	$ 975,293

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 information is included in Note 7.

E. Risk Management

Montana State Fund (MSF or New Fund) 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 December 31, 2018, approximately 23,800 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 Willis Towers Watson, as of December 31, 2018, 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 such complex factors 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 December 31, 2018, $941.6 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, 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 year ended December 31, 2018, 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. The excess of loss contract provides coverage for occurrences up to $100.0 million; however, MSF retains the first $5.0 million of coverage. The excess of loss protection applies to an individual occurrence with the maximum of $5.0 million on any one life.

The term of the current aggregate stop loss contract is January 1, 2017 through December 31, 2019. The contract provides coverage based on MSF's premium levels not to exceed 15.0% 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 $10.0 million during the year ended December 31, 2018.

Estimated claim reserves were reduced by $1.3 million as of December 31, 2018, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables 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.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Unpaid claims and claim adjustments expenses at beginning of year	$ 919,690	$ 921,532
Incurred claims and claim adjustment expenses:		
Provision for insured event of the current year	137,066	137,222
Increase (decrease) in provision for insured events of prior years	(15,141)	(14,195)
Total incurred claims and claim adjustment expenses	121,925	123,027
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(22,903)	(24,597)
Claims and claim adjustment expenses attributable to insured events of prior years	(77,074)	(100,272)
Total payments	(99,977)	(124,869)
Total unpaid claims and claim adjustment expenses at end of year	$ 941,638	$ 919,690

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2019, were as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2020	$ 197
2021	148
2022	103
2023	62
2024	25
Thereafter	4
Total minimum payments	539
Less: interest	(43)
Present value of minimum payments	$ 496

G. Operating Leases

Future rental payments under operating leases at June 30, 2019, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2020	$ 3,258
2021	2,412
2022	1,524
2023	1,201
2024	5,545
Thereafter	1,121
Total future rental payments	$ 15,061

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2019, were as follows (in thousands):

Year Ended	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 17,095	$ 16,430	$ 10,533	$ 6,917	$ 409	$ 466	$ 9,765	$ 3,058
2021	17,895	16,053	10,190	6,569	421	454	10,125	2,656
2022	18,185	15,619	10,460	6,227	433	442	10,611	2,238
2023	18,785	15,131	6,275	5,927	446	429	11,277	1,811
2024	19,270	14,588	6,580	5,682	459	416	11,182	1,472
2025 - 2029	106,795	63,092	32,300	23,799	2,505	1,868	21,595	3,663
2030 - 2034	108,880	44,274	29,695	18,015	2,896	1,477	9,150	1,295
2035 - 2039	88,420	25,745	25,700	11,738	3,347	1,026	2,780	191
2040 - 2044	69,875	10,845	26,975	5,836	3,869	504	—	—
2045 - 2049	20,885	1,776	10,940	844	1,274	37	—	—
Total	$ 486,085	$ 223,553	$ 169,648	$ 91,554	$ 16,059	$ 7,119	$ 86,485	$ 16,384

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2019, 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	$ 451,869	$ 90,796	$ 49,440	493,225	$ 17,095	$ 476,130
Montana State University (MSU)	190,410	348	12,414	178,344	10,533	167,811
MSU Direct Placement	16,455	—	397	16,058	409	15,649
University of Montana (UM)	97,118	—	9,482	87,636	9,801	77,835
Total bonds/notes payable (1)	755,852	91,144	71,733	775,263	37,838	737,425
Other liabilities						
Lease/installment purchase payable	436	225	165	496	174	322
Compensated absences payable	63,083	30,740	28,632	65,191	32,538	32,653
Arbitrage rebate tax payable	652	520	48	1,124	390	734
Estimated insurance claims	919,690	121,925	99,977	941,638	113,205	828,433
Due to federal government	31,818	720	2	32,536	—	32,536
Derivative instrument liability	3,080	1,147	—	4,227	—	4,227
Reinsurance funds withheld	85,870	11,099	48,583	48,386	—	48,386
Unearned compensation	391	—	—	391	—	391
Net pension liability	222,792	3,364	32,966	193,190	—	193,190
Total OPEB liability (2)	35,764	5,044	1,114	39,694	—	39,694
Total other liabilities	1,363,576	174,784	211,487	1,326,873	146,307	1,180,566
	$ 2,119,428	$ 265,928	$ 283,220	$ 2,102,136	184,145	1,917,991
Long-term liabilities of Montana University System component units (4)					(91)	3,702
Total discretely presented component units' long-term liabilities					$ 184,054	$ 1,921,693

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.
(2) The Total OPEB liability beginning balance for Montana State Fund (MSF) was restated due to the implementation of GASB No. 75.
(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.

J. Refunded and Early Retired Debt

Refunded Debt

On September 4, 2018, Montana State University issued Series F 2018 bonds in the amount of 19.8 million, to refund Series J 2005 in the same principal amount at a rate of 0.45% above Securities Industry and Financial Markets Association (SIFMA).

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, 2019, $75.2 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)
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 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 included in Note 11. At June 30, 2019, revenue bonds and notes outstanding aggregated $1.1 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 16 for more information.

Montana Board of Housing (MBOH)
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 MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2019, bonds outstanding aggregated $55.0 million.

L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2019 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 81,451	$ 11,000	$ 3,510	$ 88,941

M. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2019. 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 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not.

Derivative Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA	Deutsche Bank AG
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

As of June 30, 2019, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the 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 GASB 53 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. To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

The counterparty to the fixed payer swap had the right to terminate the swap at $0 on December 14, 2016 (a European option); this option was not exercised. As of the trade date, the option’s value included intrinsic value and time value. The option’s intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds form the Series F 2018 bonds which were issued in a "SIFMA Index Rate" mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period which spans from September 4, 2018 through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2019, was 0.45%. 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 fair value of the fixed payer swap liability as of June 30, 2019, is at fair value level 2, and was based on forward SIFMA rates using the three month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative investment is also at level 2, and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap using the three month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty’s credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2019 (in thousands):

		Activity During 2019		Fair Values at June 30, 2019	
Cash flow hedges:	**Notional**	**Classification**	**Amount**	**Classification**	**Amount**
Cash flow hedge –					
Pay fixed interest rate swap	$ 19,025	Interest expense	$ 18	Loan receivable	$ 212
		Investment income	—	Derivative liability	4,227
		Deferred outflow	1,147		
Investment derivative –					
Basis swap	$ 19,025	Investment loss	$ 200	Investment (excluding interest accrued)	$ 256

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2019, 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	$ 19,025	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, 2019, counterparty ratings were A3 by Moody's and BBB+ 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 $5.0 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, 2019, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

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 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.

N. 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, 2019, $229.4 thousand 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 of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

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 $1.4 million during 2019 and Friends of KEMC Public Radio provided $900.0 thousand during 2019 in support of MSU's television and radio stations.

O. Litigation Contingencies

Susan Hensley v. Montana State Fund is based on a Petition for Hearing filed before the Workers' Compensation Court in October 2013. The matter is Susan Hensley vs. Montana State Fund, WCC No. 2013-3235. Under House Bill 334, as passed by the legislature in 2011 and codified in section 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 section 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 the National Council on Compensation Insurance initial pricing, and current estimated business volumes. However, based on experience, costs may be substantially higher than the estimate of $2.2 million per year.

Montana State Fund received another Petition for Hearing that was filed before the Workers' Compensation Court. The matter is Steven Hanson v. 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.

Mak and Sons Concrete Construction Service v. Montana State Fund is a matter filed in the First Judicial District Court and involves the issue of whether the Montana State Fund breached its contract to provide workers' compensation insurance coverage. The Montana State Fund canceled Mak and Sons' policy of insurance due to not receiving timely payment of premium. During the uninsured period, several employees of Mak and Sons were involved in a motor vehicle accident. As a result, Mak and Sons sued the Montana State Fund seeking to have coverage for the injuries as well as for breach of the contract of insurance and breach of the covenant of good faith and fair dealing. Should Mak and Sons prevail, MSF estimates the loss may approach $1.0 million.

P. Subsequent Events

On July 11, 2019, a loan of $335.9 thousand was made from the Facilities Finance Authority (FFA) to Central Montana Medical Center to finance equipment and renovation to create an interventional radiology suite.

On July 15, 2019, a loan of $498.5 thousand was made from FFA to Northeast Montana Health Services to refinance debt incurred to replace its boiler system.

On July 18, 2019, a loan of $298.5 thousand was made from FFA to Job Connection to refinance debt incurred to build an administrative building.

On July 30, 2019, Single Family Mortgage Bonds, 2019 Series B, were issued by the Board of Housing (BOH) for $30.0 million to be used for the purpose of acquiring additional mortgage loans in Montana.

In July 2019, Montana State University (MSU) received authorization from the Board of Regents to expend up to $1.5 million for the planning and design of the Bobcat Athletic Complex and Academic Excellence Center, a 40,000 square-foot addition to the north end of Bobcat Stadium in Bozeman. The project will be financed with private donations of $15.0 million and $3.0 million from the MSU non-state funds. Construction is expected to begin after the 2019 football season and expected to be open for the 2021 football season. MSU also received authorization from the Board of Regents to lease the Bobcat Stadium and surrounding area to the MSU Alumni Foundation (MSUAF) for the purpose of constructing the Bobcat Athletics Complex and enter into a Memorandum of Understanding with MSUAF for this project.

On August 8, 2019, bonds of $4.0 million were issued by FFA for the Bighorn Valley Health Center to construct a new community health clinic in Hardin, MT.

On September 13, 2019, Montana State Fund's board declared a dividend of $30.0 million to be distributed to approximately 23,000 employers.

On September 3, 2019, a loan of $99.1 thousand was made from FFA to McCone County Health Center, Inc. to finance a hot water heater installation and boiler repairs.

On September 10, 2019, a loan of $1.5 million was made from FFA to Marcus Daly Memorial Hospital to finance the purchase of a clinic building.

On September 5, 2019, on behalf of the University of Montana (UM), the Board of Regents (the Board) priced $54.5 million of General Revenue Bonds Series 2019B and $92.4 million of General Revenue Bonds Series 2019C (Taxable), collectively referred to as Series 2019BC Bonds. The bond issuance closed on September 26, 2019. The proceeds of the sale of the Series 2019BC (the Refinancing), were used to defease and refund $88.8 million of outstanding indebtedness, pay costs and expenses in connection with the issuance of the Series 2019BC Bonds, and generate proceeds of $63.4 million which will be used to fund capital improvements for UM. Such capital improvements may include the renewal and renovation of existing student housing, dining and recreational facilities, deferred maintenance projects, and plant upgrades which are expected to result in significant energy cost savings. The Refinancing consisted of a defeasance and refunding of the following: (i) Refunding taxable and tax-exempt Revenue Bonds, Series K 2010 outstanding in the aggregate principal amount of $19.6 million; (ii) Refunding taxable and tax-exempt Revenue Bonds, Series L 2012 outstanding in the aggregate principal amount of $35.1 million; (iii) Revenue Bonds, Series M 2013 outstanding in the aggregate principal amount of $3.8 million; (iv) Refunding Revenue Bonds, Series N 2015 outstanding in the aggregate principal amount of $14.8 million; (v) Board of Investments INTERCAP Program loans outstanding in the aggregate principal amount of $11.5 million; and (vi) State Building Energy Conservation Program (SBECP) loans outstanding in the aggregate principal amount of $4.0 million. Concurrently with the Refinancing, the Board exchanged UM's General Revenue Bonds, Series 2019A in the amount of $13.2 million, for its Revenue Bonds, Series O 2017 outstanding in the amount of $13.2 million. The Series 2019A Bonds were issued under the Indenture of Trust (Indenture) between the Board and the Trustee, and the Series O 2017 Bonds were cancelled. As defined in the Indenture for the Series 2019A and Series 2019BC Bonds, UM has pledged all permitted revenues after certain charges for payment of operation and maintenance expenses.

On October 4, 2019, bonds of $125.4 million were issued by FFA for the Sisters of Charity Leavenworth Health System, Inc. to refinance its Series 2010 bonds which refunded prior debt, as well as, funding equipment and renovations at facilities in Billings, Butte, and Miles City, MT.

On November 11, 2019, a loan of $581.2 thousand was made from FFA to Eastern Montana Mental Health Services to finance existing debt and furnish a group home in Glendive, MT.

On November 12, 2019, a loan of $500.0 thousand was made from FFA to Eastern Montana Mental Health Services to finance existing debt and furnish a group home in Glendive, MT.

On January 16, 2020, Single Family Mortgage Bonds, 2020 Series A, were issued by BOH for $42.4 million to be used for the purpose of acquiring additional mortgage loans and refunding certain BOH Single Family Homeownership bonds.

Q. Commitments

Montana State Fund (MSF or New Fund) is in a multi-year project to replace its legacy policy management system. The first phase to select vendors, coordinate change management processes and develop and implement core policy management and billing transaction systems is expected to be completed by December 2019 and require total expenditures estimated at $21.0 million. The total project cost from January 1, 2017 to December 31, 2018 was $12.7 million. The last phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2019. Costs during the application development phase will be capitalized and recorded as construction work in process until the system is deployed.

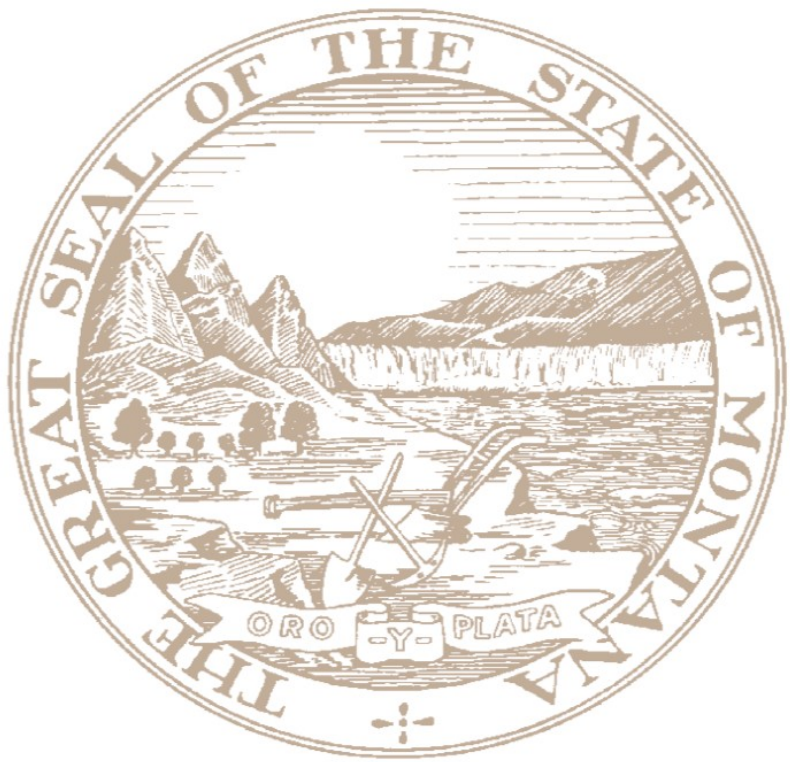
As of June 30, 2019, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately $12.9 million for equipment, supplies and services which had not yet been received.

In September, 2018, the US Department of Education (Department) informed the University of Montana (UM) that it was imposing a fine of $966.6 thousand for its failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485 (f) of the Higher Education Act of 1965, 20 USC Section 1092 (f). In October, 2018, UM submitted a letter to appeal the proposed fine action and requested a hearing with the Department's Office of Hearings and Appeals. In January, 2019, UM and the Department agreed to resolve the matter and the fine amount was reduced to $395.0 thousand, to be paid in installments over five years. UM subsequently paid off the remaining balance due to the Department in July, 2019.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

Constitutionality of Retirement Plan Funding

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 within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2019.


THE GREAT SEAL OF THE STATE OF MONTANA
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State of Montana

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 124,034	$ 124,034	$ 126,135	$ 2,101
Taxes:				
Natural resource	67,687	67,687	86,211	18,524
Individual income	1,404,299	1,404,299	1,419,959	15,660
Corporate income	173,148	173,148	186,012	12,864
Property	287,638	287,638	288,070	432
Fuel	—	—	—	—
Other	244,842	244,842	241,604	(3,238)
Charges for services/fines/forfeits/settlements	38,999	38,999	37,153	(1,846)
Investment earnings	—	—	23,647	23,647
Sale of documents/merchandise/property	356	356	314	(42)
Rentals/leases/royalties	10	10	10	—
Contributions/premiums	5,838	5,838	5,833	(5)
Grants/contracts/donations	3,953	3,953	8,261	4,308
Federal	21,820	21,820	21,475	(345)
Federal indirect cost recoveries	66	66	157	91
Other revenues	5,999	5,999	5,861	(138)
Total revenues	2,378,689	2,378,689	2,450,702	72,013
EXPENDITURES				
Current:				
General government	377,031	377,031	360,596	16,435
Public safety	331,800	331,800	313,996	17,804
Transportation	180	180	—	180
Health and human services	564,544	564,544	526,712	37,832
Education	1,045,134	1,045,134	1,036,533	8,601
Natural resources	36,486	36,486	32,012	4,474
Debt service (Note RSI-1):				
Principal retirement	—	—	15	(15)
Interest/fiscal charges	—	—	216	(216)
Capital outlay (Note RSI-1)	—	—	3,579	(3,579)
Total expenditures	2,355,175	2,355,175	2,273,659	81,516
Excess of revenue over (under) expenditures	23,514	23,514	177,043	153,529
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	2	2
General capital asset sale proceeds	47	47	89	42
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	78,231	78,231	122,579	44,348
Transfers out (Note 12)	(251,909)	(251,909)	(58,977)	192,932
Total other financing sources (uses)	(173,631)	(173,631)	63,693	237,324
Net change in fund balances (Budgetary basis)	(150,117)	(150,117)	240,736	390,853
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	—	—
2. Securities lending costs	—	—	—	—
3. Inception of lease/installment contract	—	—	234	234
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(150,117)	(150,117)	240,970	391,087
Fund balance - July 1	—	—	199,318	199,318
Prior period adjustments	—	—	2,820	2,820
Increase (decrease) in inventories	—	—	298	298
Fund balances - June 30	$ (150,117)	$ (150,117)	$ 443,406	$ 593,523

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.
The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
$ 227,602	$ 227,602	$ 234,402	$ 6,800	$ —	$ —	$ —	$ —
73,486	73,486	83,705	10,219	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
18,809	18,809	18,675	(134)	—	—	—	—
303,092	303,092	261,290	(41,802)	—	—	—	—
148,128	148,128	141,023	(7,105)	6	6	1	(5)
119,924	119,924	118,036	(1,888)	6,856	6,856	6,786	(70)
—	—	16,857	16,857	—	—	599	599
10,196	10,196	10,256	60	17	17	15	(2)
974	974	966	(8)	1	1	—	(1)
27,814	27,814	28,745	931	—	—	—	—
14,283	14,283	39,788	25,505	18	18	17	(1)
7,228	7,228	7,115	(113)	2,931,863	2,931,863	2,848,049	(83,814)
51,438	51,438	54,368	2,930	82,379	82,379	82,051	(328)
38,556	38,556	2,956	(35,600)	1,206	1,206	1,308	102
1,041,530	1,041,530	1,018,182	(23,348)	3,022,346	3,022,346	2,938,826	(83,520)
346,881	346,881	195,442	151,439	271,426	271,426	90,512	180,914
91,522	91,522	77,612	13,910	49,840	49,840	18,566	31,274
357,670	357,670	242,884	114,786	633,924	633,924	116,829	517,095
178,740	178,740	163,544	15,196	2,304,206	2,304,206	2,006,938	297,268
97,276	97,276	80,785	16,491	325,366	325,366	196,400	128,966
298,337	298,337	176,439	121,898	176,784	176,784	82,386	94,398
—	—	634	(634)	—	—	39	(39)
—	—	226	(226)	—	—	6	(6)
—	—	66,639	(66,639)	—	—	398,090	(398,090)
1,370,426	1,370,426	1,004,205	366,221	3,761,546	3,761,546	2,909,766	851,780
(328,896)	(328,896)	13,977	342,873	(739,200)	(739,200)	29,060	768,260
13,245	13,245	13,783	538	—	—	—	—
64	64	872	808	46	46	71	25
—	—	272	272	—	—	—	—
278,437	278,437	161,199	(117,238)	15,057	15,057	2,369	(12,688)
(110,225)	(110,225)	(65,310)	44,915	(89,994)	(89,994)	(32,087)	57,907
181,521	181,521	110,816	(70,705)	(74,891)	(74,891)	(29,647)	45,244
(147,375)	(147,375)	124,793	272,168	(814,091)	(814,091)	(587)	813,504
—	—	110	110	—	—	—	—
—	—	(67)	(67)	—	—	—	—
—	—	555	555	—	—	19	19
—	—	(13,111)	(13,111)	—	—	—	—
(147,375)	(147,375)	112,280	259,655	(814,091)	(814,091)	(568)	813,523
—	—	1,601,060	1,601,060	—	—	(10,070)	(10,070)
—	—	(624)	(624)	—	—	(1,975)	(1,975)
—	—	1,120	1,120	—	—	—	—
$ (147,375)	$ (147,375)	$ 1,713,836	$ 1,861,211	$ (814,091)	$ (814,091)	$ (12,613)	$ 801,478

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 1. 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 2019, reverted governmental fund appropriations were as follows: $42.4 million in the General Fund, $172.3 million in the State Special Revenue Fund, and $356.6 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% 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 Generally Accepted Accounting Principles (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

NOTE RSI – 2. PENSION PLAN INFORMATION

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)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 1,664	$ 1,628	$ 1,578	$ 1,653	$ 1,594
Interest	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	—	3,865	—	—	—
Refunds of contributions	(149)	—	—	—	—
Benefit payments	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	$ 60,192	$ 60,798	$ 53,953	$ 53,146	$ 51,632
Plan Fiduciary Net Position					
Contributions – employer	$ 1,085	$ 1,800	$ 1,806	$ 1,684	$ 1,651
Contributions – member	575	488	729	534	481
Net investment income	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	(149)	—	—	—	—
Benefit payments	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(264)	(254)	(197)	(136)	(100)
Other	7	—	(3)	—	—
Net change in plan fiduciary net position	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	$ 102,651	$ 96,653	$ 87,805	$ 87,107	$ 84,223
Net Pension (Asset) – Beginning	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)	$ (23,556)
Net Pension (Asset) – Ending	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)
Plan fiduciary net position as a percentage of TPL	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	$ 7,291	$ 6,974	$ 6,920	$ 6,525	$ 6,355
Net pension (asset) as a percentage of covered payroll	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ —	$ 1,085	$ 1,800	$ 1,786	$ 1,684
Contributions made in relation to the contractually required contributions	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525
Contributions as a percentage of covered payroll	0.00%	14.88%	25.81%	26.00%	26.00%

[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, 2019

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, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.18%

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)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 3,643	$ 3,665	$ 3,799	$ 3,598	$ 3,464
Interest	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	1,856	—
Difference between expected and actual experience	590	2,774	18	267	—
Changes of assumptions	—	7,892	—	—	—
Benefit payments	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(322)	(245)	(94)	—	—
Net change in total pension liability	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	$ 227,581	$ 218,922	$ 200,752	$ 192,966	$ 183,133
Plan Fiduciary Net Position					
Contributions – employer	$ 5,858	$ 5,782	$ 5,916	$ 5,840	$ 5,736
Contributions – non-employer	250	263	243	—	—
Contributions – member	2,387	1,950	1,917	1,624	1,458
Net investment income	12,283	15,099	2,605	5,738	18,677
Benefit payments	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(322)	(245)	(94)	—	—
Other	8	—	(2)	—	—
Net change in plan fiduciary net position	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	$ 149,199	$ 140,537	$ 128,973	$ 129,067	$ 126,010
Net Pension Liability – Beginning	$ 78,385	$ 71,779	$ 63,899	$ 57,123	$ 65,903
Net Pension Liability – Ending	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123
Plan fiduciary net position as a percentage of TPL	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	$ 15,251	$ 14,779	$ 15,276	$ 14,549	$ 14,149
Net pension liability as a percentage of covered payroll	513.95%	530.38%	469.88%	439.00%	404.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 6,051	$ 5,843	$ 5,706	$ 6,161	$ 5,782
Contributions in relation to the contractually required contributions	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549
Contributions as a percentage of covered payroll	39.87%	38.31%	38.61%	40.00%	40.00%

[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, 2019

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, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.30%

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)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 8,098	$ 8,623	$ 8,403	$ 8,008	$ 7,850
Interest	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	4,781	3,743	2,705	731	—
Changes of assumptions	—	5,878	—	—	—
Benefit payments	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	$ 234,470	$ 213,201	$ 187,534	$ 169,649	$ 153,864
Plan Fiduciary Net Position					
Contributions - employer	$ 4,613	$ 4,464	$ 4,278	$ 4,088	$ 3,762
Contributions - member	5,512	5,278	5,036	4,924	4,462
Net investment income	15,573	18,590	3,167	6,435	20,069
Benefit payments	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,105)	(1,036)	(1,066)	—	—
Other	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	$ 193,523	$ 175,841	$ 154,685	$ 148,638	$ 138,743
Net Pension Liability – Beginning	$ 37,360	$ 32,849	$ 21,011	$ 15,121	$ 24,144
Net Pension Liability – Ending	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121
Plan fiduciary net position as a percentage of TPL	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	$ 50,823	$ 49,381	$ 47,108	$ 44,885	$ 41,637
Net pension liability as a percentage of covered payroll	80.57%	75.66%	69.73%	47.00%	36.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 4,644	$ 4,574	$ 4,447	$ 4,240	$ 4,040
Contributions in relation to the contractually required contributions	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885
Contributions as a percentage of covered payroll	8.99%	9.00%	9.01%	9.00%	9.00%

[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, 2019

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, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

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)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	$ 825,387	$ 1,033,200	$ 906,880	$ 749,414	$ 663,174
Employer's covered payroll	$ 640,177	$ 648,671	$ 621,755	$ 620,286	$ 597,083
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	128.93%	159.28%	145.86%	120.82%	111.07 %
Plan fiduciary net position as a percentage of the total pension liability	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 56,183	$ 54,844	$ 56,256	$ 59,073	$ 58,575
Contributions in relation to the contractually required contributions	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 638,674	$ 640,177	$ 648,671	$ 621,755	$ 620,286
Contributions as a percentage of covered payroll	8.80%	8.57%	8.67%	9.50%	9.44%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, determined as of June 30, 2018.

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 payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, includes inflation
Salary increases	0% to 4.80%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.26%

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)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	$ 520,058	$ 19,622	$ 16,287	$ 13,365	$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 34,642	$ 34,706	$ 28,763	$ 30,800	$ 32,397
Contributions in relation to the contractually required contributions	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a Statutory Appropriation from General Fund per Section 19-3-320, 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)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	$ 3,663	$ 3,696	$ 9,582	$ 5,434	$ 2,304
Employer's covered payroll	$ 3,781	$ 3,634	$ 3,850	$ 3,836	$ 3,580
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	82.68%	81.00%	63.00%	75.00%	87.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 513	$ 496	$ 368	$ 389	$ 388
Contributions in relation to the contractually required contributions	513	496	368	389	388
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,915	$ 3,781	$ 3,634	$ 3,850	$ 3,836
Contributions as a percentage of covered payroll	13.10%	13.12%	10.13%	10.10%	10.11%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year ended June 30, 2019

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, 2018, determined as of June 30, 2018. 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 payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%, includes inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.21%

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)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.124706%	67.085433%	66.499650%	66.954111 %	66.888728%
Nonemployer's proportionate share of the net pension liability	$ 114,956	$ 119,354	$ 119,708	$ 110,756	$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	70.95%	68.00%	66.00%	67.00%	67.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 15,941	$ 15,283	$ 13,215	$ 13,752	$ 13,433
Contributions in relation to the contractually required contributions	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, are as follows:

> The State contributes 29.37% of member compensation on behalf of all employer entities per Section 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)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	$ 2,650	$ 2,525	$ 2,583	$ 2,454	$ 1,806
Employer's covered payroll	$ 1,103	$ 1,022	$ 974	$ 986	$ 735
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 494	$ 518	$ 472	$ 475	$ 142
Contributions in relation to the contractually required contributions	494	518	472	475	142
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986
Contributions as a percentage of covered payroll	47.00%	46.96%	46.18%	49.00%	14.40%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, determined as of June 30, 2018. 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 payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Inflation	2.75%
Salary increases	0% to 6.30%
Investment rate of return	7.65%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.23%

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)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	$ 78,285	$ 76,724	$ 77,448	$ 68,892	$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,209	$ 15,272	$ 14,042	$ 13,635	$ 13,573
Contributions in relation to the contractually required contributions	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, are as follows:

> The State contributes 32.61% of member compensation on behalf of all employer entities per Section 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)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	$ 7,667	$ 10,087	$ 10,599	$ 10,504	$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	83.48%	78.00%	76.00%	76.00%	87.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 2,361	$ 2,207	$ 2,054	$ 2,024	$ 1,913
Contributions in relation to the contractually required contributions	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 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)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	$ 47,407	$ 48,227	$ 57,016	$ 56,230	$ 72,168
Employer's covered payroll	$ 24,275	$ 26,944	$ 28,915	$ 31,252	$ 32,937
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,538	$ 17,298	$ 17,396	$ 16,946	$ 16,234
Contributions in relation to the contractually required contributions	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 23,250	$ 24,275	$ 26,944	$ 28,915	$ 31,252
Contributions as a percentage of covered payroll	71.13%	71.26%	64.56%	58.00%	52.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of assumptions: As a result of the recent actuarial experience study, dated May 3, 2018, since reporting year 2019, assumptions about mortality, inflation, wage growth, investment return, salary increase, retirement rates, termination rates, and investment expenses were adjusted to more closely match actual experience and benefit statutes.

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, 2018, determined as of June 30, 2018.

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	22 years
Asset valuation method	4-year smoothed market
Wage inflation	3.25%, including inflation
Inflation	2.50%
Salary increase	3.25% to 7.76%, including inflation for non-University Members and 4.25% for University Members
Investment rate of return	7.50%, 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)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	$ 700,417	$ 642,958	$ 707,527	$ 647,092	$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 44,333	$ 43,718	$ 43,028	$ 42,400	$ 42,806
Contributions in relation to the contractually required contributions	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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, 2018, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a $25 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: As a result of the recent actuarial experience study, dated May 3, 2018, since reporting year 2019, assumptions about mortality, inflation, wage growth, investment return, salary increase, retirement rates, termination rates, and investment expenses were adjusted to more closely match actual experience and benefit statutes.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 3. 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 the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years [1]
(in thousands)

Total OPEB Liability	2019	2018
Service cost	$ 2,062	$ 1,889
Interest	1,990	2,014
Difference between expected and actual experience	—	(4,723)
Changes of assumptions or other inputs	2,895	(295)
Benefit payments	(1,709)	1,705
Net change in Total OPEB Liability	5,238	590
Total OPEB Liability - Beginning	50,459	49,869
Total OPEB Liability - Ending	$ 55,697	$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100%	100%
Covered employee payroll	$ 702,688	$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	7.93%	7.47%

[1] Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years (1)
(in thousands)

Total OPEB Liability	2019	2018
Service cost	$ 1,952	$ 1,954
Interest	1,495	1,410
Difference between expected and actual experience	—	(1,323)
Changes of assumptions or other inputs	1,351	(182)
Benefit payments	(888)	(679)
Net change in Total OPEB Liability	3,910	1,180
Total OPEB Liability - Beginning	35,438	34,258
Total OPEB Liability - Ending	$ 39,348	$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.59%	95.62%
Covered employee payroll (2)	$ 451,613	$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	9.11%	8.53%

(1) Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.
(2) Amount reported is for the whole MUS plan, Community Colleges are included due to lack of ability to separate covered employee payroll.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

State of Montana Hail Insurance Program
Claims Development Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Premiums and investment revenue										
Earned	$ 4,836	$ 4,320	$ 5,918	$ 7,446	$ 8,309	$ 8,029	$ 7,101	$ 7,034	$ 6,710	$ 6,866
Ceded	3,605	3,255	4,771	6,346	2,049	—	—	—	—	—
Net earned	1,231	1,065	1,147	1,100	6,260	8,029	7,101	7,034	6,710	6,866
2. Unallocated expenses including overhead	$ 412	$ 448	$ 455	$ 424	$ 1,124	$ 1,033	$ 3,562	$ 2,308	$ 1,545	$ 2,637
3. Estimated losses and expenses end of accident year	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309	$ 3,961
4. Net paid (cumulative) as of:										
End of policy year	$ 405	$ 85	$ 817	$ 189	$ 6,643	$ 13,285	$ 1,881	$ 3,857	$ 6,144	$ 3,723
One year later					—	—	—	—	—	—
Two years later						—	—	—	—	—
Three years later							—	—	—	—
Four years later								—	—	—
Five years later									—	—
Six years later										—
Seven years later										
Eight years later										
Nine years later										
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309	$ 3,961
One year later					—	—	—	—	—	—
Two years later						—	—	—	—	—
Three years later							—	—	—	—
Four years later								—	—	—
Five years later									—	—
Six years later										—
Seven years later										
Eight years later										
Nine years later										
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Montana University System – Medical, Dental, Vision, Rx Claims
Claims Development Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Premiums and investment Revenue	$ 98,885	$ 99,369	$ 100,693	$ 84,297	$ 80,764	$ 79,257	$ 76,505	$ 75,911	$ 73,078	$ 62,851
2. Unallocated expenses including overhead	$ 5,150	$ 5,111	$ 5,196	$ 5,129	$ 5,198	$ 4,787	$ 3,938	$ 4,063	$ 4,663	$ 3,629
3. Estimated losses and expenses end of accident year	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919	$ 65,575
4. Net paid (cumulative) as of:										
End of policy year	$ 82,055	$ 80,393	$ 75,601	$ 76,400	$ 79,388	$ 63,317	$ 61,964	$ 56,981	$ 57,018	$ 58,989
One year later		$ 89,050	$ 84,575	85,796	88,943	69,073	67,988	62,937	63,495	66,991
Two years later			$ 84,729	85,894	89,261	69,074	68,024	62,968	63,538	67,022
Three years later				86,002	89,264	69,076	68,024	62,974	63,539	67,041
Four years later					89,271	69,076	68,024	62,974	63,539	67,041
Five years later						69,076	68,024	62,974	63,539	67,042
Six years later							68,024	62,974	63,539	67,042
Seven years later								62,974	63,539	67,042
Eight years later									63,539	67,042
Nine years later										67,042
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919	$ 65,575
One year later		89,036	84,567	86,148	88,824	71,700	68,349	63,446	63,941	67,006
Two years later			84,729	85,894	89,261	69,074	68,024	62,968	63,538	67,022
Three years later				86,002	89,264	69,076	68,024	62,974	63,539	67,041
Four years later					89,271	69,076	68,024	62,974	63,539	67,041
Five years later						69,076	68,024	62,974	63,539	67,042
Six years later							68,024	62,974	63,539	67,042
Seven years later								62,974	63,539	67,042
Eight years later									63,539	67,042
Nine years later										67,042
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ (1,391)	$ (1,073)	$ (1,231)	$ 1,912	$ (2,800)	$ (1,302)	$ (1,357)	$ (1,380)	$ 1,467

State of Montana

Supplementary Information

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2019
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
ASSETS				
Cash/cash equivalents	$ 10,340	$ 43,658	$ 10,883	$ 64,881
Receivables (net)	3,837	1,902	1,133	6,872
Due from other funds	931	688	—	1,619
Equity in pooled investments	—	—	364,948	364,948
Long-term loans/notes receivable	22,448	—	—	22,448
Advances to other funds	6,773	—	—	6,773
Securities lending collateral	—	—	4,200	4,200
Total assets	$ 44,329	$ 46,248	$ 381,164	$ 471,741
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ —	$ 2,666	$ 2	$ 2,668
Interfund loans payable	—	—	357	357
Due to other funds	10	—	693	703
Advances from other funds	7,424	—	—	7,424
Amounts held in custody for others	—	25	—	25
Securities lending liability	—	—	4,200	4,200
Total liabilities	7,434	2,691	5,252	15,377
DEFERRED INFLOWS OF RESOURCES	311	—	—	311
Fund balances:				
Nonspendable	—	—	362,256	362,256
Restricted	6,496	10,742	13,655	30,893
Committed	30,051	32,078	—	62,129
Assigned	39	766	—	805
Unassigned	—	(28)	—	(28)
Total fund balances	36,586	43,558	375,911	456,055
Total liabilities, deferred inflows of resources, and fund balances	$ 44,331	$ 46,249	$ 381,163	$ 471,743

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
REVENUES				
Taxes:				
Natural resource	$ 2,036	$ 7,353	$ —	$ 9,389
Other	—	1,585	—	1,585
Charges for services/fines/forfeits/settlements	48	162	11,032	11,242
Investment earnings	11,233	413	27,477	39,123
Securities lending income	—	—	98	98
Total revenues	13,317	9,513	38,607	61,437
EXPENDITURES				
Current:				
General government	—	105	—	105
Public safety	—	244	—	244
Health and human services	9	1,402	—	1,411
Education	—	—	12	12
Natural resources	—	43	—	43
Debt service:				
Principal retirement	27,180	—	—	27,180
Interest/fiscal charges	6,072	—	—	6,072
Capital outlay	—	16,715	28	16,743
Securities lending	—	—	60	60
Total expenditures	33,261	18,509	100	51,870
Excess of revenue over (under) expenditures	(19,944)	(8,996)	38,507	9,567
OTHER FINANCING SOURCES (USES)				
General capital asset sale proceeds	—	—	8	8
Refunding bond issued	4,575	—	—	4,575
Payment to refunding bond escrow agent	(6,844)	—	—	(6,844)
Transfers in	27,437	10,924	1,622	39,983
Transfers out	(8,016)	(1,750)	(10,684)	(20,450)
Total other financing sources (uses)	17,152	9,174	(9,054)	17,272
Net change in fund balances	(2,792)	178	29,453	26,839
Fund balances - July 1 - as previously reported	39,379	43,404	346,459	429,242
Adjustments to beginning fund balances	—	(25)	—	(25)
Fund balances - July 1 - as adjusted	39,379	43,379	346,459	429,217
Fund balances - June 30	$ 36,587	$ 43,557	$ 375,912	$ 456,056

Nonmajor Debt Service Funds

Debt service funds are used to account for the accumulation resources for the payment of general long-term obligation principal and interest. A brief description of each debt service fund follows:

Coal Tax Fund — accounts for payments on special revenue renewable resources program (Coal Severance Tax) bonds.

Long-Range Building Fund — accounts for payments on general obligation long-range building program bonds.

Water & Wastewater Development 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.

Health Care Fund — accounts for payments on the special revenue bonds for Montana State Hospital and Montana Developmental Center.

Energy Conservation Program Fund — accounts for payments on general obligation bonds issued for State Building Energy Conservation Projects.

Environmental Reclamation Fund — accounts for payments on general obligation bonds for hard rock lining reclamation and the CERCLA program.

Highway Fund — accounts for payments on the US Highway 93 GARVEES special revenue bonds.

Trust Lands Fund— accounts for payments on taxable trust lands bonds.

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
ASSETS				
Cash/cash equivalents	$ 2,169	$ 39	$ 7,147	$ 679
Receivables (net)	205	—	3,020	—
Due from other funds	—	—	2	—
Long-term loans/notes receivable	13,812	—	8,636	—
Advances to other funds	5,329	—	1,444	—
Total assets	$ 21,515	$ 39	$ 20,249	$ 679
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Due to other funds	$ 3	$ —	$ 7	$ —
Advances from other funds	1,725	—	5,698	—
Total liabilities	1,728	—	5,705	—
DEFERRED INFLOWS OF RESOURCES	165	—	146	—
Fund balances:				
Restricted	—	—	5,816	680
Committed	19,622	—	8,583	—
Assigned	—	39	—	—
Total fund balances	19,622	39	14,399	680
Total liabilities, deferred inflows of resources and fund balances	$ 21,515	$ 39	$ 20,250	$ 680

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	TOTAL
$ 161	$ 145	$ 10,340
—	612	3,837
929	—	931
—	—	22,448
—	—	6,773
$ 1,090	$ 757	$ 44,329
$ —	$ —	$ 10
—	—	7,423
—	—	7,433
—	—	311
—	—	6,496
1,090	756	30,051
—	—	39
1,090	756	36,586
$ 1,090	$ 756	$ 44,330

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
REVENUES				
Taxes:				
Natural resource	$ —	$ —	$ 582	$ —
Charges for services/fines/forfeits/settlements	—	—	—	—
Investment earnings	737	—	10,443	49
Total revenues	737	—	11,025	49
EXPENDITURES				
Current:				
Health and human services	—	—	—	9
Debt service:				
Principal retirement	630	6,440	3,765	1,185
Interest/fiscal charges	376	1,323	1,611	271
Total expenditures	1,006	7,763	5,376	1,465
Excess of revenue over (under) expenditures	(269)	(7,763)	5,649	(1,416)
OTHER FINANCING SOURCES (USES)				
Refunding bond issued	—	—	—	4,575
Payment to refunding bond escrow agent	—	—	—	(6,844)
Transfers in	853	7,779	334	1,296
Transfers out	(1,101)	—	(5,689)	—
Total other financing sources (uses)	(248)	7,779	(5,355)	(973)
Net change in fund balances	(517)	16	294	(2,389)
Fund balances - July 1 - as previously reported	20,139	23	14,105	3,069
Fund balances - June 30	$ 19,622	$ 39	$ 14,399	$ 680

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
$ —	$ 1,454	$ —	$ —	$ 2,036
48	—	—	—	48
4	—	—	—	11,233
52	1,454	—	—	13,317
—	—	—	—	9
295	265	13,660	940	27,180
48	77	1,754	612	6,072
343	342	15,414	1,552	33,261
(291)	1,112	(15,414)	(1,552)	(19,944)
—	—	—	—	4,575
—	—	—	—	(6,844)
207	—	15,414	1,552	27,435
(200)	(1,025)	—	—	(8,015)
7	(1,025)	15,414	1,552	17,151
(284)	87	—	—	(2,793)
1,374	669	—	—	39,379
$ 1,090	$ 756	$ —	$ —	$ 36,586

Nonmajor Capital Projects Funds

Capital project funds are used to account for financial resources used for the acquisition or construction of major governmental capital assets. A brief description of each capital project fund follows:

Long-Range Building Program Fund — accounts 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 Fund — accounts for resources received and expended for information technology projects for various upgrade and replacement activities.

Federal/Private Construction Grants Fund — accounts for federal grants, private donations, and federal matching funds that are restricted to general capital asset construction.

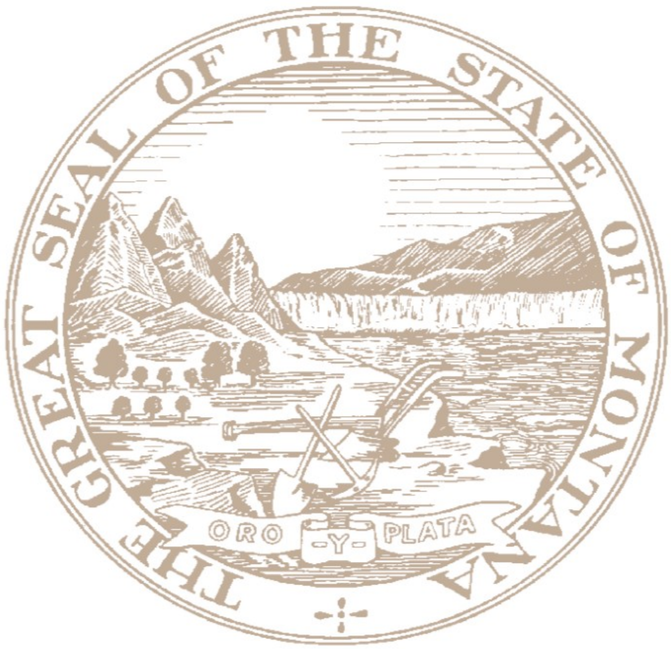
Capital Land Grant Fund — accounts for revenues and expenditures from the Capital Land Grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a debt service fund for the payment of principal and interest on bonds issued for capital building construction.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/PRIVATE CONSTSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
ASSETS					
Cash/cash equivalents	$ 33,018	$ 5,759	$ —	$ 4,881	$ 43,658
Receivables (net)	1,902	—	—	—	1,902
Due from other funds	688	—	—	—	688
Total assets	$ 35,608	$ 5,759	$ —	$ 4,881	$ 46,248
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,631	$ —	$ 28	$ 7	$ 2,666
Amounts held in custody for others	25	—	—	—	25
Total liabilities	2,656	—	28	7	2,691
Fund balances:					
Restricted	5,867	—	—	4,874	10,741
Committed	26,657	5,421	—	—	32,078
Assigned	428	338	—	—	766
Unassigned	—	—	(28)	—	(28)
Total fund balances	32,952	5,759	(28)	4,874	43,557
Total liabilities and fund balances	$ 35,608	$ 5,759	$ —	$ 4,881	$ 46,248

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
REVENUES					
Taxes:					
Natural resource	$ 7,353	$ —	$ —	$ —	$ 7,353
Other	1,585	—	—	—	1,585
Charges for services/fines/forfeits/settlements	162	—	—	—	162
Investment earnings	413	—	—	—	413
Total revenues	9,513	—	—	—	9,513
EXPENDITURES					
Current:					
General government	1	104	—	—	105
Public safety	—	244	—	—	244
Health and human services	1,401	—	—	—	1,401
Natural resources	—	43	—	—	43
Capital outlay	12,781	677	553	2,704	16,715
Total expenditures	14,183	1,068	553	2,704	18,508
Excess of revenue over (under) expenditures	(4,670)	(1,068)	(553)	(2,704)	(8,995)
OTHER FINANCING SOURCES (USES)					
Transfers in	8,798	—	525	1,601	10,924
Transfers out	(1,750)	—	—	—	(1,750)
Total other financing sources (uses)	7,048	—	525	1,601	9,174
Net change in fund balances	2,378	(1,068)	(28)	(1,103)	179
Fund balances - July 1 - as previously reported	30,599	6,828	—	5,978	43,405
Adjustments to beginning fund balances	(25)	—	—	—	(25)
Fund balances - July 1 - as adjusted	30,574	6,828	—	5,978	43,380
Fund balances - June 30	$ 32,952	$ 5,760	$ (28)	$ 4,875	$ 43,559


THE GREAT SEAL OF THE STATE OF MONTANA
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Nonmajor Permanent Funds

Permanent funds are used to account for 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 Fund — accounts for taxes paid by persons engaging in or carrying on the business of mining, extracting, or producing minerals. Only the net earnings of the trust may be appropriated until the principal reached $100.0 million. Interest earning are expended from the State Special Revenue Fund. This fund is administered by the Department of Revenue.

Cultural Trust Fund — accounts for a portion of coal severance taxes credited to this fund by the Department of Revenue. The Montana Arts Council uses income from the trust for the protection of works of art in the State Capitol and for other cultural projects.

Noxious Weed and Invasive Species Management Fund — accounts for revenues and interest earned on fee charges for the control of noxious weeds and invasive species by the Department of Agriculture and Department of Natural Resources.

Historical Society Trust Fund — accounts for memorials, bequests, and various other contributions to the Montana Historical Society. Includes the following trusts: James H. Bradley Memorial, Thomas Teakle, Merritt-Wheeler Memorial, Historical Society Acquisitions, Sobotka Memorial, and Edger I. and Jane R. Stewart.

Tobacco Settlement Fund — accounts for the principal, and holds the interest earned by investing, of the Tobacco Settlement.

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
ASSETS			
Cash/cash equivalents	$ 23	$ 71	$ 1,645
Receivables (net)	357	—	3
Equity in pooled investments	113,612	—	11,068
Securities lending collateral	1,308	—	127
Total assets	$ 115,300	$ 71	$ 12,843
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ —	$ —	$ —
Interfund loans payable	357	—	—
Due to other funds	—	—	2
Securities lending liability	1,308	—	127
Total liabilities	1,665	—	129
Fund balances:			
Nonspendable	100,000	66	12,714
Restricted	13,635	5	—
Total fund balances	113,635	71	12,714
Total liabilities and fund balances	$ 115,300	$ 71	$ 12,843

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	TOTAL
$ 24	$ 9,120	$ 10,883
4	768	1,132
1,380	238,888	364,948
16	2,749	4,200
$ 1,424	$ 251,525	$ 381,163
$ 2	$ —	$ 2
—	—	357
—	691	693
16	2,749	4,200
18	3,440	5,252
1,391	248,085	362,256
15	—	13,655
1,406	248,085	375,911
$ 1,424	$ 251,525	$ 381,163

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
REVENUES			
Charges for services/fines/forfeits/settlements	$ —	$ —	$ —
Investment earnings	8,525	2	1,091
Securities lending income	32	—	—
Total revenues	8,557	2	1,091
EXPENDITURES			
Current:			
Education	—	—	—
Capital outlay	—	—	—
Securities lending	19	—	—
Total expenditures	19	—	—
Excess of revenue over (under) expenditures	8,538	2	1,091
OTHER FINANCING SOURCES (USES)			
General capital asset sale proceeds	—	—	—
Transfers in	—	—	1,623
Transfers out	(3,703)	—	—
Total other financing sources (uses)	(3,703)	—	1,623
Net change in fund balances	4,835	2	2,714
Fund balances - July 1 - as previously reported	108,802	69	10,000
Fund balances - June 30	$ 113,637	$ 71	$ 12,714

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	TOTAL
$ —	$ 11,032	$ 11,032
104	17,756	27,478
—	66	98
104	28,854	38,608
12	—	12
28	—	28
—	41	60
40	41	100
64	28,813	38,508
8	—	8
—	—	1,623
—	(6,981)	(10,684)
8	(6,981)	(9,053)
72	21,832	29,455
1,335	226,252	346,458
$ 1,407	$ 248,084	$ 375,913

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 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 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. Producers engaged in the growing of crops subject to damage by hail may participate in the hail insurance program.

State Lottery Fund — accounts for the operations of Montana's lottery.

Prison Industries Fund — accounts for resources that 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 Fund — accounts for employee contributions to the Montana University System's medical/dental self-insurance plan.

MUS Workers Compensation Fund — accounts for self-insured workers compensation coverage for employees of the Montana University System.

Subsequent Injury 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 Fund — accounts for the Business and Government Services activities and the Administrative Code Program of the Secretary of State's Office.

Historical Society Publications 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 Fund— accounts for Department of Administration intragovernmental sales of state and federal surplus property to state agencies, local governments, and designated non-profit organizations.

West Yellowstone Airport Fund — accounts for operations of the airport at West Yellowstone and is administered by the Department of Transportation. User airlines are assessed rental and landing fees.

Local Government Audits Fund — accounts for the costs incurred by the Department of Administration for audits of local governments and the associated fees assessed.

Flexible Spending Administration 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 Fund — accounts for a program that provides rental assistance to low-income families throughout Montana.

Other Enterprise Funds — includes several small enterprise funds administered by various agencies.

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
ASSETS				
Current assets:				
Cash/cash equivalents	$ 4,989	$ 2,830	$ 5,606	$ 1,721
Receivables (net)	24,531	2,469	1,898	663
Interfund loans receivable	—	—	—	—
Due from other governments	—	—	—	—
Due from other funds	—	—	—	—
Inventories	559	—	495	2,807
Securities lending collateral	—	—	—	—
Other current assets	20	—	18	10
Total current assets	30,099	5,299	8,017	5,201
Noncurrent assets:				
Long-term investments	—	—	—	—
Other long-term assets	—	—	1,059	292
Capital assets:				
Land	—	—	—	690
Land improvements	—	—	—	731
Buildings/improvements	2,190	—	99	6,264
Equipment	991	—	606	6,177
Infrastructure	—	—	—	1,175
Construction in progress	—	—	—	—
Intangible assets	—	—	—	—
Other capital assets	—	—	—	3,640
Less accumulated depreciation	(2,654)	—	(489)	(10,108)
Total capital assets	527	—	216	8,569
Total noncurrent assets	527	—	1,275	8,861
Total assets	30,626	5,299	9,292	14,062
DEFERRED OUTFLOWS OF RESOURCES	655	35	415	284
LIABILITIES				
Current liabilities:				
Accounts payable	7,038	2,973	626	1,032
Lottery prizes payable	—	—	2,475	—
Due to other governments	—	—	—	—
Due to other funds	12,769	—	4,922	—
Unearned revenue	1,204	503	96	32
Current lease liability	—	—	—	17
Amounts held in custody for others	20	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	17	—	—
Compensated absences payable	200	36	129	195
Total current liabilities	21,231	3,529	8,248	1,276
Noncurrent liabilities:				
Lottery prizes payable	—	—	957	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	178	1	90	247
Net pension liability	2,112	149	1,763	1,140
Total OPEB liability	177	16	132	156
Total noncurrent liabilities	2,467	166	2,942	1,543
Total liabilities	23,698	3,695	11,190	2,819
DEFERRED INFLOWS OF RESOURCES	812	39	372	243
NET POSITION				
Net investment in capital assets	528	—	215	8,553
Restricted for:				
Other purposes	—	1,599	—	—
Unrestricted	6,243	—	(2,070)	2,731
Total net position	$ 6,771	$ 1,599	$ (1,855)	$ 11,284

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ 71,171	$ 10,366	$ 1,278	$ 4,233	$ 493
301	41	174	14	33
—	—	—	—	14
—	—	—	—	—
—	—	—	—	—
—	—	—	—	399
156	54	—	—	1
—	—	—	—	—
71,628	10,461	1,452	4,247	940
18,506	4,730	—	—	48
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	353	—
—	—	—	—	—
—	—	—	732	—
—	—	—	2,043	—
—	—	—	—	—
—	—	—	(317)	—
—	—	—	2,811	—
18,506	4,730	—	2,811	48
90,134	15,191	1,452	7,058	988
169	—	—	599	53
4,978	56	—	361	44
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
180	—	—	—	109
—	—	—	—	—
—	—	—	10	—
156	54	—	—	1
10,000	1,879	821	—	—
47	8	—	157	13
15,361	1,997	821	528	167
—	—	—	—	—
—	4,910	1,442	—	—
48	—	—	186	9
772	—	—	2,663	224
75	9	—	190	21
895	4,919	1,442	3,039	254
16,256	6,916	2,263	3,567	421
285	—	—	1,181	63
—	—	—	2,811	—
73,762	8,275	—	—	—
—	—	(811)	97	557
$ 73,762	$ 8,275	$ (811)	$ 2,908	$ 557

CONTINUES

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
ASSETS				
Current assets:				
Cash/cash equivalents	$ 163	$ 970	$ 361	$ 3,433
Receivables (net)	46	62	65	2
Interfund loans receivable	—	—	—	—
Due from other governments	—	—	—	—
Due from other funds	—	—	—	—
Inventories	568	—	—	—
Securities lending collateral	—	—	—	—
Other current assets	—	—	—	222
Total current assets	777	1,032	426	3,657
Noncurrent assets:				
Long-term investments	—	—	—	—
Other long-term assets	—	—	—	—
Capital assets:				
Land	—	110	—	—
Land improvements	—	3,099	—	—
Buildings/improvements	118	1,488	—	—
Equipment	208	939	—	—
Infrastructure	—	—	—	—
Construction in progress	—	6,155	—	—
Intangible assets	—	—	19	—
Other capital assets	—	—	—	—
Less accumulated depreciation	(211)	(2,884)	—	—
Total capital assets	115	8,907	19	—
Total noncurrent assets	115	8,907	19	—
Total assets	892	9,939	445	3,657
DEFERRED OUTFLOWS OF RESOURCES	72	35	62	—
LIABILITIES				
Current liabilities:				
Accounts payable	36	39	7	300
Lottery prizes payable	—	—	—	—
Due to other governments	—	—	—	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Current lease liability	—	—	—	—
Amounts held in custody for others	—	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	35	28	24	—
Total current liabilities	71	67	31	300
Noncurrent liabilities:				
Lottery prizes payable	—	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	34	3	32	—
Net pension Liability	306	152	267	—
Total OPEB liability	22	9	21	—
Total noncurrent liabilities	362	164	320	—
Total liabilities	433	231	351	300
DEFERRED INFLOWS OF RESOURCES	64	35	56	—
NET POSITION				
Net investment in capital assets	115	8,908	20	—
Restricted for:				
Other purposes	—	—	80	3,357
Unrestricted	352	800	—	—
Total net position	$ 467	$ 9,708	$ 100	$ 3,357

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 8,617	$ 2,904	$ 119,135
58	267	30,624
8	—	22
166	—	166
—	2	2
—	194	5,022
—	—	211
98	—	368
8,947	3,367	155,550
—	—	23,284
—	—	1,351
—	—	800
—	—	3,830
—	40	10,199
10	286	9,570
—	—	1,175
—	—	6,887
—	—	2,062
—	—	3,640
(10)	(207)	(16,880)
—	119	21,283
—	119	45,918
8,947	3,486	201,468
265	195	2,839
124	197	17,811
—	—	2,475
113	—	113
—	—	17,691
—	81	2,205
—	1	18
—	—	30
—	—	211
—	—	12,717
110	47	1,029
347	326	54,300
—	—	957
—	—	6,352
43	53	924
1,130	921	11,599
94	66	988
1,267	1,040	20,820
1,614	1,366	75,120
271	138	3,559
—	116	21,266
2,010	3	89,086
5,316	2,061	15,276
$ 7,326	$ 2,180	$ 125,628

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Operating revenues:				
Charges for services	$ 104,226	$ —	$ 60,269	$ 7,864
Investment earnings	—	44	37	—
Securities lending income	—	—	—	—
Contributions/premiums	—	1,030	—	—
Grants/contracts/donations	—	—	—	—
Other operating revenues	277	2	—	9
Total operating revenues	104,503	1,076	60,306	7,873
Operating expenses:				
Personal services	3,189	355	2,117	2,899
Contractual services	136	19	9,078	262
Supplies/materials	85,789	5	1,110	3,268
Benefits/claims	181	483	130	221
Depreciation	108	—	52	566
Amortization	—	—	—	—
Utilities/rent	190	15	239	163
Communications	93	6	594	22
Travel	21	18	27	21
Repair/maintenance	234	—	16	651
Lottery prize payments	—	—	34,492	—
Securities lending expense	—	—	—	—
Interest expense	8	—	—	6
Other operating expenses	33	32	206	552
Total operating expenses	89,982	933	48,061	8,631
Operating income (loss)	14,521	143	12,245	(758)
Nonoperating revenues (expenses):				
Tax revenues	30,094	—	—	—
Gain (loss) on sale of capital assets	18	—	—	(671)
Increase (decrease) value of livestock	—	—	—	(4)
Total nonoperating revenues (expenses)	30,112	—	—	(675)
Income (loss) before contributions and transfers	44,633	143	12,245	(1,433)
Capital contributions	—	—	—	—
Transfers in	—	—	—	—
Transfers out	(43,740)	—	(12,215)	—
Change in net position	893	143	30	(1,433)
Total net position - July 1 - as previously reported	5,968	1,465	(1,877)	12,614
Adjustments to beginning net position	(90)	(9)	(9)	103
Total net position - July 1 - as adjusted	5,878	1,456	(1,886)	12,717
Total net position - June 30	$ 6,771	$ 1,599	$ (1,856)	$ 11,284

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ —	$ —	$ —	$ 7,072	$ 865
2,720	617	32	77	4
4	1	—	—	—
97,774	—	1,197	—	—
—	—	—	—	—
2,108	—	—	—	10
102,606	618	1,229	7,149	879
648	100	—	2,799	230
6,989	661	—	1,729	55
30	1	—	119	356
79,731	2,616	421	65	34
—	—	—	12	—
—	—	—	43	—
60	9	—	229	27
16	1	—	109	43
67	1	—	42	22
—	—	—	1	4
—	—	—	—	—
2	1	—	—	—
—	—	—	—	—
786	496	—	147	62
88,329	3,886	421	5,295	833
14,277	(3,268)	808	1,854	46
—	—	—	—	—
—	—	—	(2)	—
—	—	—	—	—
—	—	—	(2)	—
14,277	(3,268)	808	1,852	46
—	—	—	—	—
—	—	—	—	—
—	—	(46)	—	(11)
14,277	(3,268)	762	1,852	35
59,451	11,543	(1,573)	1,086	519
34	—	—	(30)	3
59,485	11,543	(1,573)	1,056	522
$ 73,762	$ 8,275	$ (811)	$ 2,908	$ 557

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Operating revenues:				
Charges for services	$ 560	$ 150	$ 635	$ 131
Investment earnings	—	—	—	27
Securities lending income	—	—	—	—
Contributions/premiums	—	—	—	11,220
Grants/contracts/donations	—	27	—	—
Other operating revenues	—	314	88	—
Total operating revenues	560	491	723	11,378
Operating expenses:				
Personal services	412	194	375	—
Contractual services	119	49	67	398
Supplies/materials	676	11	10	—
Benefits/claims	54	21	1	11,091
Depreciation	28	233	—	—
Amortization	—	—	59	—
Utilities/rent	11	37	18	—
Communications	21	4	6	—
Travel	2	5	6	—
Repair/maintenance	10	18	—	—
Lottery prize payments	—	—	—	—
Securities lending expense	—	—	—	—
Interest expense	—	—	—	—
Other operating expenses	31	7	5	12
Total operating expenses	1,364	579	547	11,501
Operating income (loss)	(804)	(88)	176	(123)
Nonoperating revenues (expenses):				
Tax revenues	—	—	—	—
Gain (loss) on sale of capital assets	(1)	—	—	—
Increase (decrease) value of livestock	—	—	—	—
Total nonoperating revenues (expenses)	(1)	—	—	—
Income (loss) before contributions and transfers	(805)	(88)	176	(123)
Capital contributions	490	132	—	—
Transfers in	69	25	—	—
Transfers out	—	—	—	—
Change in net position	(246)	69	176	(123)
Total net position - July 1 - as previously reported	714	9,638	(138)	3,480
Adjustments to beginning net position	(1)	1	62	—
Total net position - July 1 - as adjusted	713	9,639	(76)	3,480
Total net position - June 30	$ 467	$ 9,708	$ 100	$ 3,357

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ —	$ 3,690	$ 185,462
216	24	3,798
—	—	5
—	—	111,221
45,822	7	45,856
—	24	2,832
46,038	3,745	349,174
1,454	717	15,489
1,570	957	22,089
107	753	92,235
42,671	35	137,755
—	14	1,013
—	—	102
116	75	1,189
71	32	1,018
44	60	336
69	111	1,114
—	—	34,492
—	—	3
—	—	14
276	480	3,125
46,378	3,234	309,974
(340)	511	39,200
—	—	30,094
—	—	(656)
—	—	(4)
—	—	29,434
(340)	511	68,634
—	—	622
—	—	94
—	—	(56,012)
(340)	511	13,338
7,668	1,609	112,167
(2)	60	122
7,666	1,669	112,289
$ 7,326	$ 2,180	$ 125,627

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	$ 103,495	$ 1,143	$ 60,006	$ 7,624
Payments to suppliers for goods and services	(87,139)	(1,072)	(7,466)	(4,456)
Payments to employees	(3,369)	(338)	(2,266)	(2,989)
Grant receipts (expenses)	—	—	—	—
Cash payments for claims	(5)	(530)	(4)	(4)
Cash payments for prizes	—	—	(34,858)	—
Other operating revenues	277	2	1	9
Other operating payments	(33)	(32)	(206)	(552)
Net cash provided by (used for) operating activities	13,226	(827)	15,207	(368)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	30,094	—	—	—
Transfer to other funds	(43,740)	—	(12,215)	—
Transfer from other funds	—	—	—	180
Payment of interfund loans and advances	—	—	—	—
Payment of principal and interest on bonds and notes	(8)	—	—	(6)
Net cash provided by (used for) noncapital financing activities	(13,654)	—	(12,215)	174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(33)	—	(33)	(309)
Proceeds from sale of capital assets	—	—	—	—
Net cash provided by (used for) capital and related financing activities	(33)	—	(33)	(309)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	—	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	44	37	—
Payment of securities lending costs	—	—	—	—
Net cash provided by (used for) investing activities	—	44	37	—
Net increase (decrease) in cash and cash equivalents	(461)	(783)	2,996	(503)
Cash and cash equivalents, July 1	5,453	3,611	2,610	2,222
Cash and cash equivalents, June 30	$ 4,992	$ 2,828	$ 5,606	$ 1,719

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ 99,884	$ 6	$ 1,177	$ 7,073	$ 860
(8,470)	(757)	—	(2,195)	(415)
(712)	(97)	—	(3,024)	(314)
—	—	—	1	—
(79,986)	(1,660)	(1,054)	(4)	(2)
—	—	—	—	—
2,108	—	—	—	10
(786)	(496)	—	(147)	(62)
12,038	(3,004)	123	1,704	77
—	—	—	—	—
—	—	(46)	—	(11)
—	—	—	—	—
—	—	—	—	(14)
—	—	—	—	—
—	—	(46)	—	(25)
—	—	—	(1,092)	—
—	—	—	—	—
—	—	—	(1,092)	—
(1,704)	40	—	—	(2)
4	1	—	—	—
2,720	617	32	77	4
(2)	(1)	—	—	—
1,018	657	32	77	2
13,056	(2,347)	109	689	54
58,113	12,714	1,170	3,543	439
$ 71,169	$ 10,367	$ 1,279	$ 4,232	$ 493

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	$ 545	$ 165	$ 601	$ 11,132
Payments to suppliers for goods and services	(735)	(123)	(102)	(448)
Payments to employees	(415)	(208)	(453)	—
Grant receipts (expenses)	—	27	—	—
Cash payments for claims	(1)	—	(1)	(11,092)
Cash payments for prizes	—	—	—	—
Other operating revenues	—	314	88	—
Other operating payments	(31)	(7)	(5)	(12)
Net cash provided by (used for) operating activities	(637)	168	128	(420)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	—	—	—	—
Transfer to other funds	—	—	—	—
Transfer from other funds	69	25	—	—
Proceeds from interfund loans/advances	—	—	—	—
Payment of principal and interest on bonds and notes	—	—	—	—
Net cash provided by (used for) noncapital financing activities	69	25	—	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	—	(14)	(1)	—
Proceeds from sale of capital assets	495	—	—	—
Net cash used for capital and related financing activities	495	(14)	(1)	—
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	—	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	—	—	27
Payment of securities lending costs	—	—	—	—
Net cash provided by (used for) investing activities	—	—	—	27
Net increase (decrease) in cash and cash equivalents	(73)	179	127	(393)
Cash and cash equivalents, July 1	236	791	231	3,826
Cash and cash equivalents, June 30	$ 163	$ 970	$ 358	$ 3,433

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 1	$ 3,684	$ 297,396
(1,985)	(2,025)	(117,388)
(1,552)	(863)	(16,600)
45,750	7	45,785
(42,706)	(1)	(137,050)
—	—	(34,858)
—	24	2,833
(276)	(475)	(3,120)
(768)	351	36,998
—	—	30,094
—	—	(56,012)
—	—	274
(8)	—	(22)
—	—	(14)
(8)	—	(25,680)
—	—	(1,482)
—	—	495
—	—	(987)
—	—	(1,666)
—	—	5
216	25	3,799
—	—	(3)
216	25	2,135
(560)	376	12,466
9,178	2,530	106,667
$ 8,618	$ 2,906	$ 119,133

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)	$ 14,523	$ 144	$ 12,245	$ (761)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	108	—	52	566
Amortization	—	—	—	—
Securities lending expense	—	—	—	—
Investment earnings	—	(44)	(37)	—
Securities lending income	—	—	—	—
Interest expense	8	—	—	6
Change in assets, deferred outflows, liabilities, and deferred inflows :				
Decr (Incr) in accounts receivable	(731)	113	(107)	(57)
Decr (Incr) in due from other funds	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	(379)	—	(19)	20
Decr (Incr) in other assets	—	—	(156)	(9)
Incr (Decr) in accounts payable	(540)	(1,025)	(133)	112
Incr (Decr) in due to other funds	278	—	3,768	—
Incr (Decr) in due to other governments	—	—	—	—
Incr (Decr) in lottery prizes payable	—	—	(366)	—
Incr (Decr) in unearned revenue	(14)	24	(19)	19
Incr (Decr) in compensated absences payable	10	22	11	—
Incr (Decr) in total OPEB liability	13	1	9	11
Incr (Decr) in estimated claims	—	(18)	—	—
Incr (Decr) in other payables	—	—	—	(202)
Incr (Decr) in net pension liability and related accounts	(49)	(44)	(43)	(73)
Net cash provided by (used for) operating activities	$ 13,227	$ (827)	$ 15,205	$ (368)
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
$ 14,277	$ (3,270)	$ 808	$ 1,854	$ 45
—	—	—	12	—
—	—	—	43	—
2	1	—	—	—
(2,720)	(617)	(32)	(77)	(4)
(4)	(1)	—	—	—
—	—	—	—	—
2,110	6	(20)	(6)	(5)
—	—	—	—	—
—	—	—	1	—
—	—	—	16	75
—	—	—	—	—
(1,306)	(85)	—	26	6
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
(5)	—	—	—	5
(4)	—	—	4	(56)
4	—	—	11	1
(200)	959	(633)	—	—
—	—	—	—	—
(116)	—	—	(180)	10
$ 12,038	$ (3,007)	$ 123	$ 1,704	$ 77
$ —	$ —	$ —	$ —	$ —
(686)	(213)	—	—	(2)
$ (686)	$ (213)	$ —	$ —	$ (2)

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)	$ (803)	$ (88)	$ 174	$ (124)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	28	233	—	—
Amortization	—	—	59	—
Securities lending expense	—	—	—	—
Investment earnings	—	—	—	(27)
Securities lending income	—	—	—	—
Interest expense	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:				
Decr (Incr) in accounts receivable	(15)	15	(33)	2
Decr (Incr) in due from other funds	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	103	—	—	—
Decr (Incr) in other assets	—	—	—	(222)
Incr (Decr) in accounts payable	5	7	(41)	(49)
Incr (Decr) in due to other funds	—	—	—	—
Incr (Decr) in due to other governments	—	—	—	—
Incr (Decr) in lottery prizes payable	—	—	—	—
Incr (Decr) in unearned revenue	—	—	—	(1)
Incr (Decr) in compensated absences payable	21	(1)	(13)	—
Incr (Decr) in total OPEB liability	2	1	1	—
Incr (Decr) in estimated claims	—	—	—	—
Incr (Decr) in other payables	—	—	—	—
Incr (Decr) in net pension liability and related accounts	22	1	(19)	—
Net cash provided by (used for) operating activities	$ (637)	$ 168	$ 128	$ (421)
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	$ 490	$ 132	$ —	$ —
Incr (Decr) in fair value of investments	—	—	—	—
Total noncash transactions	$ 490	$ 132	$ —	$ —

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ (341)	$ 512	$ 39,195
—	14	1,013
—	—	102
—	—	3
(216)	(24)	(3,798)
—	—	(5)
—	—	14
17	(12)	1,277
—	9	9
(72)	—	(71)
—	13	(171)
(71)	—	(458)
15	(94)	(3,102)
—	—	4,046
30	—	30
—	—	(366)
—	—	9
(3)	(18)	(27)
6	3	63
—	—	108
—	(11)	(213)
(136)	(40)	(667)
$ (771)	$ 352	$ 36,991
$ —	$ —	$ 622
(1)	—	(902)
$ (1)	$ —	$ (280)

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 Fund – accounts for inter/intra-departmental sales and use of Department of Fish, Wildlife, and Parks (FWP) equipment.

Highway Equipment Fund – accounts for inter/intra-departmental sales and use of Department of Transportation equipment.

Employee Group Benefits Fund – receives employee (excluding Montana University System) withholdings and state contributions to the medical self-insurance plan.

Information Technology Services Fund – accounts for fees assessed to State agencies and private users for their use of the State's phone system, centralized data processing, and systems design services.

Administration Insurance Fund – accounts for the State's property self-insurance program, including liability, property, flood, etc.

Motor Pool Fund – accounts for the fees associated with State employees use of State vehicles for State business.

Print & Mail Services Fund – accounts for fees assessed to State agencies for duplicating, typesetting, forms design, and graphic arts services.

Buildings & Grounds Fund – accounts for rental proceeds from State agencies are used to pay maintenance, security, and landscaping costs for state-owned property.

Central Service Fund – 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 Fund – accounts 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 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 Fund – accounts for the payments received from State agencies for the costs associated with the processing of all warrants other than payroll.

Investment Division Fund – accounts for costs associated with operations of the Board of Investments (BOI), allocated based on the dollar volume of investments held by user State agencies.

Aircraft Operation Fund – accounts for fees charged to users of State aircraft and is used by the Department of Natural Resources and Conservation.

Justice Legal Services Fund – accounts for fees the Attorney General's Office and the Department of Justice charge other state agencies for legal assistance.

Personnel Training Fund – accounts for fees charged to State agencies in order to provide training to State employees.

Debt Collection Fund – accounts for fees charged for the collection of bad debts.

Prison Industries Fund – provides training and employment for inmates, where the products produced are primarily sold to other State agencies.

Other Internal Services Funds – includes several small internal service funds administered by various State agencies.

SABHRS Finance and Budget Bureau 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, 2019
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
ASSETS					
Current assets:					
Cash/cash equivalents	$ 1,239	$ 3,933	$ 86,413	$ 2,546	$ 27,614
Receivables (net)	—	95	8,254	80	38
Interfund loans receivable	—	—	—	44	—
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	—	—
Due from component units	—	—	—	39	—
Inventories	—	3,048	—	—	—
Securities lending collateral	—	—	233	—	—
Other current assets	—	—	—	141	—
Total current assets	1,239	7,076	94,900	2,850	27,652
Noncurrent assets:					
Long-term investments	—	—	34,714	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	16,372	178,665	—	29,763	8
Construction in progress	—	5,858	—	—	—
Intangible assets	—	—	112	—	685
Less accumulated depreciation	(8,704)	(112,542)	—	(18,028)	(8)
Total capital assets	7,668	71,981	112	11,735	685
Total noncurrent assets	7,668	71,981	34,826	11,735	685
Total assets	8,907	79,057	129,726	14,585	28,337
DEFERRED OUTFLOWS OF RESOURCES	39	1,603	281	3,238	311
LIABILITIES					
Current liabilities:					
Accounts payable	17	762	7,877	1,708	515
Interfund loans payable	—	—	—	—	—
Due to other funds	—	—	—	—	—
Unearned revenue	—	—	1,331	—	—
Lease/installment purchase payable	—	—	—	3,225	—
Bonds/notes payable	—	—	—	290	—
Securities lending liability	—	—	233	—	—
Estimated insurance claims	—	—	18,707	—	4,589
Compensated absences payable	12	553	120	1,049	134
Total current liabilities	29	1,315	28,268	6,272	5,238
Noncurrent liabilities:					
Advances from other funds	—	—	—	—	—
Lease/installment purchase payable	—	—	—	7,937	(2)
Bonds/notes payable	—	—	—	409	—
Estimated insurance claims	—	—	189	—	11,568
Compensated absences payable	25	477	63	871	204
Net pension liability	162	6,876	1,203	13,882	1,331
Total OPEB liability	14	493	73	709	65
Total noncurrent liabilities	201	7,846	1,528	23,808	13,166
Total liabilities	230	9,161	29,796	30,080	18,404
DEFERRED INFLOWS OF RESOURCES	29	1,577	253	2,906	279
NET POSITION					
Net investment in capital assets	7,669	71,980	111	572	685
Unrestricted	1,018	(2,058)	99,847	(15,735)	9,280
Total net position	$ 8,687	$ 69,922	$ 99,958	$ (15,163)	$ 9,965

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 1,828	$ 1,949	$ 1,519	$ 732	$ 3,258	$ 536	$ 141
—	9	14	—	—	—	40
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	7	—	—	—	—	—
—	—	—	—	—	24	—
5	146	—	—	—	—	—
—	—	—	—	—	—	—
—	474	2	—	20	8	—
1,833	2,585	1,535	732	3,278	568	181
—	—	—	—	—	—	—
—	—	95	—	—	—	—
—	—	1,091	—	—	—	—
22,086	2,664	844	—	177	—	—
—	—	6	—	295	—	—
—	—	—	—	—	—	—
(12,741)	(2,025)	(1,503)	—	(162)	—	—
9,345	639	533	—	310	—	—
9,345	639	533	—	310	—	—
11,178	3,224	2,068	732	3,588	568	181
71	326	524	428	1,608	326	372
48	355	590	133	657	114	107
—	—	—	—	—	—	—
1,842	—	—	—	—	—	—
—	—	—	—	—	—	—
—	84	—	—	28	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
25	85	158	119	546	120	120
1,915	524	748	252	1,231	234	227
3,371	—	—	—	—	—	—
—	132	—	—	52	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
22	154	95	184	330	112	17
302	1,381	2,226	1,833	6,887	1,399	1,612
25	117	164	101	388	72	120
3,720	1,784	2,485	2,118	7,657	1,583	1,749
5,635	2,308	3,233	2,370	8,888	1,817	1,976
69	293	470	384	1,741	333	525
4,140	423	533	—	231	—	—
1,405	526	(1,644)	(1,594)	(5,664)	(1,256)	(1,948)
$ 5,545	$ 949	$ (1,111)	$ (1,594)	$ (5,433)	$ (1,256)	$ (1,948)

CONTINUES

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
ASSETS					
Current assets:					
Cash/cash equivalents	$ 855	$ 666	$ 217	$ 1,011	$ 755
Receivables (net)	1	—	—	—	2
Interfund loans receivable	—	—	—	—	—
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	33	—
Due from component units	—	—	—	—	—
Inventories	—	—	—	—	—
Securities lending collateral	—	—	—	—	—
Other current assets	52	5	3	39	—
Total current assets	908	671	220	1,083	757
Noncurrent assets:					
Long-term investments	—	—	—	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	519	—	148	3	208
Construction in progress	—	—	—	—	—
Intangible assets	5	—	—	—	—
Less accumulated depreciation	(453)	—	(145)	(3)	(128)
Total capital assets	71	—	3	—	80
Total noncurrent assets	71	—	3	—	80
Total assets	979	671	223	1,083	837
DEFERRED OUTFLOWS OF RESOURCES	771	418	43	713	270
LIABILITIES					
Current liabilities:					
Accounts payable	304	221	16	290	123
Interfund loans payable	—	—	—	—	—
Due to other funds	—	—	—	—	—
Unearned revenue	—	—	—	—	—
Lease/installment purchase payable	—	—	—	—	—
Bonds/notes payable	—	—	—	—	—
Securities lending liability	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	235	176	7	226	78
Total current liabilities	539	397	23	516	201
Noncurrent liabilities:					
Advances from other funds	—	—	—	—	—
Lease/installment purchase payable	—	—	—	—	—
Bonds/notes payable	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	243	58	—	307	97
Net pension liability	3,355	1,793	185	3,071	1,189
Total OPEB liability	237	92	18	117	61
Total noncurrent liabilities	3,835	1,943	203	3,495	1,347
Total liabilities	4,374	2,340	226	4,011	1,548
DEFERRED INFLOWS OF RESOURCES	836	375	39	726	175
NET POSITION					
Net investment in capital assets	72	—	3	—	81
Unrestricted	(3,532)	(1,626)	(2)	(2,941)	(698)
Total net position	$ (3,460)	$ (1,626)	$ 1	$ (2,941)	$ (617)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 165	$ 127	$ 239	$ 1,551	$ 273	$ 1,127	$ 138,694
—	—	—	521	—	—	9,054
—	—	—	—	—	—	44
—	5	—	—	—	—	5
—	—	—	—	—	—	40
—	—	—	—	—	—	63
—	—	—	1,010	123	—	4,332
—	—	—	—	—	—	233
—	—	—	48	—	124	916
165	132	239	3,130	396	1,251	153,381
—	—	—	—	—	—	34,714
—	—	—	—	—	—	95
—	—	—	4,978	—	—	6,069
17	—	—	4,805	19	71	256,369
—	—	—	—	—	—	6,159
—	—	—	—	—	291	1,093
(6)	—	—	(4,327)	(18)	(63)	(160,856)
11	—	—	5,456	1	299	108,929
11	—	—	5,456	1	299	143,643
176	132	239	8,586	397	1,550	297,024
79	44	31	172	132	355	12,155
94	53	10	194	48	110	14,346
—	—	—	—	15	—	15
—	—	—	—	—	—	1,842
—	—	—	47	—	—	1,378
—	—	—	—	—	—	3,337
—	—	—	—	—	—	290
—	—	—	—	—	—	233
—	—	—	—	—	—	23,296
74	22	5	79	69	123	4,135
168	75	15	320	132	233	48,872
—	—	—	—	—	—	3,371
—	—	—	—	—	—	8,119
—	—	—	—	—	—	409
—	—	—	—	—	—	11,757
128	30	—	32	40	148	3,637
323	189	132	645	584	1,522	52,082
64	12	13	99	49	86	3,189
515	231	145	776	673	1,756	82,564
683	306	160	1,096	805	1,989	131,436
62	40	36	128	170	320	11,766
10	—	—	5,456	1	300	92,267
(501)	(170)	74	2,078	(445)	(704)	73,710
$ (491)	$ (170)	$ 74	$ 7,534	$ (444)	$ (404)	$ 165,977

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Operating revenues:					
Charges for services	$ 3,984	$ 30,384	$ 3,020	$ 46,090	$ —
Investment earnings	—	—	2,921	—	511
Securities lending income	—	—	14	—	—
Contributions/premiums	—	—	183,154	—	22,580
Grants/contracts/donations	—	—	3,380	—	—
Other operating revenues	—	13	8,261	42	—
Total operating revenues	3,984	30,397	200,750	46,132	23,091
Operating expenses:					
Personal services	255	8,330	1,442	15,492	1,478
Contractual services	93	513	13,737	1,784	7,814
Supplies/materials	1,438	6,818	50	1,252	39
Benefits/claims	54	634	161,630	1,346	15,583
Depreciation	1,216	7,119	—	5,475	—
Amortization	—	—	103	—	142
Utilities/rent	68	119	409	1,021	92
Communications	3	8	65	5,802	21
Travel	5	34	15	186	18
Repair/maintenance	630	6,967	—	14,189	1
Grants	—	—	—	—	178
Securities lending expense	—	—	7	—	—
Interest expense	—	—	—	277	—
Other operating expenses	12	282	537	1,109	144
Total operating expenses	3,774	30,824	177,995	47,933	25,510
Operating income (loss)	210	(427)	22,755	(1,801)	(2,419)
Nonoperating revenues (expenses):					
Insurance proceeds	1	4	25	—	337
Gain (loss) on sale of capital assets	(198)	(20)	—	—	—
Federal indirect cost recoveries	—	—	—	—	—
Total nonoperating revenues (expenses)	(197)	(16)	25	—	337
Income (loss) before contributions and transfers	13	(443)	22,780	(1,801)	(2,082)
Capital contributions	—	1,686	—	—	—
Transfers in	—	—	—	—	12,640
Transfers out	—	—	—	(13)	(177)
Changes in net position	13	1,243	22,780	(1,814)	10,381
Total net position - July 1 - as previously reported	8,673	68,726	77,252	(13,046)	(415)
Adjustments to beginning net position	1	(47)	(74)	(303)	(2)
Total net position - July 1 - as adjusted	8,674	68,679	77,178	(13,349)	(417)
Total net position - June 30	$ 8,687	$ 69,922	$ 99,958	$ (15,163)	$ 9,964

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 4,649	$ 11,206	$ 10,676	$ 2,612	$ 13,673	$ —	$ 1,156
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	1	1	—	1,783	11
4,649	11,206	10,677	2,613	13,673	1,783	1,167
397	1,756	2,737	2,049	8,192	1,639	1,832
399	109	4,043	190	4,809	47	542
1,404	3,423	306	40	873	44	86
29	248	395	119	930	144	146
1,716	224	97	—	—	—	—
—	—	—	—	—	—	—
73	266	2,024	86	420	126	131
1	4,179	103	36	824	23	154
—	7	6	8	77	13	7
455	396	643	1	16	3	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
190	11	31	—	3	—	—
33	153	403	41	1,355	31	95
4,697	10,772	10,788	2,570	17,499	2,070	2,993
(48)	434	(111)	43	(3,826)	(287)	(1,826)
2	—	—	—	—	—	—
19	(6)	7	—	(7)	(1)	—
—	—	—	—	3,295	315	1,935
21	(6)	7	—	3,288	314	1,935
(27)	428	(104)	43	(538)	27	109
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(236)	—	(428)	(20)	—	—	—
(263)	428	(532)	23	(538)	27	109
5,809	521	(593)	(1,616)	(4,981)	(1,279)	(2,071)
(1)	—	14	(1)	86	(4)	14
5,808	521	(579)	(1,617)	(4,895)	(1,283)	(2,057)
$ 5,545	$ 949	$ (1,111)	$ (1,594)	$ (5,433)	$ (1,256)	$ (1,948)

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Operating revenues:					
Charges for services	$ 3,025	$ 3,567	$ 697	$ 6,544	$ 629
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Contributions/premiums	—	—	—	—	—
Grants/contracts/donations	—	—	—	—	—
Other operating revenues	8	—	—	—	—
Total operating revenues	3,033	3,567	697	6,544	629
Operating expenses:					
Personal services	3,904	1,976	234	3,439	1,411
Contractual services	889	440	175	1,621	67
Supplies/materials	248	34	7	27	204
Benefits/claims	13	159	24	217	319
Depreciation	15	—	—	—	10
Amortization	5	—	—	—	—
Utilities/rent	1,594	62	18	179	150
Communications	202	27	277	31	14
Travel	16	8	3	115	10
Repair/maintenance	60	568	—	1	377
Grants	—	—	—	—	—
Securities lending expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Other operating expenses	211	89	21	576	19
Total operating expenses	7,157	3,363	759	6,206	2,581
Operating income (loss)	(4,124)	204	(62)	338	(1,952)
Nonoperating revenues (expenses):					
Insurance proceeds	—	—	—	—	—
Gain (loss) on sale of capital assets	—	—	—	—	—
Federal indirect cost recoveries	4,616	—	—	—	—
Total nonoperating revenues (expenses)	4,616	—	—	—	—
Income (loss) before contributions and transfers	492	204	(62)	338	(1,952)
Capital contributions	—	—	—	—	—
Transfers in	—	—	—	—	1,665
Transfers out	—	—	(19)	—	—
Changes in net position	492	204	(81)	338	(287)
Total net position - July 1 - as previously reported	(4,221)	(1,835)	82	(3,285)	(311)
Adjustments to beginning net position	269	5	—	6	(19)
Total net position - July 1 - as adjusted	(3,952)	(1,830)	82	(3,279)	(330)
Total net position - June 30	$ (3,460)	$ (1,626)	$ 1	$ (2,941)	$ (617)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,679	$ 406	$ 277	$ 8,355	$ 541	$ 4,019	$ 157,189
—	—	—	—	—	—	3,432
—	—	—	—	—	—	14
—	—	—	—	—	—	205,734
—	—	—	—	—	—	3,380
—	35	—	—	—	—	10,155
1,679	441	277	8,355	541	4,019	379,904
1,441	215	173	1,496	645	1,723	62,256
108	109	13	70	57	281	37,910
19	85	1	5,060	97	106	21,661
41	—	16	78	80	5	182,210
3	—	—	410	—	1	16,286
—	—	—	—	—	469	719
74	27	2	111	51	25	7,128
16	3	24	—	7	20	11,840
11	11	—	14	2	12	578
—	1	—	181	—	1,418	25,907
—	—	—	—	—	—	178
—	—	—	—	—	—	7
—	—	—	—	—	—	512
22	14	—	381	77	93	5,698
1,735	465	229	7,801	1,016	4,153	372,890
(56)	(24)	48	554	(475)	(134)	7,014
—	—	—	—	—	—	369
—	—	—	—	(2)	—	(208)
—	—	—	—	500	—	10,661
—	—	—	—	498	—	10,822
(56)	(24)	48	554	23	(134)	17,836
—	—	—	1	—	—	1,687
—	66	—	—	—	—	14,371
—	—	—	—	—	(656)	(1,549)
(56)	42	48	555	23	(790)	32,345
(439)	(256)	25	6,992	(469)	365	133,628
4	44	1	(13)	2	21	3
(435)	(212)	26	6,979	(467)	386	133,631
$ (491)	$ (170)	$ 74	$ 7,534	$ (444)	$ (404)	$ 165,976

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	$ 3,984	$ 30,440	$ 185,022	$ 46,579	$ 22,569
Payments to suppliers for goods and services	(2,294)	(15,413)	(13,195)	(26,437)	(8,179)
Payments to employees	(267)	(8,939)	(1,579)	(16,921)	(1,586)
Grant receipts (expenses)	—	—	3,380	—	(178)
Cash payments for claims	—	—	(160,419)	—	(14,430)
Other operating revenues	—	13	8,261	42	—
Other operating payments	(12)	(282)	(537)	(1,109)	(144)
Net cash provided by (used for) operating activities	1,411	5,819	20,933	2,154	(1,948)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	—	(13)	(179)
Transfer from other funds	—	—	—	—	12,640
Proceeds from interfund loans/advances	—	—	—	22	—
Payment of interfund loans and advances	—	—	—	(44)	—
Payment of principal and interest on bonds and notes	—	—	—	(1,056)	—
Net cash provided by (used for) noncapital financing activities	—	—	—	(1,091)	12,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	1	4	25	—	337
Acquisition of capital assets	(1,473)	(6,656)	—	(1,479)	(591)
Proceeds from sale of capital assets	—	—	—	—	723
Net cash used for capital and related financing activities	(1,472)	(6,652)	25	(1,479)	469
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	—	11,306	—	—
Proceeds (loss) from securities lending transactions	—	—	14	—	—
Interest and dividends on investments	—	—	2,921	—	511
Payment of securities lending costs	—	—	(7)	—	—
Net cash provided by (used for) investing activities	—	—	14,234	—	511
Net increase (decrease) in cash and cash equivalents	(61)	(833)	35,192	(416)	11,493
Cash and cash equivalents, July 1	1,300	4,766	51,222	2,961	16,122
Cash and cash equivalents, June 30	$ 1,239	$ 3,933	$ 86,414	$ 2,545	$ 27,615

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 4,648	$ 11,089	$ 10,662	$ 2,611	$ 13,674	$ 6	$ 1,116
(2,189)	(8,519)	(7,087)	(355)	(7,120)	(245)	(980)
(420)	(1,857)	(2,952)	(2,206)	(8,757)	(1,837)	(1,974)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	1	1	3,295	2,096	1,946
(33)	(153)	(403)	(41)	(1,355)	(31)	(95)
2,006	560	221	10	(263)	(11)	13
(236)	—	(428)	(20)	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	13	—
(834)	—	—	—	—	—	—
(190)	(11)	(31)	—	(3)	—	—
(1,260)	(11)	(459)	(20)	(3)	13	—
2	—	—	—	—	—	—
(861)	(136)	(18)	—	(19)	(1)	—
—	—	—	—	—	—	—
(859)	(136)	(18)	—	(19)	(1)	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(113)	413	(256)	(10)	(285)	1	13
1,941	1,537	1,775	743	3,544	535	128
$ 1,828	$ 1,950	$ 1,519	$ 733	$ 3,259	$ 536	$ 141

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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	$ 3,022	$ 3,568	$ 698	$ 6,537	$ 627
Payments to suppliers for goods and services	(2,974)	(1,138)	(480)	(1,970)	(873)
Payments to employees	(4,127)	(2,150)	(249)	(3,759)	(1,501)
Grant receipts (expenses)	—	—	—	—	—
Cash payments for claims	—	—	—	—	—
Other operating revenues	4,624	—	—	—	—
Other operating payments	(211)	(89)	(21)	(576)	(19)
Net cash provided by (used for) operating activities	334	191	(52)	232	(1,766)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	(19)	—	—
Transfer from other funds	—	—	—	—	1,665
Proceeds from interfund loans/advances	—	—	—	—	—
Payment of interfund loans and advances	—	—	—	—	—
Payment of principal and interest on bonds and notes	—	—	—	—	—
Net cash provided by (used for) noncapital financing activities	—	—	(19)	—	1,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	—
Acquisition of capital assets	—	—	—	(1)	—
Proceeds from sale of capital assets	—	—	—	—	—
Net cash used for capital and related financing activities	—	—	—	(1)	—
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	—	—	—	—
Proceeds (loss) from securities lending transactions	—	—	—	—	—
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 equivalents	334	191	(71)	231	(101)
Cash and cash equivalents, July 1	521	477	287	781	856
Cash and cash equivalents, June 30	$ 855	$ 668	$ 216	$ 1,012	$ 755

JUSTICE LEGAL SERVICES	PERSONAL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,680	$ 407	$ 276	$ 8,025	$ 541	$ 4,014	$ 361,795
(230)	(207)	(39)	(5,553)	(210)	(2,187)	(107,874)
(1,473)	(226)	(183)	(1,396)	(697)	(1,862)	(66,918)
—	(3)	—	—	—	—	3,199
—	—	—	—	—	—	(174,849)
—	35	—	—	500	—	20,814
(22)	(14)	—	(381)	(77)	(93)	(5,698)
(45)	(8)	54	695	57	(128)	30,469
—	—	—	—	—	(656)	(1,551)
—	66	—	—	—	—	14,371
—	—	—	—	—	6	41
—	—	—	—	—	(9)	(887)
—	—	—	—	—	—	(1,291)
—	66	—	—	—	(659)	10,683
—	—	—	—	—	—	369
—	—	—	(401)	—	—	(11,636)
—	—	—	—	—	—	723
—	—	—	(401)	—	—	(10,544)
—	—	—	—	—	—	11,306
—	—	—	—	—	—	14
—	—	—	—	—	—	3,432
—	—	—	—	—	—	(7)
—	—	—	—	—	—	14,745
(45)	58	54	294	57	(787)	45,353
210	68	186	1,256	213	1,911	93,340
$ 165	$ 126	$ 240	$ 1,550	$ 270	$ 1,124	$ 138,693

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)	$ 210	$ (427)	$ 22,755	$ (1,800)	$ (2,419)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	1,216	7,119	—	5,475	—
Amortization	—	—	103	—	142
Securities lending expense	—	—	7	—	—
Investment earnings	—	—	(2,921)	—	(511)
Securities lending income	—	—	(14)	—	—
Interest expense	—	—	—	277	—
Federal indirect cost recoveries	—	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	—	54	(1,155)	53	(11)
Decr (Incr) in due from other funds	—	—	—	102	—
Decr (Incr) in due from component units	—	—	—	(13)	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	(713)	—	—	—
Decr (Incr) in other assets	—	—	—	437	—
Incr (Decr) in accounts payable	(55)	(246)	1,178	(521)	(189)
Incr (Decr) in due to other funds	—	—	(18)	—	—
Incr (Decr) in unearned revenue	—	—	(103)	(10)	—
Incr (Decr) in compensated absences payable	5	69	54	34	(1)
Incr (Decr) in total OPEB liability	1	36	5	51	5
Incr (Decr) in estimated claims	—	—	1,173	—	976
Incr (Decr) in other payables	—	—	—	(1,642)	(2)
Incr (Decr) in net pension liability and related accounts	35	(73)	(133)	(289)	60
Net cash provided by (used for) operating activities	$ 1,412	$ 5,819	$ 20,931	$ 2,154	$ (1,950)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ 1,686	$ —	$ —	$ —
Incr (Decr) in value of investments	—	—	(1,096)	—	(2)
Total noncash transactions	$ —	$ 1,686	$ (1,096)	$ —	$ (2)

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ (48)	$ 433	$ (111)	$ 44	$ (3,825)	$ (287)	$ (1,827)
1,716	224	97	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
190	11	31	—	3	—	—
—	—	—	—	3,295	315	1,935
—	(2)	(11)	—	—	—	(40)
—	(7)	—	—	—	—	—
—	—	—	—	—	(14)	—
—	—	—	—	—	—	—
(3)	(31)	—	—	—	—	—
—	(109)	(2)	1	—	—	—
6	(65)	40	7	(107)	8	(61)
142	—	—	—	—	—	—
—	—	—	—	—	—	—
2	21	4	7	84	1	8
2	9	12	7	29	5	8
—	—	—	—	—	—	—
—	(26)	—	—	22	—	—
(1)	99	160	(55)	236	(39)	(11)
$ 2,006	$ 557	$ 220	$ 11	$ (263)	$ (11)	$ 12
$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —	$ —

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)	$ (4,125)	$ 204	$ (62)	$ 339	$ (1,951)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	15	—	—	—	10
Amortization	5	—	—	—	—
Securities lending expense	—	—	—	—	—
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Interest expense	—	—	—	—	—
Federal indirect cost recoveries	4,616	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	—	4	—	1	(1)
Decr (Incr) in due from other funds	—	—	—	(33)	—
Decr (Incr) in due from component units	—	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	—	—	—	—
Decr (Incr) in other assets	(2)	(5)	1	25	—
Incr (Decr) in accounts payable	54	1	5	(1)	(37)
Incr (Decr) in due to other funds	—	—	—	—	—
Incr (Decr) in unearned revenue	—	—	—	—	—
Incr (Decr) in compensated absences payable	28	(8)	(1)	(38)	11
Incr (Decr) in total OPEB liability	14	7	1	8	5
Incr (Decr) in estimated claims	—	—	—	—	—
Incr (Decr) in other payables	—	—	—	—	—
Incr (Decr) in net pension liability and related accounts	(271)	(13)	5	(70)	198
Net cash provided by (used for) operating activities	$ 334	$ 190	$ (51)	$ 231	$ (1,765)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ —	$ —	$ —	$ —
Incr (Decr) in value of investments	—	—	—	—	—
Total noncash transactions	$ —	$ —	$ —	$ —	$ —

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ (55)	$ (23)	$ 48	$ 553	$ (475)	$ (134)	$ 7,017
3	—	—	410	—	1	16,286
—	—	—	—	—	469	719
—	—	—	—	—	—	7
—	—	—	—	—	—	(3,432)
—	—	—	—	—	—	(14)
—	—	—	—	—	—	512
—	—	—	—	500	—	10,661
—	1	—	(281)	—	—	(1,388)
—		—	—	—	—	62
—	—	—	—	—	—	(27)
—	(3)	—	—	—	—	(3)
—	—	—	(51)	8	—	(790)
—	—	—	(48)	—	(6)	292
(6)	31	1	(87)	5	(326)	(365)
—	—	—	—	—	—	124
—	—	—	17	—	—	(96)
6	2	2	(10)	(7)	(8)	265
4	1	1	7	3	5	226
—	—	—	—	—	—	2,149
—	—	—	—	—	—	(1,648)
4	(13)	2	184	25	(129)	(89)
$ (44)	$ (4)	$ 54	$ 694	$ 59	$ (128)	$ 30,468
$ —	$ —	$ —	$ 1	$ —	$ —	$ 1,687
—	—	—	—	—	—	(1,098)
$ —	$ —	$ —	$ 1	$ —	$ —	$ 589

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 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 Funds– provides members of the defined contribution retirement system a disability benefit plan funded through employer contributions.

Judges Retirement System Fund – provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge.

Highway Patrol Officers Retirement System Fund – provides retirement benefits for all members of the Montana Highway Patrol.

Sheriffs Retirement System Fund – provides retirement benefits for sheriffs, detention officers, and State Department of Justice investigators.

Game Wardens & Peace Officers Retirement System Fund – provides retirement benefits for all persons employed as game wardens, supervisory personnel, and State peace officers.

Municipal Police Officers' Retirement System Fund – provides retirement benefits to all municipal police officers covered by the plan.

Firefighters Unified Retirement System 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.

Volunteer Firefighters Compensation Act 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 Fund– 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 Fund– 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 Fund– provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the Montana University System.

Voluntary Employee Benefit Association 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, 2019
(amounts expressed in thousands)

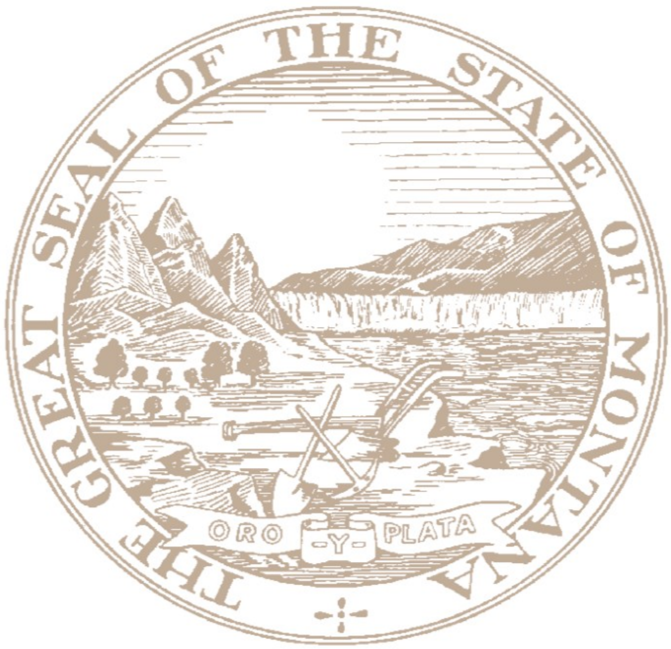
	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)					
	PUBLIC EMPLOYEES DEFINED BENEFITS	PERS DCRP DISABILITY OPEB	JUDGES	HIGHWAY PATROL	SHERIFFS	GAME WARDENS PEACE OFFICERS
ASSETS						
Cash/cash equivalents	$ 184,597	$ 396	$ 3,186	$ 5,549	$ 11,702	$ 6,577
Receivables (net):						
Accounts receivable	3,335	6	5	123	375	36
Interest	368	1	6	9	24	13
Due from primary government	—	—	—	—	—	—
Due from other PERB plans	606	—	—	—	—	—
Long-term notes/loans receivable	13	—	—	—	—	—
Total receivables	4,322	7	11	132	399	49
Investments at fair value:						
Equity in pooled investments	5,716,676	—	101,339	147,047	364,915	199,466
Other investments	—	4,734	—	—	—	—
Total investments	5,716,676	4,734	101,339	147,047	364,915	199,466
Securities lending collateral	27,174	—	482	699	1,734	948
Capital assets:						
Land	—	—	—	—	—	—
Buildings/improvements	23	—	—	—	—	—
Equipment	43	—	4	3	4	4
Construction work in progress	—	—	—	—	—	—
Accumulated depreciation	(50)	—	(3)	(3)	(3)	(3)
Intangible assets	1,214	—	356	303	356	356
Total capital assets	1,230	—	357	303	357	357
Total assets	5,933,999	5,137	105,375	153,730	379,107	207,397
DEFERRED OUTFLOWS OF RESOURCES	11	—	—	—	—	—
LIABILITIES						
Accounts payable	409	—	—	218	16	11
Due to other PERB plans	—	—	6	28	130	86
Unearned revenue	385	—	1	8	4	6
Securities lending liability	27,174	—	482	699	1,734	948
Compensated absences payable	312	—	—	—	—	—
Net pension liability (Note 6)	—	—	—	—	—	—
Total OPEB liability	87	—	—	—	—	—
Total liabilities	28,367	—	489	953	1,884	1,051
DEFERRED INFLOWS OF RESOURCES	59	—	—	—	—	—
NET POSITION						
Held in trust for pension benefits	5,905,584	—	104,886	152,777	377,223	206,346
Held in trust for other purposes	—	5,137	—	—	—	—
	$ 5,905,584	$ 5,137	$ 104,886	$ 152,777	$ 377,223	$ 206,346

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)							
MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTION	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 12,850	$ 13,535	$ 1,429	$ 2,429	$ 276	$ 137,714	$ 4,247	$ 384,487
303	149	5	239	464	16,252	4	21,296
26	27	2	3	1	273	—	753
15,981	16,606	—	—	—	—	—	32,587
—	—	—	—	—	—	—	606
—	—	—	—	—	—	—	13
16,310	16,782	7	242	465	16,525	4	55,255
410,397	430,646	38,342	—	—	4,065,251	—	11,474,079
—	—	—	260,973	532,205	—	7,466	805,378
410,397	430,646	38,342	260,973	532,205	4,065,251	7,466	12,279,457
1,951	2,047	182	—	—	19,324	—	54,541
—	—	—	—	—	36	—	36
—	—	—	3	2	158	—	186
3	3	3	7	6	16	—	96
—	—	—	—	—	1,505	—	1,505
(3)	(3)	(3)	(7)	(7)	(167)	—	(252)
319	315	291	291	344	1,045	—	5,190
319	315	291	294	345	2,593	—	6,761
441,827	463,325	40,251	263,938	533,291	4,241,407	11,717	12,780,501
—	—	—	1	—	448	6	466
3	1	—	667	270	248	100	1,943
86	68	201	—	—	—	—	605
9	20	1	—	—	—	—	434
1,951	2,047	182	—	—	19,324	—	54,541
—	—	—	48	25	168	1	554
—	—	—	—	—	1,443	26	1,469
—	—	—	9	4	136	2	238
2,049	2,136	384	724	299	21,319	129	59,784
—	—	—	6	3	250	6	324
439,778	461,189	39,867	263,209	532,989	4,220,286	—	12,704,134
—	—	—	—	—	—	11,588	16,725
$ 439,778	$ 461,189	$ 39,867	$ 263,209	$ 532,989	$ 4,220,286	$ 11,588	$ 12,720,859

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)					
	PUBLIC EMPLOYEES DEFINED BENEFIT	PERS DCRP DISABILITY OPEB	JUDGES	HIGHWAY PATROL	SHERIFFS	GAME WARDENS PEACE OFFICERS
ADDITIONS						
Contributions/premiums:						
Employer	$ 107,853	$ 464	$ —	$ 5,846	$ 10,565	$ 4,688
Employee	101,600	—	517	2,002	8,614	5,564
Other contributions	34,653	—	—	232	10	—
Net investment earnings:						
Investment earnings	356,217	322	6,312	9,177	22,618	12,331
Administrative investment expenses	(36,003)	(7)	(638)	(927)	(2,267)	(1,232)
Securities lending income	1,454	—	26	37	92	49
Securities lending expense	(729)	—	(13)	(19)	(46)	(25)
Charges for services	—	—	—	—	—	—
Other additions	—	—	—	—	—	—
Total additions	565,045	779	6,204	16,348	39,586	21,375
DEDUCTIONS						
Benefits	422,445	97	3,846	12,063	19,512	7,350
Refunds	12,769	—	—	582	1,484	1,000
Administrative expenses:						
Personal services	3,319	—	—	—	—	—
Contractual services	1,090	—	63	53	63	63
Supplies/materials	104	—	—	—	—	—
Depreciation	8	—	—	—	—	—
Amortization	184	—	54	46	54	54
Utilities/rent	261	—	—	—	—	—
Communications	108	—	—	—	—	—
Travel	25	—	—	—	—	—
Repair/maintenance	—	—	—	—	—	—
Other operating expenses	(450)	—	6	28	130	85
Local assistance	—	—	—	—	—	—
Transfer to MUS-RP	232	—	—	—	—	—
Transfer to PERS-DCRP	1,969	—	—	—	—	—
Total deductions	442,064	97	3,969	12,772	21,243	8,552
Changes in net position	122,981	682	2,235	3,576	18,343	12,823
Net position- July 1- as previously reported	5,782,559	4,455	102,651	149,199	358,880	193,523
Adjustments to beginning net position	44	—	—	2	—	—
Net position - July 1- as adjusted	5,782,603	4,455	102,651	149,201	358,880	193,523
Net position - June 30	$ 5,905,584	$ 5,137	$ 104,886	$ 152,777	$ 377,223	$ 206,346

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)							
MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTIO	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 7,853	$ 7,342	$ —	$ 12,974	$ 120	$ 97,303	$ 3,428	$ 258,436
5,029	5,530	—	13,506	23,567	78,151	—	244,080
16,000	16,546	2,370	87	—	45,495	—	115,393
25,161	26,357	2,300	18,031	37,611	253,035	592	770,064
(2,577)	(2,689)	(234)	(68)	(952)	(25,659)	—	(73,253)
104	108	10	—	—	1,036	—	2,916
(52)	(54)	(5)	—	—	(520)	—	(1,463)
—	—	—	—	567	—	—	567
—	—	—	836	—	31	1	868
51,518	53,140	4,441	45,366	60,913	448,872	4,021	1,317,608
26,221	25,626	2,996	9,023	28,926	367,779	2,965	928,849
3,651	90	—	—	—	6,009	—	25,585
—	—	—	369	174	1,602	31	5,495
56	55	51	435	1,024	581	—	3,534
—	—	—	11	7	138	—	260
—	—	—	1	1	—	—	10
48	48	44	44	52	660	—	1,288
—	—	—	27	15	71	—	374
—	—	—	7	12	82	—	209
—	—	—	5	4	18	—	52
—	—	—	—	—	10	—	10
86	68	202	18	13	(41)	136	281
—	—	11	—	—	—	—	11
—	—	—	—	—	—	—	232
—	—	—	—	—	—	—	1,969
30,062	25,887	3,304	9,940	30,228	376,909	3,132	968,159
21,456	27,253	1,137	35,426	30,685	71,963	889	349,449
418,314	433,935	38,730	227,783	502,304	4,148,324	10,703	12,371,360
8	1	—	—	—	(1)	(4)	50
418,322	433,936	38,730	227,783	502,304	4,148,323	10,699	12,371,410
$ 439,778	$ 461,189	$ 39,867	$ 263,209	$ 532,989	$ 4,220,286	$ 11,588	$ 12,720,859


THE GREAT SEAL OF THE STATE OF MONTANA
ORO -Y- PLATA

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 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 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 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 Fund – accounts for money paid to the 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.

Performance Deposits 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, 2019
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ASSETS				
Cash/cash equivalents	$ 51,314	$ 929	$ —	$ 51
Receivables (net):				
Interest	—	2	—	—
Total receivables	—	2	—	—
Investments at fair value:				
Other investments	160,074	—	—	—
Total investments	160,074	—	—	—
Other assets	—	—	34,745	—
Total assets	211,388	931	34,745	51
LIABILITIES				
Accounts payable	—	184	—	—
Total liabilities	—	184	—	—
NET POSITION				
Held in trust for other purposes	$ 211,388	$ 747	$ 34,745	$ 51

PERFORMANCE DEPOSITS	TOTAL
$ 24,663	$ 76,957
38	40
38	40
10,918	170,992
10,918	170,992
4,741	39,486
40,360	287,475
3	187
3	187
$ 40,357	$ 287,288

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ADDITIONS				
Other contributions	$ 16,164	$ —	$ 2,275	$ —
Net investment earnings:				
Investment earnings	3,536	15	—	2
Other additions	—	5,275	—	—
Total additions	19,700	5,290	2,275	2
DEDUCTIONS				
Distributions	22,376	5,294	—	—
Administrative expenses:				
Contractual services	848	—	—	—
Total deductions	23,224	5,294	—	—
Change in net position	(3,524)	(4)	2,275	2
Net position - July 1 - as previously reported	214,912	751	32,470	49
Net position - July 1 - as adjusted	214,912	751	32,470	49
Net position - June 30	$ 211,388	$ 747	$ 34,745	$ 51

PERFORMANCE DEPOSITS	TOTAL
$ —	$ 18,439
444	3,997
1,759	7,034
2,203	29,470
1,667	29,337
—	848
1,667	30,185
536	(715)
39,821	288,003
39,821	288,003
$ 40,357	$ 287,288

Investment Trust Funds

These funds are used to account for the local government investment within the external investment pools managed by the Montana Board of Investments. A brief description of each fund follows:

STIP Local Government Participants Fund – accounts for the local government investment within the STIP external investment pool.

TFIP Local Government Participants Fund – accounts for the local government investment within the TFIP external investment pool.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICIPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ASSETS			
Cash/cash equivalents	$ 1,374,207	$ 1,569	$ 1,375,776
Receivables (net):			
Interest	2,922	43	2,965
Total receivables	2,922	43	2,965
Investments at fair value:			
Equity in pooled investments	—	12,562	12,562
Total investments	—	12,562	12,562
Securities lending collateral	—	145	145
Total assets	1,377,129	14,319	1,391,448
LIABILITIES			
Accounts payable	2,922	—	2,922
Securities lending liabilities	—	145	145
Total liabilities	2,922	145	3,067
NET POSITION			
Held in trust for other purposes	$ 1,374,207	$ 14,174	$ 1,388,381

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ADDITIONS			
Contributions/premiums:			
Other contributions	$ 1,497,949	$ —	$ 1,497,949
Net investment earnings:			
Investment earnings	29,729	975	30,704
Securities lending income	—	3	3
Securities lending expense	—	(2)	(2)
Total additions	1,527,678	976	1,528,654
DEDUCTIONS			
Distributions	1,373,628	—	1,373,628
Total deductions	1,373,628	—	1,373,628
Change in net position	154,050	976	155,026
Net position - July 1 - as previously reported	1,220,157	13,198	1,233,355
Net position - July 1 - as adjusted	1,220,157	13,198	1,233,355
Net position - June 30	$ 1,374,207	$ 14,174	$ 1,388,381

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 Fund – accounts for deposits held by the State pending compliance with performance agreements.

Central Payroll 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 Fund – accounts for restitution payments received from prisoners and disbursed to their victims.

Custodial Accounts 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 Fund — accounts for payments from parents under the Child Support Enforcement Program.

Uncleared Collections 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 Fund – accounts for resources that flow through State agencies to federal and local governments.

Debt Collection 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 Fund – accounts for the distribution of the proceeds from the sale of pooled milk.

OPEB State Fund – accounts for the State's employee contributions received and premium payments made during the year for OPEB (Other Postemployment Benefits).

OPEB MUS 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, 2019
(amounts expressed in thousands)

	PERFORMANCE DEPOSITS	CENTRAL PAYROLL	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS
ASSETS				
Cash/cash equivalents	$ 4,148	$ 5,005	$ 1,114	$ 2,653
Receivables (net):				
Accounts receivable	1	—	—	1
Total receivables	1	—	—	1
Other assets	250	—	—	4
Total assets	4,399	5,005	1,114	2,658
LIABILITIES				
Accounts payable	2	1	5	(2)
Amounts held in custody for others	4,397	5,004	1,109	2,660
Total liabilities	4,399	5,005	1,114	2,658
NET POSITION				
Held in trust for other purposes	$ —	$ —	$ —	$ —

CHILD SUPPORT COLLECTIONS	UNCLEARED COLLECTIONS	INTER-GOVERNMENTAL	DEBT COLLECTION	MILK PASS-THROUGH	TOTAL
$ 1,187	$ 109	$ 4	$ 410	$ 117	$ 14,747
553	—	—	—	—	555
553	—	—	—	—	555
—	—	—	—	—	254
1,740	109	4	410	117	15,556
602	109	3	11	45	776
1,138	—	1	399	72	14,780
1,740	109	4	410	117	15,556
$ —	$ —	$ —	$ —	$ —	$ —

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

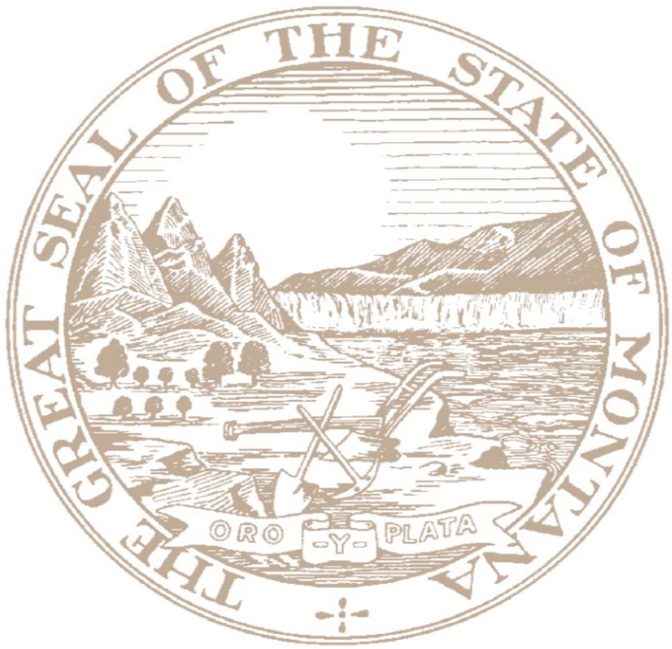
FUND	BALANCE JUNE 30, 2018	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2019
PERFORMANCE DEPOSITS:				
ASSETS				
Cash/cash equivalents	$ 4,636	$ 91,625	$ 92,113	$ 4,148
Receivables (net)	1	34	34	1
Other assets	297	—	47	250
Total assets	$ 4,934	$ 91,659	$ 92,194	$ 4,399
LIABILITIES				
Accounts payable	$ 3	$ 1,512	$ 1,513	$ 2
Amounts held in custody for others	4,932	3,552	4,087	4,397
Total liabilities	$ 4,935	$ 5,064	$ 5,600	$ 4,399
CENTRAL PAYROLL:				
ASSETS				
Cash/cash equivalents	$ 1,652	$ 1,039,204	$ 1,035,851	$ 5,005
Total assets	$ 1,652	$ 1,039,204	$ 1,035,851	$ 5,005
LIABILITIES				
Accounts payable	$ (2)	$ 6,922	$ 6,919	$ 1
Amounts held in custody for others	1,653	1,039,118	1,035,767	5,004
Total liabilities	$ 1,651	$ 1,046,040	$ 1,042,686	$ 5,005
CRIMINAL OFFENDER RESTITUTION:				
ASSETS				
Cash/cash equivalents	$ 957	$ 4,330	$ 4,173	$ 1,114
Total assets	$ 957	$ 4,330	$ 4,173	$ 1,114
LIABILITIES				
Accounts payable	$ 9	$ 2,387	$ 2,391	$ 5
Amounts held in custody for others	948	4,332	4,171	1,109
Total liabilities	$ 957	$ 6,719	$ 6,562	$ 1,114
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/cash equivalents	$ 2,715	$ 10,621	$ 10,683	$ 2,653
Receivables (net)	—	3	2	1
Other assets	5	233	234	4
Total assets	$ 2,720	$ 10,857	$ 10,919	$ 2,658
LIABILITIES				
Accounts payable	$ 60	$ 5,692	$ 5,754	$ (2)
Amounts held in custody for others	2,660	11,027	11,027	2,660
Total liabilities	$ 2,720	$ 16,719	$ 16,781	$ 2,658

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2018	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2019
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 741	$ 75,034	$ 74,588	$ 1,187
Receivables (net)	606	—	53	553
Total assets	$ 1,347	$ 75,034	$ 74,641	$ 1,740
LIABILITIES				
Accounts payable	$ 587	$ 70,706	$ 70,691	$ 602
Amounts held in custody for others	761	74,707	74,330	1,138
Total liabilities	$ 1,348	$ 145,413	$ 145,021	$ 1,740
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 22	$ 11,766,618	$ 11,766,531	$ 109
Receivables (net)	—	651	651	—
Total assets	$ 22	$ 11,767,269	$ 11,767,182	$ 109
LIABILITIES				
Accounts payable	$ —	$ 13,529	$ 13,420	$ 109
Amounts held in custody for others	22	17,430	17,452	—
Total liabilities	$ 22	$ 30,959	$ 30,872	$ 109
INTERGOVERNMENTAL:				
ASSETS				
Cash/cash equivalents	$ 5	$ 6,105	$ 6,106	$ 4
Total assets	$ 5	$ 6,105	$ 6,106	$ 4
LIABILITIES				
Accounts payable	$ 5	$ 96	$ 98	$ 3
Amounts held in custody for others	—	6,105	6,104	1
Total liabilities	$ 5	$ 6,201	$ 6,202	$ 4
DEBT COLLECTION:				
ASSETS				
Cash/cash equivalents	$ 315	$ 9,926	$ 9,831	$ 410
Receivables (net)	—	21,995	21,995	—
Total assets	$ 315	$ 31,921	$ 31,826	$ 410
LIABILITIES				
Accounts payable	$ 13	$ 11,872	$ 11,874	$ 11
Amounts held in custody for others	303	7,843	7,747	399
Total liabilities	$ 316	$ 19,715	$ 19,621	$ 410

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2018	TOTALS ADDITIONS	TOTALS DEDUCTIONS	BALANCE JUNE 30, 2019
MILK PASSTHROUGH:				
ASSETS				
Cash/cash equivalents	$ 57	$ 361	$ 301	$ 117
Total assets	$ 57	$ 361	$ 301	$ 117
LIABILITIES				
Accounts payable	$ —	$ 306	$ 261	$ 45
Amounts held in custody for others	57	361	346	72
Total liabilities	$ 57	$ 667	$ 607	$ 117
OPEB STATE:				
ASSETS				
Cash/cash equivalents	$ —	$ 21,315	$ 21,315	$ —
Total assets	$ —	$ 21,315	$ 21,315	$ —
LIABILITIES				
Amounts held in custody for others	$ —	$ 21,315	$ 21,315	$ —
Total liabilities	$ —	$ 21,315	$ 21,315	$ —
OPEB MUS:				
ASSETS				
Cash/cash equivalents	$ —	$ 9,557	$ 9,557	$ —
Total assets	$ —	$ 9,557	$ 9,557	$ —
LIABILITIES				
Amounts held in custody for others	$ —	$ 9,557	$ 9,557	$ —
Total liabilities	$ —	$ 9,557	$ 9,557	$ —
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash/cash equivalents	$ 11,100	$ 13,034,696	$ 13,031,049	$ 14,747
Receivables (net)	607	22,683	22,735	555
Other assets	302	233	281	254
Total assets	$ 12,009	$ 13,057,612	$ 13,054,065	$ 15,556
LIABILITIES				
Accounts payable	$ 675	$ 113,022	$ 112,921	$ 776
Amounts held in custody for others	11,336	1,195,347	1,191,903	14,780
Total liabilities	$ 12,011	$ 1,308,369	$ 1,304,824	$ 15,556


THE GREAT SEAL OF THE STATE OF MONTANA
ORO -Y- PLATA

State of Montana

Statistical Section

SCHEDULE A-1 - NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	$ 6,402,612	$ 6,088,211	$ 5,873,003	$ 5,616,889	$ 5,332,649	$ 5,049,162	$ 4,681,044	$ 4,529,952	$ 4,178,343	$ 3,874,920
Restricted	3,216,332	2,998,804	2,951,964	2,890,669	2,764,165	2,696,248	2,334,042	2,298,142	2,292,979	1,983,143
Unrestricted	(423,017)	(642,952)	(971,795)	(780,527)	(642,296)	896,270	912,882	824,809	877,017	1,083,674
Total governmental activities net position	$ 9,195,927	$ 8,444,063	$ 7,853,172	$ 7,727,031	$ 7,454,518	$ 8,641,680	$ 7,927,968	$ 7,652,903	$ 7,348,339	$ 6,941,737
Business-type activities										
Net investment in capital assets	$ 21,266	$ 21,395	$ 19,986	$ 15,760	$ 14,616	$ 16,285	$ 14,862	$ 15,011	$ 15,581	$ 14,534
Restricted	442,306	397,587	367,734	347,819	333,536	295,006	253,382	206,896	158,735	159,335
Unrestricted	18,996	12,503	8,289	8,394	8,124	18,912	16,415	15,905	12,349	21,851
Total business-type activities net position	$ 482,568	$ 431,485	$ 396,009	$ 371,973	$ 356,276	$ 330,203	$ 284,659	$ 237,812	$ 186,665	$ 195,720
Primary government										
Net investment in capital assets	$ 6,423,878	$ 6,109,606	$ 5,891,989	$ 5,632,649	$ 5,347,265	$ 5,065,447	$ 4,695,907	$ 4,554,963	$ 4,193,924	$ 3,889,454
Restricted	3,658,638	3,396,391	3,319,698	3,238,488	3,097,701	2,991,254	2,587,423	2,505,038	2,451,714	2,142,478
Unrestricted	(404,021)	(630,449)	(963,506)	(772,133)	(634,172)	915,182	929,296	840,714	889,366	1,104,525
Total primary government net position	$ 9,678,495	$ 8,875,548	$ 8,248,181	$ 8,099,004	$ 7,810,794	$ 8,971,883	$ 8,212,627	$ 7,900,715	$ 7,535,004	$ 7,136,457

SCHEDULE A-2 - CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
Expenses	**2019**	**2018**	**2017**	**2016**	**2015**
Governmental activities:					
General government	$ 829,657	$ 674,329	$ 688,798	$ 696,984	$ 655,878
Public safety	428,514	429,760	454,194	420,532	403,407
Transportation	547,907	527,927	484,214	464,092	483,943
Health and human services	2,680,251	2,681,151	2,668,273	2,174,506	1,936,701
Education	1,314,785	1,299,423	1,344,121	1,324,299	1,306,740
Natural resources	302,680	379,525	295,853	295,332	316,834
Principal on long-term debt	—	—	—	(1)	—
Interest on long-term debt	5,454	6,743	7,484	9,373	9,124
Total governmental activities expenses	6,109,248	5,998,858	5,942,937	5,385,117	5,112,627
Business-type activities:					
Unemployment Insurance	108,507	113,843	117,788	119,088	112,952
Liquor Stores	89,971	86,118	83,313	81,556	78,700
State Lottery	48,061	45,896	43,377	47,202	41,088
Municipal Finance Programs	2,937	2,648	1,851	1,198	988
Hail Insurance	933	576	1,696	817	8,304
General Government Services	70,154	73,539	72,489	71,343	68,678
Prison Funds	9,307	9,130	8,140	9,099	6,464
MUS Group Insurance	88,330	88,912	81,051	87,535	86,539
MUS Workers Compensation	3,887	2,738	2,786	2,430	4,128
Total business-type activities expenses	422,087	423,400	412,491	420,268	407,841
Total primary government expenses	$ 6,531,335	$ 6,422,258	$ 6,355,428	$ 5,805,385	$ 5,520,468
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 185,120	$ 170,447	$ 143,681	$ 145,725	$ 143,616
Public safety/corrections	180,998	175,999	161,380	160,783	160,339
Transportation	31,019	27,319	28,447	30,321	36,122
Health/social services	44,517	41,916	40,260	42,376	35,795
Education/cultural	2,106	13,972	32,750	30,205	32,176
Resource/recreation/environment	179,972	165,161	165,409	168,269	174,799
Operating grants and contributions	2,611,941	2,555,898	2,506,711	2,093,817	1,885,537
Capital grants and contributions	527,900	447,018	434,860	456,588	470,860
Total governmental activities program revenues	3,763,573	3,597,730	3,513,498	3,128,084	2,939,244
Business-type activities:					
Charges for services:					
Unemployment Insurance	129,394	114,678	103,928	121,740	151,806
Liquor Stores	104,456	99,059	96,475	93,958	89,286
State Lottery	60,269	56,400	52,459	59,717	52,341
Municipal Finance Programs	41	37	37	34	30
Hail Insurance	1,032	1,065	1,156	1,103	6,278
General Government Services	25,871	25,386	24,290	25,342	29,197
Prison Funds	7,864	7,733	7,648	8,499	7,953
MUS Group Insurance	97,774	100,532	99,448	83,136	72,904
MUS Workers Compensation	—	—	3,838	4,264	4,603
Operating grants and contributions	68,243	65,885	60,219	56,565	50,751
Capital grants and contributions	512	685	604	857	942
Total business-type activities program revenues	495,456	471,460	450,102	455,215	466,091
Total primary government program revenues	$ 4,259,029	$ 4,069,190	$ 3,963,600	$ 3,583,299	$ 3,405,335

Fiscal Year				
2014	2013	2012	2011	2010
$ 1,009,121	$ 647,975	$ 660,561	$ 752,565	$ 774,881
156,256	380,309	387,213	308,593	342,803
461,358	189,207	468,977	390,523	320,085
1,880,505	1,808,386	1,745,284	1,765,871	1,677,261
1,262,069	1,205,955	1,192,205	1,209,969	1,179,788
254,414	332,942	337,462	318,954	318,300
—	—	7,593	6	—
10,760	12,249	15,725	16,314	17,692
5,034,483	4,577,023	4,815,020	4,762,795	4,630,810
136,174	179,826	217,829	278,086	354,793
74,917	71,013	67,863	63,573	61,569
41,310	44,049	39,808	35,481	36,365
2,564	930	1,149	1,126	2,167
15,163	7,339	7,052	8,379	6,238
63,787	63,354	62,094	63,003	62,797
7,223	6,995	6,480	6,149	6,463
80,639	67,250	59,577	63,501	72,606
3,199	328	4,530	4,232	3,900
424,976	441,084	466,382	523,530	606,898
$ 5,459,459	$ 5,018,107	$ 5,281,402	$ 5,286,325	$ 5,237,708
$ 142,818	$ 134,756	$ 143,815	$ 138,059	$ 127,163
150,212	148,147	147,070	145,754	147,839
33,047	30,792	29,256	25,143	26,531
37,843	37,291	34,191	37,166	43,338
42,140	37,328	36,335	40,720	34,309
172,759	176,400	166,466	164,880	232,861
1,823,987	1,780,611	1,824,334	1,962,876	1,985,977
460,327	455,310	512,649	537,194	510,996
2,863,133	2,800,635	2,894,116	3,051,792	3,109,014
163,745	166,523	164,353	137,439	89,500
85,316	82,125	78,384	73,298	68,032
53,106	56,820	52,615	46,047	46,865
19	13	17	18	22
8,040	7,114	7,055	6,710	6,915
25,985	21,988	22,303	23,044	22,601
7,618	6,945	7,284	6,276	6,304
80,472	68,216	69,025	65,228	64,756
2,170	4,280	4,167	4,716	4,979
64,982	96,590	134,120	168,222	226,049
623	445	398	281	3,174
492,076	511,059	539,721	531,279	539,197
$ 3,355,209	$ 3,311,694	$ 3,433,837	$ 3,583,071	$ 3,648,211

SCHEDULE A-2 - CHANGE IN NET POSITION - Continued
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year 2019	2018	2017	2016	2015
Net (expense)/revenue					
Governmental activities	$ (2,345,675)	$ (2,401,128)	$ (2,429,439)	$ (2,257,033)	$ (2,173,383)
Business-type activities	73,369	48,060	37,611	34,947	58,250
Total primary government net expense	$ (2,272,306)	$ (2,353,068)	$ (2,391,828)	$ (2,222,086)	$ (2,115,133)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 305,126	$ 293,530	$ 277,254	$ 276,367	$ 261,532
Fuel	261,687	259,162	231,305	225,419	226,892
Natural resource	210,004	209,776	171,629	163,707	257,634
Individual income	1,416,716	1,304,715	1,160,431	1,173,281	1,151,329
Corporate Income	186,172	170,607	132,538	117,758	174,112
Other	383,267	387,287	378,976	361,899	358,676
Unrestricted grants and contributions	471	12,595	13,596	15,321	15,101
Payment from State of Montana	—	—	—	—	—
Settlements	27,713	19,794	33,824	29,379	29,109
Unrestricted investment earnings	201,926	29,241	25,125	92,404	44,028
Gain on sale of capital assets	7,320	2,595	15,640	3,014	2,067
Miscellaneous	10,640	4,876	4,895	6,596	4,348
Transfers	55,786	48,854	46,141	49,812	50,017
Total governmental activities	3,066,828	2,743,032	2,491,354	2,514,957	2,574,845
Business-type activities:					
Taxes					
Other	30,094	28,846	27,958	27,078	26,440
Unrestricted grants and contributions	—	233	2,845	1,852	1,777
Settlements	—	—	236	—	—
Unrestricted investment earnings	142	66	31	17	520
Gain (loss) on sale of capital assets	7	11	(274)	318	142
Miscellaneous	2,249	3,709	871	514	718
Transfers	(55,786)	(48,854)	(46,140)	(49,813)	(50,017)
Total business-type activities	(23,294)	(15,989)	(14,473)	(20,034)	(20,420)
Total primary government	$ 3,043,534	$ 2,727,043	$ 2,476,881	$ 2,494,923	$ 2,554,425
Change in Net Position					
Governmental activities	$ 721,153	$ 341,904	$ 61,915	$ 257,924	$ 401,462
Business-type activities	50,075	32,071	23,138	14,913	37,830
Total primary government	$ 771,228	$ 373,975	$ 85,053	$ 272,837	$ 439,292

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2014	2013	2012	2011	2010
$ (2,389,119)	$ (1,776,387)	$ (1,920,904)	$ (1,711,003)	$ (1,521,796)
67,114	69,975	73,339	7,749	(67,700)
$ (2,322,005)	$ (1,706,412)	$ (1,847,565)	$ (1,703,254)	$ (1,589,496)
$ 267,029	$ 256,613	$ 257,631	$ 241,961	$ 235,287
216,615	216,065	211,933	209,348	204,373
334,210	310,344	309,427	305,471	275,313
1,044,828	1,041,767	892,560	810,108	709,699
145,040	174,510	129,668	121,801	89,033
340,123	324,811	308,927	308,703	303,859
403	11	181	—	461
487	—	—	—	—
31,534	35,763	40,426	38,747	77,927
108,754	30,296	87,083	155,419	172,748
2,125	7,158	2,179	3,209	3,244
4,708	4,355	2,728	2,919	4,247
46,377	48,199	46,361	40,547	42,488
2,542,233	2,449,892	2,289,104	2,238,233	2,118,679
25,148	24,186	23,233	21,797	25,017
2	—	—	—	—
52	—	—	27	—
12	20	54	4,642	244
696	41	270	—	1
674	570	542	637	4,377
(47,864)	(48,199)	(46,361)	(40,547)	(42,486)
(21,280)	(23,382)	(22,262)	(13,444)	(12,847)
$ 2,520,953	$ 2,426,510	$ 2,266,842	$ 2,224,789	$ 2,105,832
$ 153,114	$ 673,410	$ 368,200	$ 527,230	$ 596,881
45,834	46,593	51,077	(5,695)	(80,547)
$ 198,948	$ 720,003	$ 419,277	$ 521,535	$ 516,334

SCHEDULE A-3 - FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
Nonspendable:					
Inventory	$ 23,411	$ 24,828	$ 23,260	$ 24,385	$ 25,137
Permanent fund principle	1,759,594	1,607,011	1,590,023	1,548,689	1,493,893
Long-term notes/receivable	363	489	525	641	817
Prepaid expenses	848	730	4,534	1,259	1,806
Total nonspendable	$ 1,784,216	$ 1,633,058	$ 1,618,342	$ 1,574,974	$ 1,521,653
Restricted:					
General government	18,815	24,215	6,449	6,339	6,586
Transportation	111,164	85,046	52,673	41,892	47,750
Health and human services	6,150	9,767	16,780	21,372	22,814
Natural resources	753,320	712,879	702,399	710,010	716,294
Public safety	204,135	219,316	235,760	236,139	252,006
Education	14,458	13,060	19,282	15,146	17,896
Total restricted	$ 1,108,042	$ 1,064,283	$ 1,033,343	$ 1,030,898	$ 1,063,346
Committed:					
General government	778,894	691,225	717,671	749,341	712,767
Transportation	16,781	16,583	6,201	4,070	3,856
Health and human services	44,461	40,628	34,173	29,086	28,226
Natural resources	341,212	324,539	385,724	387,121	346,550
Public safety	73,059	48,094	46,352	31,776	30,207
Education	17,413	16,094	16,306	16,180	8,249
Total committed	$ 1,271,820	$ 1,137,163	$ 1,206,427	$ 1,217,574	$ 1,129,855
Assigned:					
General government	467	23	1,292	8,450	5,361
Transportation	—	—	—	—	—
Health and human services	—	—	—	—	—
Natural resources	—	—	—	—	—
Public safety	338	592	892	404	599
Education	—	—	—	—	—
FY 2011 appropriation	—	—	—	—	—
General Fund Spend Down	—	—	—	130,000	75,000
Encumbrances	17,178	7,998	11,355	10,333	11,230
Total assigned	$ 17,983	$ 8,613	$ 13,539	$ 149,187	$ 92,190
Unassigned	348,552	176,581	47,933	126,478	380,436
Total fund balances	$ 4,530,613	$ 4,019,698	$ 3,919,584	$ 4,099,111	$ 4,083,374

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2014	2013	2012	2011	2010
$ 22,611	$ 24,483	$ 25,046	$ 23,007	$ 27,018
1,452,290	1,388,829	1,365,218	1,300,871	1,143,435
971	2,470	2,146	65	96
1,045	1,273	1,538	1,254	1,361
$ 1,476,917	$ 1,417,055	$ 1,393,948	$ 1,325,197	$ 1,171,910
8,563	1,966	10,474	13,146	13,785
60,851	76,659	75,518	116,353	102,520
24,494	23,049	16,739	22,025	22,367
669,220	646,026	653,179	634,957	438,410
265,966	268,616	294,520	290,768	317,295
20,458	21,397	27,140	29,054	24,644
$ 1,049,552	$ 1,037,713	$ 1,077,570	$ 1,106,303	$ 919,021
694,508	612,969	625,432	588,292	551,394
4,823	6,644	4,304	4,445	6,403
27,131	30,665	43,952	72,102	65,050
320,560	258,650	266,254	312,467	601,410
34,037	29,428	18,162	15,393	39,772
26,631	34,723	12,434	12,162	1,540
$ 1,107,690	$ 973,079	$ 970,538	$ 1,004,861	$ 1,265,569
13,232	23,057	21,413	25,805	33,427
—	—	26	—	—
—	—	—	—	148
—	56	60	41	418
1,210	1,465	1,756	1,853	2,949
—	—	—	—	138
—	—	—	—	70,270
80,000	—	—	—	—
10,366	18,033	22,670	24,591	11,986
$ 104,808	$ 42,611	$ 45,925	$ 52,290	$ 119,336
344,406	537,609	451,656	339,898	212,183
$ 4,008,066	$ 4,008,067	$ 3,939,637	$ 3,828,549	$ 3,688,019

SCHEDULE A-4 - CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Licenses/permits	$ 362,389	$ 348,991	$ 327,275	$ 321,882	$ 319,726
Taxes	2,766,544	2,597,788	2,353,081	2,317,024	2,435,282
Charges for services/fines/forfeits/settlements	175,715	174,762	206,505	185,112	183,257
Investment earnings	235,429	44,758	48,919	171,980	90,565
Sale of documents/merchandise/property	22,420	21,927	20,505	19,963	26,177
Rentals/leases/royalties	60,226	51,945	49,592	60,743	66,754
Contributions/Premiums	34,578	32,721	31,133	26,616	24,105
Grants/contracts/donations	58,542	35,274	33,678	31,237	30,048
Federal	2,877,013	2,799,149	2,718,875	2,304,394	2,151,163
Federal Indirect cost Recoveries	136,619	116,610	125,801	113,157	112,914
Other revenues	11,351	4,610	5,780	6,637	4,770
Total revenues	6,740,826	6,228,535	5,921,144	5,558,745	5,444,761
Expenditures					
General government	647,432	643,802	653,362	624,157	676,832
Public safety	427,185	416,829	426,994	419,813	395,561
Transportation	359,744	331,569	329,262	319,940	340,443
Health and human services	2,703,908	2,675,173	2,652,851	2,177,895	1,925,968
Education	1,315,407	1,293,647	1,345,216	1,325,927	1,301,116
Natural resources	313,012	363,303	324,081	306,470	288,791
Economic development/assistance	—	—	—	—	—
Debt service:					
Principal retirement	27,868	31,968	33,889	39,631	33,988
Interest/fiscal charges	6,520	8,088	9,520	10,506	11,346
Capital outlay	493,067	425,183	406,949	477,990	444,940
Securities lending	414	269	343	218	204
Total expenditures	6,294,557	6,189,831	6,182,467	5,702,547	5,419,189
Excess of revenue over (under) expenditures	446,269	38,704	(261,323)	(143,802)	25,572
Other financing sources (uses)					
Bond proceeds	—	—	—	—	24,365
Bonds issued	—	—	—	—	—
Refunding bonds issued	4,575	—	—	22,540	38,150
Bond premium	—	—	—	3,256	7,130
Payment to refunding bond escrow agent	(6,844)	—	—	(25,557)	(42,603)
Inception of lease/installment contract	808	312	184	368	344
Insurance proceeds	13,785	309	43	106	2,586
General capital asset sale proceeds	8,016	4,202	15,815	3,430	3,689
Energy conservation loans	271	1,589	1,770	677	2,120
Transfers in	340,824	369,536	283,004	323,250	324,088
Transfers out	(298,401)	(319,353)	(235,435)	(274,206)	(284,180)
Total other financing sources (uses)	63,034	56,595	65,381	53,864	75,689
Net change in fund balances	$ 509,303	$ 95,299	$ (195,942)	$ (89,938)	$ 101,261
Debt service as a percentage of noncapital expenditures	0.6%	0.7%	0.8%	1.0%	0.9%

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2014	2013	2012	2011	2010
$ 302,824	$ 297,148	$ 290,183	$ 287,580	$ 283,658
2,344,456	2,314,815	2,096,733	1,986,722	1,809,427
202,912	181,760	193,874	191,142	238,758
141,733	59,092	181,484	143,198	232,668
21,836	23,393	16,221	17,208	17,499
76,824	75,490	77,946	70,322	143,714
23,206	22,397	21,666	20,685	19,724
30,324	24,267	24,812	23,439	27,324
2,086,310	2,043,912	2,102,964	2,338,090	2,271,216
110,981	112,364	107,446	101,152	112,918
5,410	5,349	4,718	5,069	6,809
5,346,816	5,159,987	5,118,047	5,184,607	5,163,715
699,219	613,186	633,336	643,623	666,192
373,132	363,378	353,344	346,670	338,776
324,074	287,218	345,796	271,387	197,197
1,883,909	1,810,312	1,734,471	1,757,633	1,675,253
1,261,012	1,204,060	1,183,056	1,208,538	1,181,591
286,320	341,686	287,636	272,895	288,913
—	—	—	—	—
33,617	32,627	34,865	33,974	31,682
12,810	13,907	16,314	16,362	18,213
457,306	454,463	488,958	565,943	650,589
142	302	383	600	873
5,331,541	5,121,139	5,078,159	5,117,625	5,049,279
15,275	38,848	39,888	66,982	114,436
11,680	—	—	—	3,800
—	—	—	31,000	—
6,780	—	56,670	10,180	28,270
662	—	8,264	767	1,294
(7,190)	—	(64,421)	(11,062)	(29,148)
324	504	49	36	172
1,302	381	3,565	4,326	670
1,840	7,340	2,343	4,130	3,614
169	291	26,171	—	—
428,368	307,460	277,279	351,366	491,045
(383,933)	(273,502)	(235,235)	(316,934)	(450,686)
60,002	42,474	74,685	73,809	49,031
$ 75,277	$ 81,322	$ 114,573	$ 140,791	$ 163,467
1.0%	1.0%	1.1%	1.1%	1.1%

SCHEDULE B-1 - PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(amounts expressed in thousands)

	Calendar Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Farm Earnings	$ 557,745	$ 293,049	$ 428,532	$ 757,623	$ 832,648	$ 817,733	$ 934,509	$ 720,138	$ 625,246	$ 310,053
Agricultural, forestry, fishing, and other	256,830	252,135	261,677	273,020	232,980	231,268	201,925	168,285	162,669	186,402
Mining	1,088,431	968,972	1,106,210	1,144,404	1,235,527	1,246,822	1,235,330	820,944	664,485	772,277
Construction/utilities	3,174,176	3,015,990	2,914,591	2,765,160	2,486,438	2,397,070	2,235,780	2,097,991	2,067,925	1,677,216
Manufacturing	1,379,085	1,311,060	1,241,423	1,212,283	1,171,673	1,089,971	1,054,098	1,069,144	1,032,034	1,059,780
Transportation and public utilities	1,260,449	1,204,070	1,165,304	1,226,867	1,210,250	1,154,728	1,106,555	985,485	913,489	1,250,836
Wholesale trade	1,272,960	1,239,699	1,224,375	1,285,731	1,201,060	1,201,060	1,114,365	1,002,298	940,214	938,306
Retail trade	2,576,899	2,507,876	2,444,871	2,310,956	2,202,105	2,136,747	2,032,683	2,019,009	1,947,337	1,843,250
Finance, insurance, and real estate	1,423,724	2,169,520	2,062,991	1,679,674	1,590,899	1,623,518	1,483,319	1,486,390	1,433,145	1,430,985
Services	11,521,141	11,082,563	10,533,036	9,917,700	8,989,666	8,682,348	8,933,237	8,615,811	8,217,674	8,005,007
Federal, civilian	1,358,510	1,314,692	1,287,848	1,244,570	1,181,524	1,157,617	1,192,569	1,215,699	1,314,102	1,268,108
Military	429,177	415,147	409,941	406,402	414,108	423,180	429,985	532,199	528,570	515,593
State and local government	4,240,192	4,282,582	4,142,806	4,078,431	3,868,541	3,894,912	3,770,989	3,589,740	3,599,170	3,494,129
Other (1)	19,515,964	17,619,790	15,549,265	14,343,779	13,798,057	13,496,216	13,027,496	12,184,262	11,302,305	11,171,289
Total personal income	$50,055,283	$47,677,145	$44,772,870	$42,646,600	$40,415,476	$39,553,190	$38,752,840	$36,507,395	$34,748,365	$33,923,231
Average effective rate (2)	2.6%	2.5%	2.6%	2.8%	2.6%	2.6%	2.3%	2.2%	2.1%	2.4%

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
(amounts expressed in thousands)

	Calendar Year									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Personal income tax revenue [1]	$ 1,295,883	$ 1,180,344	$ 1,183,699	$ 1,175,745	$ 1,063,284	$ 1,047,790	$ 898,851	$ 816,090	$ 717,834	$ 815,138
Personal income	$ 50,055,283	$ 47,677,145	$ 44,772,870	$ 42,646,600	$ 40,415,476	$ 39,553,190	$ 38,752,840	$ 36,507,395	$ 34,748,365	$ 33,923,231
Average effective rate [2]	2.6%	2.5%	2.6%	2.8%	2.6%	2.6%	2.3%	2.2%	2.1%	2.4%

	Tax Rates on the Portion of Taxable Income in Ranges [3]						
Calendar Year 2018							
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Income Bracket	$0-3.0	$3.0-5.2	$5.2-8.0	$8.0-10.8	$10.8-13.9	$13.9-17.9	$17.9+
Calendar Year 2017							
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Income Bracket	$0-2.9	$2.9-5.2	$5.2-7.9	$7.9-10.6	$10.6-13.6	$13.6-17.6	$17.6+
Calendar Year 2016							
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Income Bracket	$0-2.9	$2.9-5.1	$5.1-7.8	$7.8-10.5	$10.5-13.5	$13.5-17.4	$17.4+
Calendar Year 2015							
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+
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+
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 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 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 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 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 +

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 2018				Calendar Year 2013			
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	71,343	15.26%	$ 666,923	0.06%	77,231	17.31%	$ 850,540	0.10%
$10,000–$19,999	63,380	13.56%	$ 7,850,732	0.74%	70,989	15.92%	$ 9,097,498	1.05%
$20,000–$44,999	125,852	26.93%	$ 88,121,820	8.34%	119,172	26.72%	$ 77,569,924	8.95%
$45,000–$69,999	73,227	15.67%	$ 132,197,173	12.52%	68,297	15.31%	$ 115,452,903	13.32%
$70,000–$109,999	70,566	15.10%	$ 228,247,944	21.61%	64,384	14.43%	$ 199,395,643	23.00%
$110,000–$174,999	41,764	8.94%	$ 238,868,264	22.61%	30,211	6.77%	$ 167,801,703	19.36%
$175,000–$499,999	18,653	3.99%	$ 231,537,616	21.92%	13,664	3.06%	$ 169,018,982	19.50%
$500,000 and higher	2,595	0.55%	$ 128,806,520	12.20%	2,100	0.48%	$ 127,718,075	14.72%
Total	467,380	100.00%	$ 1,056,296,992	100.00%	446,048	100.00%	$ 866,905,268	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									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Governmental activities										
General obligation bonds	$ 73,090	$ 84,460	$ 98,625	$ 115,500	$ 134,795	$ 127,840	$ 139,595	$ 156,905	$ 174,335	$ 169,150
Special revenue bonds	38,425	56,435	73,550	89,840	110,975	128,020	137,940	152,565	169,220	176,570
Notes payable	8,150	9,307	10,004	11,643	9,949	9,311	9,667	10,020	10,369	10,716
Lease/installment purchase payable	12,545	13,698	6,537	3,170	1,186	764	707	723	1,536	2,440
Total governmental activities	132,210	163,900	188,716	220,153	256,905	265,935	287,909	320,213	355,460	358,876
Business-type activities										
Bonds/notes payable	—	—	—	—	—	—	70	135	195	370
Lease/installment purchase payable	18	231	415	600	836	141	223	303	382	—
Total business-type activities	18	231	415	600	836	141	293	438	577	370
Total primary government	$ 132,228	$ 164,131	$ 189,131	$ 220,753	$ 257,741	$ 266,076	$ 288,202	$ 320,651	$ 356,037	$ 359,246
Debt as a percentage of personal income (1)	0.3%	0.3%	0.4%	0.5%	0.6%	0.7%	0.7%	0.9%	1.0%	1.1%
Amount of debt per capita (2)	$ 125	$ 156	$ 181	$ 221	$ 259	$ 270	$ 294	$ 329	$ 367	$ 371

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	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Renewable Resource Program Bond										
Revenue										
Loan repayment (principal and interest)	$ 2,255	$ 3,319	$ 1,974	$ 2,986	$ 2,774	$ 1,610	$ 1,702	$ 2,200	$ 1,746	$ 1,710
Northwestern Energy	—	1,074	4,241	3,945	4,445	3,670	3,340	4,095	3,676	3,435
STIP interest earnings	55	65	53	25	8	8	14	17	17	19
Debt service fund interest	748	924	904	784	809	599	619	644	444	398
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	3,058	5,382	7,172	7,740	8,036	5,887	5,675	6,956	5,883	5,562
Debt service										
Principal	$ 2,875	$ 6,051	$ 4,994	$ 5,080	$ 4,815	$ 4,345	$ 3,765	$ 4,200	$ 3,620	$ 2,380
Interest	586	678	808	775	808	821	801	899	848	979
Coverage [(1)]	0.9	0.8	1.2	1.3	1.4	1.1	1.2	1.4	1.3	1.7

	Fiscal Year									
Governmental Activities	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
US Highway 93 GARVEES Bond										
Revenue										
Federal Highway Administration	$ 495,667	$ 419,915	$ 401,121	$ 424,636	$ 447,541	$ 429,398	$ 410,641	$ 471,079	$ 457,372	$ 464,400
Less: Operating expenses	(480,253)	(404,499)	(385,705)	(409,039)	(432,041)	(413,897)	(395,056)	(455,102)	(441,395)	(448,419)
Net available revenue	$ 15,414	$ 15,416	$ 15,416	$ 15,597	$ 15,500	$ 15,501	$ 15,585	$ 15,977	$ 15,977	$ 15,981
Debt service										
Principal	$ 13,660	$ 13,080	$ 12,400	$ 12,270	$ 11,625	$ 11,110	$ 10,630	$ 10,175	$ 9,740	$ 9,340
Interest	1,753	2,336	3,016	3,327	3,875	4,391	4,955	5,802	6,237	6,641
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	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Middle Creek Dam Project Note Payable										
Revenue										
Middle Creek Water Users Assoc loan payments	$ 114	$ 120	$ 111	$ 116	$ 95	$ 105	$ 94	$ 74	$ 72	$ 90
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ 114	$ 120	$ 111	$ 116	$ 95	$ 105	$ 94	$ 74	$ 72	$ 90
Debt service										
Principal	$ 84	$ 80	$ 77	$ 74	$ 71	$ 58	$ 56	$ 54	$ 51	$ 50
Interest	31	40	34	43	24	47	38	20	21	40
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	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
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

SCHEDULE C-2 - PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
Governmental Activities	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Water Conservation Note Payable										
(Little Dry Project)										
Revenue										
Little Dry Water Users Assoc loan payments	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 3	$ 3
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 3	$ 3
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 2	$ 2
Interest	—	—	—	—	—	—	—	—	1	1
Coverage (1)	—	—	—	—	—	—	—	1.0	1.0	1.0

	Fiscal Year									
Governmental Activities	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Water Conservation Note Payable										
(Petrolia Project)										
Revenue										
Petrolia Irrigation District loan payments	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Debt service										
Principal	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 2	$ 2	$ 2	$ 2
Interest	—	—	—	—	—	—	1	1	1	1
Coverage (1)	—	—	—	—	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)

Business-type Activities	Fiscal Year 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Municipal Finance Programs										
(Municipal Finance Consolidation Irrigation Dist)										
Revenue										
Principal and interest repayments	$ —	$ —	$ —	$ —	$ —	$ 70	$ 66	$ 62	$ 58	$ 53
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ —	$ —	$ 70	$ 66	$ 62	$ 58	$ 53
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ 70	$ 65	$ 60	$ 55	$ 50
Interest	—	—	—	—	—	3	8	13	17	21
Coverage [(1)]	—	—	—	—	—	1.0	0.9	0.9	0.8	0.7

Business-type Activities	Fiscal Year 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Municipal Finance Programs										
(Conservation Reserve Enhancement Program)										
Revenue										
Principal and interest repayments	$ 12	$ 35	$ 29	$ 33	$ 81	$ 71	$ 151	$ 162	$ 454	$ 782
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ 12	$ 35	$ 29	$ 33	$ 81	$ 71	$ 151	$ 162	$ 454	$ 782
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 120	$ 891
Interest	—	—	—	—	—	—	—	3	3	62
Coverage [(1)]	—	—	—	—	—	—	—	49.7	3.7	0.8

Note: [(1)] *Coverage equals net available revenue divided by debt service.*

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)
2019	$ 73,090	$ 16,284	$ 56,806	0.11%	$ 53
2018	84,460	16,170	68,290	0.14%	65
2017	98,625	17,366	81,259	0.18%	78
2016	115,500	19,275	96,225	0.23%	96
2015	134,795	18,348	116,447	0.29%	117
2014	127,840	20,248	107,592	0.28%	109
2013	139,595	14,702	124,893	0.32%	127
2012	156,905	16,240	140,665	0.39%	144
2011	174,335	15,910	158,425	0.46%	163
2010	169,150	13,486	155,664	0.46%	162

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									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Population										
Montana (in thousands)	1,062	1,050	1,043	999	994	988	982	975	969	962
Percentage change	1.1%	0.7%	4.4%	0.5%	0.6%	0.6 %	0.7%	0.6%	0.7%	0.7 %
National (in thousands)	327,167	325,719	323.128	322,366	319,668	316,971	314,281	311,601	308,936	306,272
Percentage change	0.4%	0.8%	0.2%	0.8%	0.9%	0.9 %	0.9%	0.9%	0.9%	0.9 %
Total Personal Income										
Montana (in millions)	$ 50,055	$ 47,677	$ 44,773	$ 42,726	$ 40,844	$ 39,963	$ 38,753	$ 36,507	$ 34,748	$ 33,923
Percentage change	5.0%	6.5%	4.8%	4.6%	2.2%	3.1 %	6.2%	5.1%	2.4%	(0.6)%
National (in billions)	$ 17,573	$ 16,820	$ 15,913	$ 15,582	$ 14,683	$ 14,151	$ 13,729	$ 12,950	$ 12,357	$ 12,165
Percentage change	4.5%	5.7%	2.1%	6.1%	3.8%	3.0 %	6.0%	4.6%	1.6%	(1.7)%
Per Capita Personal Income										
Montana	$ 47,120	$ 45,385	$ 42,947	$ 41,204	$ 39,903	$ 39,366	$ 39,474	$ 36,573	$ 35,068	$ 34,794
Percentage change	3.8%	5.7%	4.2%	3.3%	1.4%	(0.3)%	7.9%	4.1%	0.8%	(1.3)%
National	$ 53,712	$ 51,640	$ 49,246	$ 48,322	$ 46,049	$ 44,765	$ 43,684	$ 41,560	$ 39,945	$ 39,626
Percentage change	4.0%	4.9%	1.9%	4.9%	2.9%	2.5 %	5.1%	3.9%	0.8%	(2.6)%
Resident Civilian Labor Force & Employment										
Civilian labor force	529,658	526,944	528,349	522,709	516,516	513,432	507,377	503,903	497,538	498,897
Employed	509,965	505,413	507,322	502,284	492,493	485,014	476,191	468,896	461,602	468,211
Unemployed	19,693	21,531	21,027	21,327	24,082	29,328	31,186	35,007	35,936	30,686
Unemployment rate	3.7%	4.1%	4.0%	4.1%	4.7%	5.7 %	6.1%	6.9%	7.2%	6.2 %
Nonfarm Wage and Salary Workers (in thousands)										
Goods-producing industries										
Natural Resources and Mining	7.4	6.9	6.8	8.2	9.1	9.5	9.3	7.9	7.5	7.0
Construction	28.5	27.8	25.7	26.5	24.8	23.9	22.9	23.0	22.7	24.0
Durable goods	11.9	11.9	11.8	11.7	11.6	11.1	10.5	9.6	9.5	10.1
Nondurable goods	8.5	8.2	8.0	7.4	7.3	7.2	7.0	7.2	7.0	7.3
Subtotal goods-producing industries	56.3	54.8	52.3	53.8	52.8	51.7	49.7	47.7	46.7	48.4
Service-producing industries										
Transp, communications, and utilities	25.1	24.9	25.5	24.8	25.1	25.0	23.6	23.3	24.1	21.5
Trade	76.7	76.4	77.3	76.1	74.3	73.3	71.6	70.2	70.3	66.9
Finance, insurance, and real estate	25.4	24.7	24.5	23.8	24.9	22.7	21.4	20.9	21.2	21.1
Service	206.9	204.2	195.7	191.9	187.6	186.3	184.3	177.2	175.5	182.3
State and local government	77.6	78.6	80.2	77.4	76.2	77.1	76.5	74.6	75.7	74.4
Federal government	13.3	13.1	12.6	13.0	12.9	13.0	13.4	13.8	14.8	13.9
Subtotal service-producing industries	425.0	421.9	415.8	407.0	401.0	397.4	390.8	380.0	381.6	380.1
Total Nonfarm Wage and Salary Employment	481.3	476.7	468.1	460.8	453.8	449.1	440.5	427.7	428.3	428.5

(1) Previous population numbers are from U.S. Census projections. These projections are no longer available. 2016 and forward population numbers are from U. S. Census estimates.

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 capita income is 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

	2018			2009		
Employer	Employees (1)	Rank	Percentage of Total State Employment (2)	Employees	Rank	Percentage of Total State Employment (2)
State of Montana	22,500-23,000	1	4.89 %	22,000-22,500	1	5.28 %
Federal Government	13,000-13,500	2	2.85 %	14,000-14,500	2	3.38 %
Wal-Mart	4,500-5,000	3	1.02 %	4,500-5,000	3	1.13 %
Billings Clinic	4,000-4,500	4	0.91 %	3,000-3,500	4	77.00 %
Town Pump	3,000-3,500	5	0.70 %	2,000-2,500	5	53.00 %
Kalispell Regional Hospital	2,500-3,000	6	0.59 %	1,000-1,500	10	0.30 %
Albertson’s	2,000-2,500	7	0.48 %	2,000-2,500	6	53.00 %
Benefis Healthcare	2,000-2,500	8	0.48 %	1,500-2,000	8	42.00 %
St. Patrick Hospital	2,000-2,500	9	0.48 %	1,500-2,000	9	42.00 %
St. Vincent Healthcare	1,500-2,000	10	0.38 %	2,000-2,500	7	53.00 %
Total Statewide Employment	464,823			421,570		

Sources: Montana Department of Labor
Bureau of Labor Statistics, U.S. Department of Labor

Notes: (1) Number of employees based on 2018 annual Quarterly Census of Employment and Wages 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	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Governmental:										
General government	2,676	2,951	3,003	2,979	3,058	2,995	2,999	2,914	2,596	2,781
Public safety/corrections	3,050	2,673	2,667	2,656	2,668	2,668	2,639	2,558	2,786	2,573
Transportation	2,132	2,127	2,194	2,194	2,266	2,266	2,252	2,225	2,234	2,233
Health/social services	3,086	3,053	3,106	3,040	3,044	3,029	3,019	2,974	3,092	2,992
Education/cultural	518	510	519	501	511	526	526	478	492	485
Resource/recreation/environment	2,187	2,173	2,105	2,065	2,131	2,133	2,144	1,963	2,157	2,147
Economic development/ assistance	—	—	—	—	—	—	—	—	—	—
Total governmental	13,649	13,487	13,594	13,435	13,678	13,617	13,579	13,112	13,357	13,211
Business-type:										
Liquor Stores	32	33	33	33	33	33	31	29	29	29
State Lottery	32	32	32	32	32	32	32	32	32	32
Municipal Finance Programs	4	4	4	4	4	4	4	4	4	4
Hail Insurance	8	6	5	6	7	7	7	7	7	8
General Government Services	100	101	101	112	118	113	115	115	106	94
Prison Funds	40	40	40	40	41	42	43	43	32	21
MUS Group Insurance	7	7	7	6	6	6	5	5	5	5
MUS Workers Compensation	1	1	1	1	1	1	1	1	1	1
Total business-type	224	224	223	234	242	238	238	236	216	194
Fiduciary:										
Pension Trust	71	71	71	70	69	69	66	66	58	57
Total fiduciary	71	71	71	70	69	69	66	66	58	57
Component unit:										
Montana Board of Housing	56	56	55	54	52	50	53	51	47	47
Facility Finance Authority	3	3	3	3	3	3	3	3	3	3
State Compensation Insurance (New Fund)	307	307	307	307	304	304	289	287	285	300
Montana State University	5,023	4,930	4,960	4,945	4,737	4,649	4,475	4,443	4,285	4,181
University of Montana	3,666	3,771	3,848	3,844	3,906	3,831	3,844	3,770	3,746	3,705
Total component unit	9,055	9,067	9,173	9,153	9,002	8,837	8,664	8,554	8,366	8,236
Total full-time equivalent employees	22,999	22,849	23,061	22,892	22,991	22,761	22,547	21,968	21,997	21,698

Source: Statewide Accounting, Budgeting, and Human Resource System

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	**2019**	**2018**	**2017**	**2016**	**2015**
Governmental activities:					
General government					
Department of Revenue					
Electronically-filed income tax returns	501,710	494,664	490,237	490,050	470,854
Paper-filed income tax returns	57,750	73,204	76,428	83,831	88,514
Judiciary					
Supreme Court total filings (1)	736	744	758	850	806
District Court total filings (1)	59,607	53,533	50,355	57,000	55,824
Public safety/corrections					
Department of Corrections					
Incarcerated offenders	2,785	2,865	2,719	2,605	2,679
Supervised offenders	12,122	12,451	11,626	11,106	11,040
Department of Justice					
Drivers licenses issued	164,059	173,857	174,858	180,445	191,705
Vehicles registered (2)	2,955,987	2,573,106	2,749,855	2,648,484	2,536,737
Department of Military Affairs (Army Program Facilities Office)					
Work orders received	2,773	2,684	3,102	2,907	2,945
Work orders completed	2,244	2,449	3,127	2,842	2,863
Work orders unfunded or not completed	529	265	158	138	165
Transportation					
Department of Transportation					
Paved roads (miles)	20,203	20,150	19,534	20,002	19,896
Unpaved roads (miles)	54,353	54,397	56,229	55,981	56,063
Health/social services					
Department of Public Health and Human Services					
Senior citizens receiving personal long-term care assist.	3,631	3,291	3,326	3,321	3,239
Number of households provided with energy assist.	19,893	19,908	19,617	19,312	20,421
Education/cultural					
Office of Public Instruction					
K-12 public school enrollment	147,785	146,772	146,375	144,316	144,532
Public schools	823	821	821	799	824
Commissioner of Higher Education					
Total enrollment for Montana University System 4-year Colleges	29,694	30,580	31,089	30,968	31,268
Total enrollment for Montana University System 2-year Colleges	4,457	4,597	4,794	4,895	5,310
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Revenue generated on state trust lands (millions of dollars)	$ 99.2	$ 87.4	$ 86.2	$ 95.9	$ 109.1
Oil production (millions of bbls)	19.25	19.91	21.58	21.53	25.61
Gas production (millions of mcf)	40.36	39.34	39.79	29	30.59
Department of Fish, Wildlife and Parks					
License and permit sales (2)	2,656,068	2,514,748	2,103,209	2,003,119	1,892,894
State park visitation (millions)	2.62	2.51	2.62	2.66	2.39

Fiscal Year				
2014	2013	2012	2011	2010
456,736	439,403	423,574	397,280	333,911
95,626	103,585	110,308	135,144	151,945
800	784	784	775	650
53,000	52,105	49,908	44,234	45,622
2,625	2,509	2,546	2,528	2,491
10,640	10,347	10,331	10,399	10,535
162,365	173,924	164,089	143,368	156,671
2,112,741	1,163,000	1,151,674	1,154,627	1,056,227
3,052	2,847	3,181	3,528	3,380
3,179	3,264	3,561	3,426	3,095
134	319	557	465	863
19,894	19,813	19,737	19,644	20,469
50,084	56,048	56,089	56,108	55,193
3,299	3,527	3,585	3,932	3,206
21,605	21,248	20,704	25,495	28,054
144,129	142,908	142,349	141,693	141,807
823	824	826	827	828
31,499	31,717	31,978	31,934	30,362
5,693	5,986	6,150	6,051	5,538
$ 114.4	$ 122	$ 113.5	$ 108.7	$ 180.6
29.3	26.4	24.1	25.3	27.8
55	66.9	79.5	93.5	105.3
1,858,020	1,883,435	1,939,190	1,806,326	1,800,613
2.19	2.17	2.07	1.79	1.90

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM - Continued
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	**2019**	**2018**	**2017**	**2016**	**2015**
Governmental activities (continued):					
Resource/recreation/environment (continued)					
Department of Environmental Quality					
Environmental permits and licenses	7,568	7,386	11,311	9,162	8,500
Environmental violations	2,716	4,670	4,158	4,305	7,000
Economic development/assistance					
Department of Commerce (Community Development)					
Treasure State Endowment Project – applications	48	60	38	60	—
Treasure State Endowment Project – construction awards	65	—	—	—	36
Community Development Block Grant – public facility applications	12	6	12	—	15
Community Development Block Grant – public facility awards	22	6	7	7	9
Business-type activities:					
Unemployment Insurance					
Department of Labor					
Initial claims	46,252	48,061	51,106	55,565	65,155
Average weekly benefit (dollars)	$ 383.63	$ 344.73	$ 337.45	$ 324.61	$ 304.76
Exhaustion rate (percent)	33.3%	35.0%	34%	34.7%	35.8%
Liquor Stores					
Department of Revenue					
Liquor licenses issued	5,543	5,387	5,373	5,200	5,155
Liquor cases distributed	858,486	833,694	807,125	792,463	746,745
State Lottery					
Department of Administration					
Total dollars in ticket sales (millions of dollars)	$ 60	$ 56	$ 52	$ 60	$ 53
Transfer to the General Fund (millions of dollars)	$ 12	$ 10	$ 9	$ 13	$ 12
General Government Services					
Department of Commerce (HUD Section 8)					
Applications reviewed – homebuyers assistance (dollars) (3)	$ 600,000	$ 600,000	$ 600,000	$ 1,332,068	$ 1,350,000
Grants awarded – homebuyers assistance (dollars) (3)	$ 600,000	$ 600,000	$ 600,000	$ 1,332,068	$ 1,350,000

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) Licenses and permit sales reported by license year.
(3) Reporting method includes both single and multiple family assistance.

Fiscal Year				
2014	2013	2012	2011	2010
8,462	6,989	9,173	9,554	9,419
7,247	4,790	5,073	6,412	3,793
51	—	66	—	65
—	64	—	—	—
7	16	8	16	11
5	10	5	7	8
73,736	76,872	71,125	81,815	92,489
$ 297	$ 282	$ 263.18	$ 265.36	$ 277.88
39.6%	48.1%	49.5%	54.9%	56.4%
5,077	5,225	4,920	5,110	4,972
742,388	734,224	722,313	682,832	660,229
$ 54	$ 57	$ 53	$ 46	$ 47
$ 13	$ 13	$ 13	$ 11	$ 11
$ 1,750,000	N/A	N/A	N/A	N/A
$ 1,750,000	$ 1,459,904	$ 620,855	$ 272,566	$ 2,626,867

SCHEDULE E-3 - CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	2019	2018	2017	2016	2015
Governmental activities:					
General government					
Department of Administration					
Buildings	57	57	57	59	59
Data processing equipment	1,509	1,463	1,115	1,710	1,700
Judiciary					
Vehicles	23	15	15	14	15
Public safety/corrections					
Department of Corrections					
Vehicles	97	93	93	131	128
Buildings	182	182	182	182	252
Department of Justice					
Vehicles	649	647	641	622	531
Laboratory/scientific equipment	291	280	284	289	284
Transportation					
Department of Transportation					
Vehicles	2,192	2,114	2,156	2,083	2,067
Buildings	900	904	985	978	975
Health/social services					
Department of Public Health and Human Services					
Vehicles	104	105	140	125	139
Buildings	154	154	154	154	154
Education/cultural					
Historical Society					
Buildings	5	5	5	5	5
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Vehicles	1,048	1,001	959	942	928
Buildings	88	91	90	88	84
Department of Fish, Wildlife and Parks					
Vehicles	2,618	2,664	2,541	2,540	2,586
Buildings	950	941	871	865	859
Department of Environmental Quality					
Vehicles	40	40	46	48	52
Laboratory/scientific equipment	319	316	420	407	377
Economic development/assistance					
Department of Commerce					
Buildings	6	6	4	4	5
Business-type activities:					
State Lottery					
Department of Administration					
Vehicles	11	10	10	10	11
General government services					
Department of Administration					
Vehicles	64	60	58	61	59
Prison funds					
Department of Corrections					
Vehicles	92	91	89	89	84

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				
2014	2013	2012	2011	2010
59	59	59	52	55
2,087	1,434	2,057	1,954	1,917
16	25	25	24	24
128	128	128	124	192
251	248	247	246	246
548	567	577	555	606
278	279	271	262	259
2,146	2,029	2,067	2,151	2,482
962	906	939	965	969
136	167	175	182	193
154	153	153	153	153
5	5	5	5	5
872	814	810	777	710
83	83	83	83	87
2,686	2,669	2,769	2,769	2,693
854	856	850	830	794
53	51	75	106	108
509	722	761	715	719
5	5	5	4	4
11	11	11	12	15
53	44	59	51	36
79	78	77	70	56

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