MONTANA

Comprehensive Annual Financial Report

For the year ended June 30, 2020

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 Getty Images

For the Fiscal Year ended June 30, 2020

State of Montana

Comprehensive Annual Financial Report

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

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

Frank Cornwell, CPA, Manager

Michael Aune, Accountant

Elisabeth Campbell, Accountant

Courtney Cozzie, Accountant

Brian Feller, CPA, Accountant

Wenruizi Koch, CPA, Accountant

STATE OF MONTANA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

State of Montana

Introductory Section

MONTANA
DEPARTMENT OF
ADMINISTRATION

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

January 22, 2021

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, 2020. 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 one 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 2019, service-providing industries produced 76% 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 8% 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 experienced a roughly 21,000 decrease in nonfarm seasonally adjusted jobs with approximately 464,600 thousand people employed in August of 2020, as compared to 485,700 people employed in August of 2019. Payroll employment growth in Montana averaged 0.6% per year from 2009 to 2019. Montana's labor force expanded at an annual rate of 0.4% over the past ten years. Montana's seasonally adjusted unemployment rate was 5.6% in August of 2020, which was lower than the national rate of 8.4%.

Per the 2020 Labor Day Report issued by the Montana Department of Labor and Industry, Montana had real wage gains of 1.6% in 2019. Real wages have increase at a compounding rate of 1.1% annually from 2009 to 2019 while inflation averaged 1.6%. Montana's tight labor market has pushed wage growth higher over the past few years as firms compete for qualified workers. Montana ranked 7th in the nation for growth in average annual wages from 2009 to 2019. Including more than just wages, Montana's personal income growth over the past ten years is the 13th 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.

COVID-19

In March of 2020, the Novel Coronavirus Disease, or COVID-19, was declared a pandemic. Montana declared a state emergency, and a national emergency was announced in the United States shortly after. Montana recorded its first Coronavirus case on March 11, prompting the state's economic performance to quickly change when public health and safety measures enacted to address the COVID-19 virus kept many businesses, nonprofits, schools, and other public gathering places closed and consumers in their homes to slow the spread of the virus. These early and aggressive actions allowed Montana to be one of the first states in the nation to begin safely reopening, which is essential to protecting the state's long-term potential for economic growth.

The COVID-19 mitigation measures caused a large but temporary impact to short-term economic performance, resulting in sharp increases in Unemployment Insurance claims and a need for relief for individuals, businesses, and industries. While variable and dynamic conditions during the pandemic make forecasts challenging, recent economic data suggests the state is on a long-term path toward restoring and expanding economic growth. Refer to the Management's Discussion and Analysis contained in the CAFR for more information.

Service-Providing Industries

Healthcare is one of Montana's largest employing private industries. 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 seasonally adjusted data from the Montana Department of Labor and Industry, employment in Montana's healthcare and social assistance industry decreased by 1,300 jobs from August 2019 to August 2020. Total jobs in the industry declined 1.9% from 69,800 to 68,500. Over the previous five years, healthcare has added an average of 1,320 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 decreased 1.8% to 92,300 jobs in August 2020 compared to 94,000 jobs in August 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 decreased by 2,300 jobs from August 2019 to August 2020. This was a decrease of 5.2% from 43,900 to 41,600.

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 remained constant at 25,800 jobs from August 2019 to August 2020.

Nonresident Travel

Nonresident travel to Montana in 2019 was approximately 12.6 million visitors, up 2.2% from 2018. Visitor numbers for Glacier National Park were 2.9% higher in 2019 than in 2018, with an estimated 3.0 million visitors. Visits to Yellowstone National Park were estimated at 4.0 million visitors, a 2.3% 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 $3.8 billion in 2019, representing an increase of approximately $37.0 million or 1.0% from 2018. The estimated total (direct and indirect) economic benefit of nonresident travel in Montana increased to $5.4 billion in 2019, representing an increase of $137.8 million or 2.6% from 2018.

Agriculture

Montana's wheat utilized 5.5 million acres in 2020, which increased production to 227.3 million bushels, compared to the 2019 production level of 217.7 million bushels, representing a 4.4% increase. Winter wheat production decreased to 76.0 million bushels compared to the 2019 level of 95.0 million bushels, representing a 20.0% decrease. Spring wheat production was 124.6 million bushels, up from 101.0 million bushels in 2019, representing a 23.4% increase. Durum production was 26.7 million bushels, up 23.0% from 21.7 million bushels in 2019.

Montana's other major agricultural commodities include oats, barley, and cattle. Oat production in Montana increased to an estimated 1.7 million bushels in 2020, representing a 19.6% change from 2019 levels. Barley production is estimated at 45.7 million bushels, which is 1.9% higher than last year. Montana ranks 11th in the U.S. cattle and calf industry with an estimated 2.5 million head as of January 1, 2020. Montana's 2019 receipts from cattle sales were $1.4 billion.

Natural Resources/Mining

Montana's mining and logging sector of the economy employed 6,800 workers in August 2020. That represented an 8.1% decrease from the 7,400 workers employed in August 2019. The major sectors included in this category are discussed in more detail below.

As of the end of calendar year 2018, an estimated 279 million barrels of proven oil reserves existed under Montana's land. In 2019, the state saw an increase in production and exploration activity, with estimated crude oil production for the state at 23.0 million barrels. This represents a 6.6% increase from the 2018 production level of 21.6 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 2019. This represents 25.1% of the total U.S. reserves and 29.5% of the recoverable U.S. reserves. Of these reserves, 778.0 million short tons of coal, 5.5% of the U.S. total, are located at producing mine sites. During 2019, Montana's coal production decreased 10.7% from 38.6 to 34.5 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. For the 2021 Biennium, 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 HB 553. 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 2020, the General Fund unassigned ending fund balance was $380.7 million as compared to $361.3 million in fiscal year 2019. The increase in ending fund balance, when compared to fiscal year 2019, 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 2020, the total fund balance of the General Fund was reported at approximately $592.8 million. Of this balance, $4.9 million is non-spendable. The remaining $587.9 million is spendable with $117.8 million committed, $89.5 million assigned, and $380.7 million unassigned. The committed fund balance of $117.8 million is the balance from the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation purposes. Of the assigned fund balance, $16.8 million relates to outstanding encumbrances at the end of the fiscal year and $72.7 million relates to an anticipated spend down for fiscal year 2021. 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 2019, the total fund balance of the General Fund was reported at approximately $443.4 million. Of this balance, $4.2 million was non-spendable. The remaining $439.2 million was spendable with $17.2 million assigned and $361.3 million unassigned. The assigned fund balances was comprised of outstanding encumbrances at the end of the fiscal year.

ACKNOWLEDGMENTS

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

STATE OF MONTANA ORGANIZATION CHART

CITIZENS OF MONTANA

LEGISLATIVE

- SENATE
- HOUSE OF REPRESENTATIVES
- LEGISLATIVE AUDIT DIVISION
- LEGISLATIVE FISCAL DIVISION
- LEGISLATIVE SERVICES DIVISION
- MONTANA CONSUMER COUNSEL

EXECUTIVE

- GOVERNOR
- LIEUTENANT GOVERNOR

- ATTORNEY GENERAL
- PUBLIC SERVICE COMMISSIONERS
- SECRETARY OF STATE
- STATE AUDITOR
- SUPERINTENDENT OF PUBLIC INSTRUCTION

JUDICIAL

- SUPREME COURT
- DISTRICT COURTS
- WATER COURTS
- WORKERS COMPENSATION COURTS
- JUSTICE OF THE PEACE COURT
- STATE LAW LIBRARY
- SUPREME COURT ADMINISTRATOR
- CLERK OF SUPREME COURT

STATE AGENCIES

- ADMINISTRATION
- AGRICULTURE
- ARTS COUNCIL
- BOARD OF PUBLIC INSTRUCTION
- COMMERCE
- COMMISSIONER OF POLITICAL PRACTICES
- COMMISSIONER OF HIGHER EDUCATION
- CORRECTIONS
- ENVIRONMENTAL QUALITY
- FISH, WILDLIFE & PARKS
- HISTORICAL SOCIETY
- LABOR AND INDUSTRY
- LIVESTOCK
- MILITARY AFFAIRS
- NATURAL RESOURCES & CONSERVATION
- PUBLIC EMPLOYEE RETIREMENT
- PUBLIC HEALTH & HUMAN SERVICES
- REVENUE
- SCHOOL FOR THE DEAF & BLIND
- STATE FUND
- STATE LIBRARY
- STATE PUBLIC DEFENDER
- TEACHERS RETIREMENT
- TRANSPORTATION

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
William Soller

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on Financial Statements

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, 2020, and the related notes to the financial statements 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–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–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 includes the design, implementation, and maintenance of 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 represent 14.93 percent, 30.30 percent, and 2.25 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 control relevant to the state of Montana 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. 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	Unmodified
State Special Revenue Fund	Unmodified
Federal Special Revenue Fund	Unmodified
Land Grant	Unmodified
Coal Severance Tax	Unmodified
Unemployment Insurance	Unmodified
Municipal Finance Programs	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Aggregate Remaining Fund Information	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, General Fund, State Special Revenue Fund, Federal Special Revenue Fund, Land Grant, Coal Severance Tax, Unemployment Insurance, and Municipal Finance Programs major funds, and the aggregate discretely presented component units and aggregate remaining fund information of the state of Montana, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements in fiscal year 2020, the state adopted Governmental Accounting Standards Board Statement No. 84–Fiduciary Activities. This clarified how fiduciary activity is identified and reported. As a result, the types of activities reported in the fiduciary fund type have changed, and the Fiduciary Fund financial statements now report the Custodial Fund type instead of the Agency Fund Type. Our opinion is not modified with respect to this matter.

As discussed in Note 1C to the financial statements, in fiscal year 2020, the Unemployment Insurance Fund reports federal contributions to fund benefit claims related to the statewide unemployment impact of COVID-19. These federal contributions are reported as non-operating revenues. Additionally, the Federal Special Revenue Fund reports significant cash & cash equivalent and unearned revenue balances, associated with the unspent portion of the $1.25 billion the state received from the Coronavirus Relief Fund, authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As discussed in Note 17 to the basic financial statements, the unspent portion will be expended during fiscal year 2021. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits 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. The 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 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 January 22, 2021, 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 the effectiveness of the state of Montana's 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 (#20-01A).

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

January 22, 2021

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 is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

In late 2019, a novel strain of coronavirus ("COVID-19") started to spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the President of the United States declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments (including the State), local governments, and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. In March of 2020, Montana declared a state emergency, and a national emergency was announced in the United States shortly after. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President of the United States on March 27, 2020. In the following discussion and analysis, COVID-19 refers to this pandemic and CARES refers to the CARES Act funding.

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 2020 by $10.2 billion compared with $9.7 billion at the end of fiscal year 2019, representing a 5.6% increase in net position. Component units reported net position of $2.2 billion at the end of fiscal year 2020 compared to $2.1 billion at the end of fiscal year 2019, representing a 5.2% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2020, the State's governmental funds reported combined ending fund balances of $5.0 billion compared with $4.5 billion at fiscal year 2019. This represents a $434.9 million (9.6%) increase in total fund balance. Of the 2020 balance, $1.9 billion is not in spendable form, primarily as permanent fund principal. Thus, $3.1 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1.2 billion restricted, $1.4 billion committed, $90.5 million assigned, and $372.9 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 2020 in the amount of $393.3 million compared with fiscal year 2019 net position of $482.6 million. Of the 2020 business-type activity net position, $22.0 million was reported as net investment in capital assets. Net position of $371.3 million was in spendable form with $21.0 million unrestricted and $350.3 million restricted to expenditure for a specific purpose. This represents a $90.0 million (19.5%) decrease in spendable net position from the fiscal year 2019 balance of $461.3 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 increased by $287.0 thousand, from $127.1 million in fiscal year 2019 to $127.4 million, a 0.2% increase in fiscal year 2020.

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 g*overnment-wide financial statements* and the *fund financial statements***.** These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

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

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

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

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

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues, 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 $545.8 million increase (5.6%) in net position. This improvement resulted from the continued moderate growth, despite the initial impacts of COVID-19, particularly in tax and investment revenue. However, growth is not expected to persevere in fiscal year 2021, as the associated financial and economical affects of the pandemic are realized.

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 $10.2 billion at the end of fiscal year 2020. Net position of both governmental and business-type activities increased by $635.0 million (6.9%) and decreased by $89.2 million (18.5%), 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)

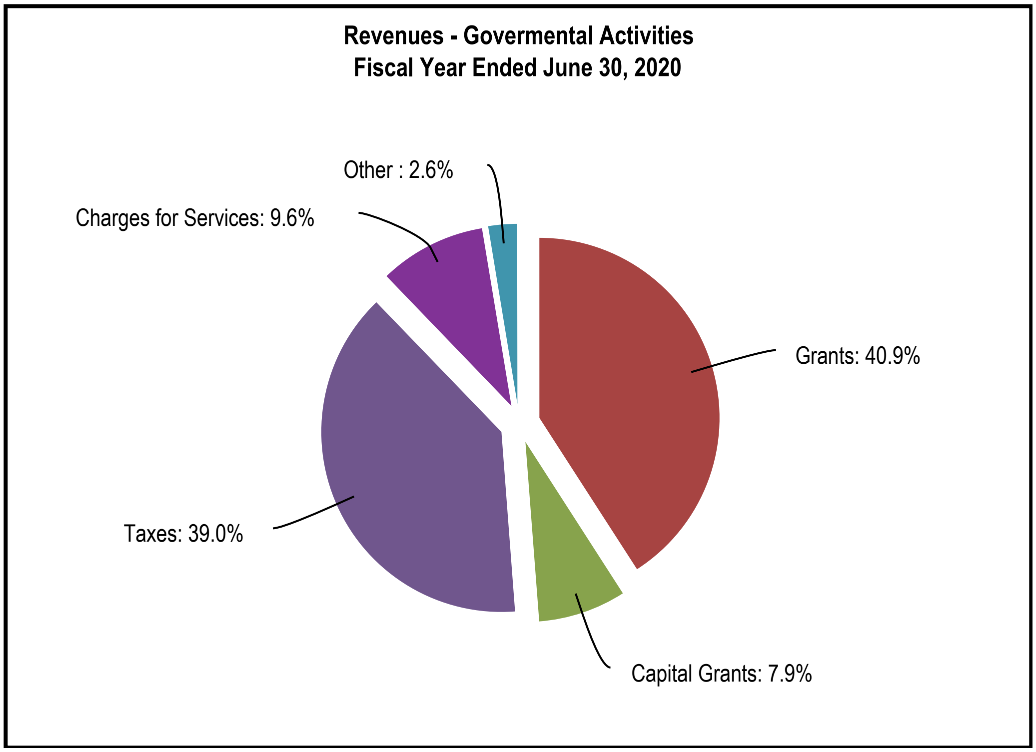
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current and other assets	$ 5,762,815	$ 7,572,307	$ 629,612	$ 554,386	$ 6,392,427	$ 8,126,693
Capital assets	6,480,485	6,823,046	21,283	22,052	6,501,768	6,845,098
Total assets	12,243,300	14,395,353	650,895	576,438	12,894,195	14,971,791
Deferred outflows of resources	779,931	613,249	2,919	2,423	782,850	615,672
Long-term liabilities Due in more than one year	2,639,113	2,707,169	20,277	18,302	2,659,390	2,725,471
Other liabilities	976,135	2,251,217	147,328	163,594	1,123,463	2,414,811
Total liabilities	3,615,248	4,958,386	167,605	181,896	3,782,853	5,140,282
Deferred inflows of resources	212,056	219,243	3,641	3,645	215,697	222,888
Net investment in capital assets	6,402,612	6,743,003	21,266	22,035	6,423,878	6,765,038
Restricted	3,216,332	3,452,344	442,306	350,309	3,658,638	3,802,653
Unrestricted	(423,017)	(364,374)	18,996	20,976	(404,021)	(343,398)
Total net position	$ 9,195,927	$ 9,830,973	$ 482,568	$ 393,320	$ 9,678,495	$ 10,224,293

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:

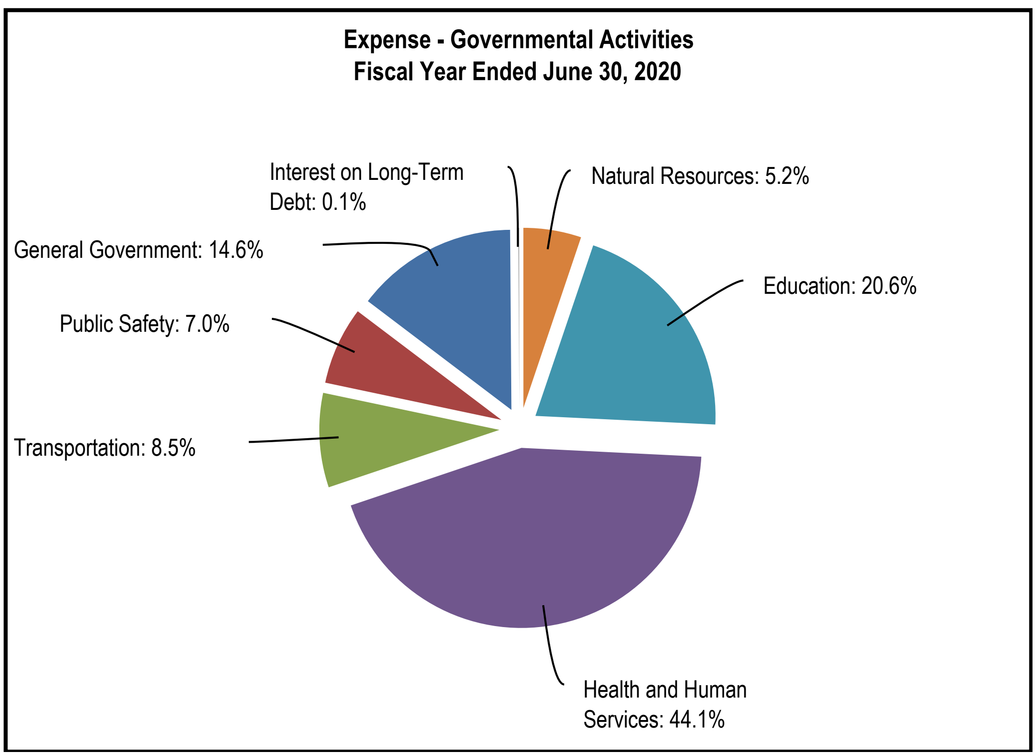
Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)

	Governmental Activities 2019	Governmental Activities 2020	Business-type Activities 2019	Business-type Activities 2020	Total Primary Government 2019	Total Primary Government 2020
Revenues:						
Program revenues						
Charges for services	$ 623,732	$ 686,335	$ 426,701	$ 443,048	$ 1,050,433	$ 1,129,383
Operating grants	2,611,941	2,930,307	68,243	71,422	2,680,184	3,001,729
Capital grants	527,900	564,431	512	950	528,412	565,381
General revenues						
Taxes	2,762,972	2,793,211	30,094	32,576	2,793,066	2,825,787
Other	248,070	186,194	2,398	504,749	250,468	690,943
Total revenues	6,774,615	7,160,478	527,948	1,052,745	7,302,563	8,213,223
Expenses:						
General government	829,657	957,534			829,657	957,534
Public safety	428,514	458,526			428,514	458,526
Transportation	547,907	557,290			547,907	557,290
Health and human service	2,680,251	2,896,774			2,680,251	2,896,774
Education	1,314,785	1,352,323			1,314,785	1,352,323
Natural resources	302,680	338,957			302,680	338,957
Interest on long-term debt	5,454	5,365			5,454	5,365
Unemployment Insurance			108,507	746,508	108,507	746,508
Liquor Stores			89,971	98,324	89,971	98,324
State Lottery			48,061	51,385	48,061	51,385
Municipal Finance Programs			2,937	2,542	2,937	2,542
Hail Insurance			933	1,154	933	1,154
Other Services			70,154	74,323	70,154	74,323
Prison Funds			9,307	8,506	9,307	8,506
MUS Group Insurance			88,330	100,958	88,330	100,958
MUS Workers Comp			3,887	657	3,887	657
Total expenses	6,109,248	6,566,769	422,087	1,084,357	6,531,335	7,651,126
Increase (decrease) in net position before transfers	665,367	593,709	105,861	(31,612)	771,228	562,097
Transfers	55,786	58,703	(55,786)	(58,703)	—	—
Change in net position	721,153	652,412	50,075	(90,315)	771,228	562,097
Net position, beg of year (as adjusted)	8,474,774	9,178,561	432,493	483,635	8,907,267	9,662,196
Net position, end of year	$ 9,195,927	$ 9,830,973	$ 482,568	$ 393,320	$ 9,678,495	$ 10,224,293

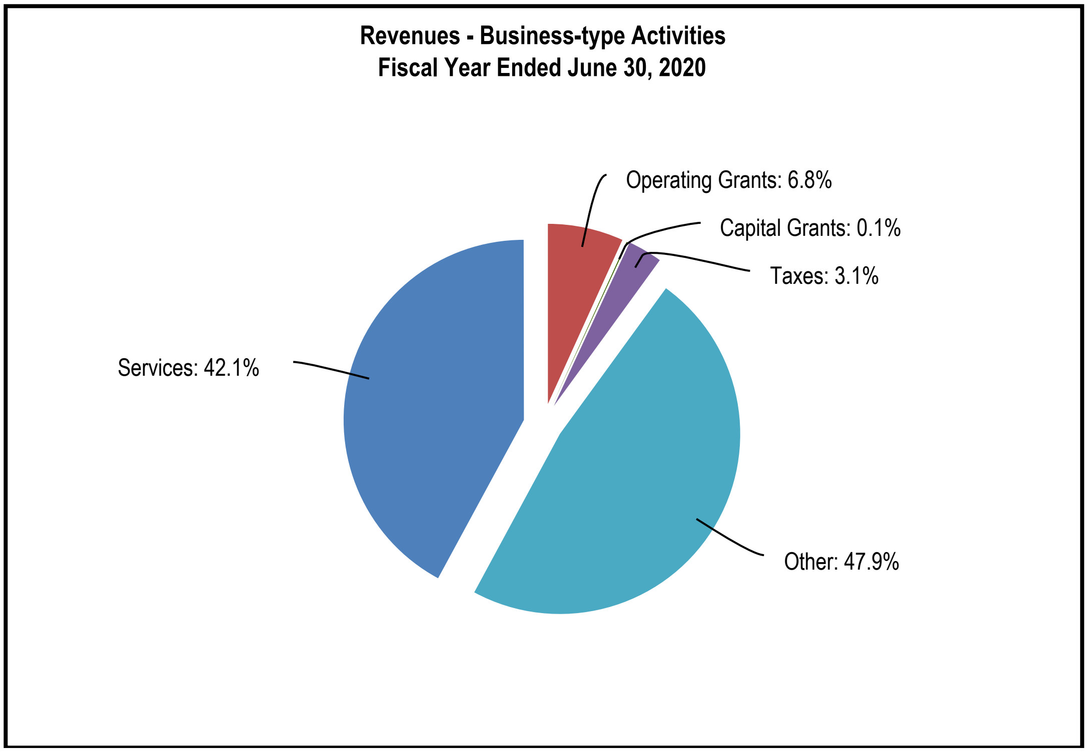
Governmental Activities
The following chart depicts revenues of the governmental activities for the fiscal year:



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

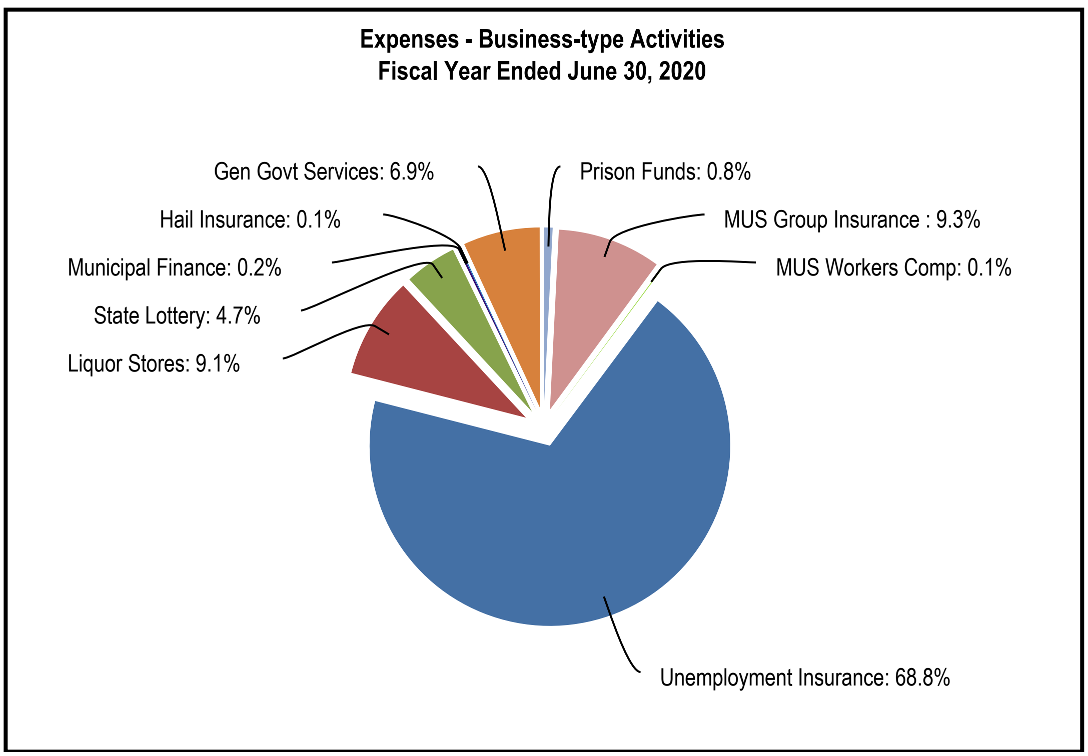


Business-type Activities
The following chart depicts revenues of the business-type activities for the fiscal year:



The Other Revenue in the above table is primarily related to additional federal funding received for Unemployment Insurance claims due to COVID-19.

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 $5.0 billion. Of this total, $3.1 billion (61.5%) constitutes spendable fund balance and $1.9 billion (38.5%) 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 2020, the total fund balance of the General Fund was reported at approximately $592.8 million. Of this balance, $4.9 million is non-spendable. The remaining $587.9 million is spendable with $117.8 million committed, $89.5 million assigned, and $380.7 million unassigned. This spendable fund balance of the General Fund represents 19.3% of the $3.1 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $72.7 million pertains to the projected general fund spend down of fund balance in fiscal year 2021 and $16.8 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of $117.8 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 $149.4 million when compared to the previously reported fund balance of $443.4 million. Changes in both expenditures and revenues are discussed in detail below. The 2019 legislative session projected $226.4 million of unassigned fund balance for fiscal year 2020, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance.

General Fund Revenues – Total General Fund revenues were $2.4 billion for fiscal year 2020 (lower than legislative estimation), a 0.3% decrease from the $2.5 billion reported in 2019 (which were lower than legislative estimation). Fiscal year 2020 tax revenue increased by 0.1% in total over 2019, with corporate income tax collections up 0.4% and individual income tax collections increased by 0.1%. Other noted decreases in revenues included investment earnings.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2020 increased by $31.7 million (1.4%). This increase in expenditures occurred in the general government, public safety, education, and natural resources functions and the decrease in expenditures occurred in the health and human services function as follows:

- General government expenditures increased by $11.6 million (3.2%)
- Public safety expenditures increased by $7.7 million (2.4%)
- Education expenditures increased by $45.8 million (4.4%)
- Natural resources expenditure increased by $4.3 million (13.3%)
- Health and human services expenditures decreased by $46.0 million (8.7%)

The expenditures in the health and human services function decreased for two reasons. The Montana HELP Act account was moved to the State Special Revenue Fund. The Centers for Medicare & Medicaid Services provided the Department of Public Health and Human Services an additional 6.2% federal funding for COVID-19, so the General Fund share of Medicaid expenditures went down.

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 2020, general fund appropriations that reverted to 2021 were $64.9 million.

The Department of Public Health and Human Services had unspent appropriations of $54.0 million related to Medicaid savings and other operational costs.

The Department of Revenue had unspent appropriations of $3.0 million related to the funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes and other operational costs.

The Judicial Branch had unspent appropriations of $1.7 million related to vacancy savings and operational costs.

The Department of Administration had unspent appropriations of $1.4 million, and these were attributable to the cybersecurity enhancement project, state contributions to retirement funds, and other operational costs.

The Department of Natural Resources and Conservation had unspent appropriations of $1.3 million related to operational costs.

The Department of Justice had unspent appropriations of $1.0 million related to operational costs, statutory retirement transfers, and restricted State IT costs.

The remaining unspent appropriation of $2.4 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund
The fund balance of the State Special Revenue Fund increased by $122.3 million to $1.8 billion. Revenues increased by $7.5 million (0.7%) and expenditures increased $84.6 million (8.0%), for fiscal year 2020. The largest increases in revenues are attributable to an increase in licenses and permits, other taxes collections, and contributions and premiums. The largest increases in expenditures are attributable to health and human services related expenditures and capital outlay expenditures for infrastructure. Other financing sources, such as bond proceeds, increased due to the General Obligation Bonds, Series 2020C was issued in fiscal year 2020. Primarily, transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

During the COVID-19 pandemic, the State Emergency Coordination Center (SECC) received donated personal protective equipment (PPE) and directed to the Department of Public Health and Human Services to distribute to hospitals, long-term care facilities, EMS, and local DES. The value of the donated PPE was $90.7 thousand. SECC also received a donation of $20.0 thousand from an individual and directed to the Department of Public Health and Human Services to purchase hand sanitizer for local distribution.

Federal Special Revenue Fund
The fund balance of the Federal Special Revenue Fund increased by $5.8 million (46.1%) to the balance of negative $6.8 million. Revenues and expenditures increased by $344.4 million (11.7%) and $321.0 million (11.0%) respectively, for the fiscal year 2020. Revenue increases are attributable to increases in federal program revenue, including COVID-19 related federal funding. Expenditure increases are attributable to increases in health and human services, general government, and capital outlay related expenditures. The health and human services and general government related expenditure increase is attributable to COVID-19. The capital outlay expenditure increase of 15.6% 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 $66.0 million (5.7%) to $1.2 billion. Revenue decreased by $5.7 million (5.4%) to $99.9 million, primarily due to an decrease of natural resource tax revenue. Transfers out, which decreased by $6.2 million (15.5%), 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 $71.6 million (9.2%) to $845.7 million. Revenue decreased by $3.1 million to a total of $126.6 million, and the rentals, leases, and royalties were attributable to the decrease. The general capital asset sale proceeds increased by $4.0 million to a total of $11.0 million. Transfers out were $61.6 million, which was a decrease of $4.8 million compared to fiscal year 2019. Primarily, investment earnings and income generated by the State's trust lands resulted in an increase in fund balance.

Unemployment Insurance Enterprise Fund
Net position restricted for unemployment compensation decreased by $113.1 million (32.2%). The decrease in net position is attributable to the substantially high volume of benefit claims due to COVID-19 in fiscal year 2020, accompanied by an increase in the federal funding through the Federal Pandemic Unemployment Compensation and Pandemic Unemployment Assistance in fiscal year 2020.

Municipal Finance Programs Fund

Net position decreased by 0.8% to $5.4 million in fiscal year 2020. Financing income revenue decreased $475.0 thousand, and investment earnings decreased $242.0 thousand, while expenses from interest expense decreased $247.0 thousand. Overall revenues and expenditures decreased (23.2)% and (13.4)%, which resulted in an decrease of $43.0 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, 2020, amounted to $9.3 billion, with related accumulated depreciation of $2.5 billion, leaving a net book value of $6.8 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 $343.3 million or 5.3% 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 2019.

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

The State of Montana's general obligation debt increased from $73.1 million at June 30, 2019, to $90.3 million at June 30, 2020. There is cash available, of $7.4 million at the end of fiscal year 2020, 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	$ 90,250	0.17%	$ 84
Total State debt [(3)]	$ 137,701	0.30%	$ 129

(1) Based on personal income for calendar year 2019.
(2) Based on estimated 2019 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

On March 3, 2020, Governor Bullock formed a multi-agency task force to coordinate the State's preparations with respect to COVID-19. On March 12, 2020, Governor Bullock issued Executive Orders No. 2-2020 and 3-2020 declaring a State of Emergency in the State in response to the COVID-19 pandemic. Montana residents were under a Stay at Home Directive from March 28, 2020 through April 24, 2020. The State is now in a phased-in reopening.

Concerns stemming from COVID-19 have caused significant volatility in the United States financial markets, and in financial markets world-wide. Economic activity has been reduced in the near term as a result of actions required in response to the COVID-19 pandemic. The State expects that the economic repercussions associated with COVID-19 are likely to negatively affect the State's receipt of revenues in fiscal year 2021 from individual income tax, corporate income tax and alternative corporate income tax, gaming taxes, vehicle taxes, accommodations taxes, interest earnings, and other smaller sources. Current estimates project a total general fund revenue decline in fiscal year 2021 when compared to official pre-pandemic estimates, with, assuming that the prevalence and adverse effects of COVID-19 are diminished and/or more effectively contained, an estimated rebound in state revenue collections beginning in fiscal year 2022 and beyond. In addition, the volatility and loss of value in the investment markets may negatively affect the value of the State's investments and the valuations of the State's pension plans.

COVID-19 has significantly affected Montana's economy. Most business and service sectors in the State, including, without limitation, tourism and hospitality services, agriculture and natural resource extraction, are expected to experience decreases in operations and revenues, which are expected to result in decreased taxes, fees, assessments and other revenue to the State. The long-term effects of the pandemic on the economy and demographics are unknown, but there will likely be lasting impacts on Montana residents and businesses and the ways that people travel to, from, and within Montana. Montana has pronounced exposure to downturns in tourism, hospitality and the service industry, and those industries were most impacted at the onset of the pandemic. However, the State believes meaningful recovery is already taking place in those and other Montana industries.

As Montana works to respond to and recover from the unprecedented economic strain caused by COVID-19, the State is allocating emergency financing relief available from the federal government to those who have been hardest-hit by impacts of COVID-19. The financial assistance is funded through $1.25 billion in federal emergency relief made available under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act.

The State cannot predict: (i) the duration or extent of the COVID-19 outbreak or any other outbreak or pandemic; (ii) the duration or expansion of travel restrictions and warnings – both domestically and internationally; (iii) whether additional countries or destinations will be added to the travel restrictions or warnings; (iv) what effect any COVID-19 or any other outbreak/pandemic-related travel restrictions or warnings may have on demand for travel; (v) whether and to what extent the COVID-19 outbreak or any other outbreak or pandemic may disrupt the local or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact State-related operations and financial results; or (vi) whether any of the foregoing may have a material adverse effect on the finances and operations of the State.

The extent of the impact of the COVID-19 on the State's operational and financial performance, and on State's general financial condition, will depend on future developments, many of which are out of the State's control, including without limitation the implementation of federal aid; the duration and spread of the COVID-19 pandemic; restrictions, limitations and changes on school and university attendance, public gatherings and other public events; restrictions in operations of public and private businesses and organizations nationwide and internationally; and travel restrictions and other restrictions and measures taken in response to the COVID-19 pandemic. The State believes it may be months and perhaps years before the State is able to accurately determine the full impact that the various events surrounding COVID-19 have on the State's economy and financial condition.

Despite the economic effects of COVID-19, Montana's primary economic base remains concentrated in nonresident travel, agriculture, and mining, as well as service-providing industries. Per the 2020 Labor Day Report issued by the Montana Department of Labor and Industry, Montana experienced the longest economic expansion in history from July 2009 to February 2020. Montana had real wage growth of 1.6% in calendar year 2019. Montana's unemployment rate was as low as 3.5% in February 2020. In March 2020, the COVID-19 pandemic-induced recession appears to have been quite short, with employment levels quickly rebounding after the phased reopening of the economy. Unemployment claims hit a peak in April and continue to decrease steadily. Jobs have been quick to return with roughly 40,000 payroll positions added in May and June. Montana had the 16th smallest job loss among states, giving the state a smaller hurdle to overcome in the recovery. In July 2020, the Montana's unemployment rate was 6.4% with the national rate around 10.2%. Even with a strong recovery and rapid job growth, it is likely that the pandemic will have continued impacts on Montana's economy.

Montana had an estimated 1,068,778 population as of July 1, 2019. The Montana labor market has total nonfarm workers of 464,600 in August 2020 as compared to 484,700 in August 2019. 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, 2020, 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 did 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, 2020.

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.

State of Montana

Basic Financial Statements

STATEMENT OF NET POSITION
JUNE 30, 2020
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 3,152,853	$ 415,578	$ 3,568,431	$ 613,423
Receivables (net) (Note 4)	630,026	48,277	678,303	149,152
Due from primary government	—	—	—	1,325
Due from other governments	335,261	16,745	352,006	34,539
Due from component units	560	1,525	2,085	176
Internal balances	7,497	(7,497)	—	—
Inventories	28,754	4,424	33,178	5,058
Advances to component units	10,092	9,892	19,984	—
Long-term loans/notes receivable	525,184	41,969	567,153	597,356
Equity in pooled investments (Note 3)	2,565,490	18,641	2,584,131	51,492
Investments (Note 3)	215,456	2,728	218,184	2,142,283
Securities lending collateral (Note 3)	46,893	339	47,232	6,798
Net pension asset (Note 6)	39,567	—	39,567	—
Other assets	14,674	1,765	16,439	77,523
Depreciable capital assets and infrastructure, net (Note 5)	4,494,153	15,121	4,509,274	835,952
Land and nondepreciable capital assets (Note 5)	2,328,893	6,931	2,335,824	154,696
Total assets	14,395,353	576,438	14,971,791	4,669,773
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	613,249	2,423	615,672	77,561
LIABILITIES				
Accounts payable (Note 4)	743,939	49,961	793,900	127,328
Lottery prizes payable	—	3,152	3,152	—
Due to primary government	—	—	—	2,085
Due to other governments	20,694	248	20,942	4,648
Due to component units	1,325	—	1,325	176
Due to pension trust funds	34,357	—	34,357	—
Advances from primary government	—	—	—	19,984
Unearned revenue	1,214,220	5,380	1,219,600	92,837
Amounts held in custody for others	51,871	31	51,902	16,152
Securities lending liability (Note 3)	46,893	339	47,232	6,798
Other liabilities	4,504	—	4,504	22,862
Short-term debt (Note 11)	—	90,670	90,670	—
Long-term liabilities (Note 11):				
Due within one year	133,414	13,813	147,227	173,596
Due in more than one year	418,492	5,975	424,467	1,832,149
Net pension liability (Note 6)	2,243,084	11,510	2,254,594	186,395
Total OPEB liability (Note 7)	45,593	817	46,410	27,460
Total liabilities	4,958,386	181,896	5,140,282	2,512,470
DEFERRED INFLOWS OF RESOURCES (Note 4)	219,243	3,645	222,888	56,222

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 6,743,003	$ 22,035	$ 6,765,038	$ 682,593
Restricted for:				
General government	32,617	—	32,617	—
Transportation	102,115	—	102,115	—
Health and human service	2,344	—	2,344	—
Natural resources	613,428	—	613,428	—
Public safety	217,332	—	217,332	—
Education	8,430	—	8,430	—
Funds held as permanent investments:				
Nonexpendable	1,887,735	—	1,887,735	440,886
Expendable	588,343	—	588,343	—
Unemployment compensation	—	238,429	238,429	—
Montana Board of Housing	—	—	—	159,911
Other purposes	—	111,880	111,880	237,847
Unrestricted	(364,374)	20,976	(343,398)	657,405
Total net position	$ 9,830,973	$ 393,320	$ 10,224,293	$ 2,178,642

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

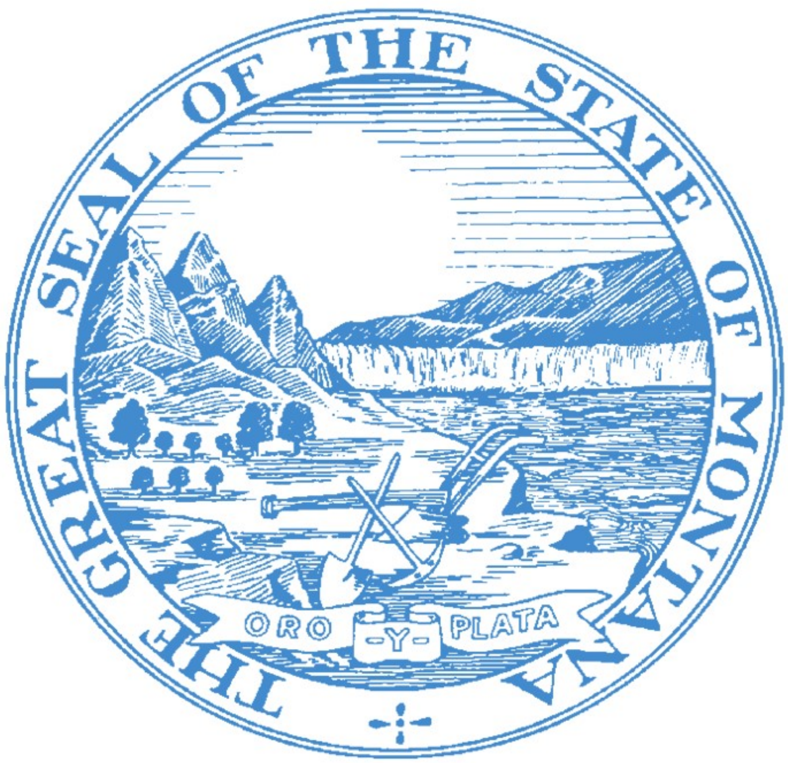
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

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	$ 957,534	$ 249,885	$ 245,338	$ 668	$ (461,643)
Public safety	458,526	182,773	34,960	—	(240,793)
Transportation	557,290	32,555	70,444	548,110	93,819
Health and human services	2,896,774	39,945	2,179,408	—	(677,421)
Education	1,352,323	2,531	196,537	683	(1,152,572)
Natural resources	338,957	178,646	203,620	14,970	58,279
Interest on long-term debt	5,365	—	—	—	(5,365)
Total governmental activities	6,566,769	686,335	2,930,307	564,431	(2,385,696)
Business-type activities:					
Unemployment Insurance	746,508	119,523	16,388	—	(610,597)
Liquor Stores	98,324	116,583	—	—	18,259
State Lottery	51,385	59,892	—	—	8,507
Municipal Finance Programs	2,542	7	2,482	—	(53)
Hail Insurance	1,154	1,182	33	—	61
Other Service	74,323	26,080	49,632	950	2,339
Prison Funds	8,506	7,532	—	—	(974)
MUS[1] Group Insurance	100,958	108,624	2,384	—	10,050
MUS[1] Workers Compensation	657	3,625	503	—	3,471
Total business-type activities	1,084,357	443,048	71,422	950	(568,937)
Total primary government	$ 7,651,126	$ 1,129,383	$ 3,001,729	$ 565,381	$ (2,954,633)
Component units:					
Montana Board of Housing	$ 24,455	$ 1,742	$ 25,151	$ —	$ 2,438
Facility Finance Authority	705	741	155	—	191
Montana State Fund	201,034	156,871	—	—	(44,163)
Montana State University	630,487	287,201	213,150	5,972	(124,164)
University of Montana	452,417	169,686	126,758	1,875	(154,098)
Total component units	$ 1,309,098	$ 616,241	$ 365,214	$ 7,847	$ (319,796)

[1]Montana University System

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,385,696)	$ (568,937)	$ (2,954,633)	$ (319,796)
General revenues:				
Taxes:				
Property	327,629	—	327,629	—
Fuel	260,553	—	260,553	—
Natural resource	171,055	—	171,055	—
Individual income	1,455,150	—	1,455,150	—
Corporate income	185,358	—	185,358	—
Other (Note 1)	393,466	32,576	426,042	—
Unrestricted grants and contributions	740	496,499	497,239	—
Settlements	27,906	—	27,906	—
Unrestricted investment earnings	138,435	106	138,541	143,101
Transfers from primary government	—	—	—	244,663
Gain (loss) on sale of capital assets	11,070	134	11,204	156
Miscellaneous	8,043	8,012	16,055	1,036
Contributions to term and permanent endowments	—	—	—	37,057
Transfers between primary government	58,703	(58,703)	—	—
Total general revenues, contributions, and transfers	3,038,108	478,624	3,516,732	426,013
Change in net position	652,412	(90,313)	562,099	106,217
Total net position - July 1 - as previously reported	9,195,927	482,568	9,678,495	2,070,862
Adjustments to beginning net position (Note 2)	(17,366)	1,065	(16,301)	1,563
Total net position - July 1 - as adjusted	9,178,561	483,633	9,662,194	2,072,425
Total net position - June 30	$ 9,830,973	$ 393,320	$ 10,224,293	$ 2,178,642

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


THE GREAT SEAL OF THE STATE OF MONTANA
ORO Y PLATA

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, 2020
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 528,914	$ 989,208	$ 1,264,153
Receivables (net)	434,693	86,629	75,438
Interfund loans receivable (Note 12)	95,979	101,954	—
Due from other governments	12,849	892	321,510
Due from other funds (Note 12)	26,471	13,737	2,882
Due from component units	—	304	17
Inventories	3,704	20,117	—
Equity in pooled investments (Note 3)	—	370,979	—
Long-term loans/notes receivable	—	498,389	6,214
Advances to other funds (Note 12)	355	28,348	—
Advances to component units	—	2,295	—
Investments (Note 3)	6,834	12,600	—
Securities lending collateral (Note 3)	—	6,957	—
Other assets	3,384	10,174	308
Total assets	$ 1,113,183	$ 2,142,583	$ 1,670,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 289,190	$ 188,550	$ 237,358
Interfund loans payable (Note 12)	—	5,288	189,055
Due to other governments	170	19,336	1,188
Due to other funds (Note 12)	3,070	10,182	1,851
Due to component units	34,442	498	742
Advances from other funds (Note 12)	—	6,065	25,486
Unearned revenue	798	21,971	1,194,737
Amounts held in custody for others	7,060	40,003	125
Securities lending liability (Note 3)	—	6,957	—
Other liabilities	—	304	—
Total liabilities	334,730	299,154	1,650,542
DEFERRED INFLOWS OF RESOURCES	185,641	7,314	26,779
Fund balances (Note 14):			
Nonspendable	4,903	21,310	252
Restricted	—	1,146,404	—
Committed	117,773	668,401	—
Assigned	89,469	—	—
Unassigned	380,667	—	(7,051)
Total fund balances	592,812	1,836,115	(6,799)
Total liabilities, deferred inflows of resources, and fund balances	$ 1,113,183	$ 2,142,583	$ 1,670,522

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ 55,978	$ 31,215	$ 60,335	$ 2,929,803
11,231	1,794	9,001	618,786
—	—	5	197,938
—	—	—	335,251
8	—	1,447	44,545
110	—	120	551
—	—	—	23,821
955,862	818,417	399,033	2,544,291
—	—	20,581	525,184
2,507	—	6,065	37,275
7,473	—	318	10,086
193,506	—	—	212,940
17,395	14,894	7,262	46,508
—	243	—	14,109
$ 1,244,070	$ 866,563	$ 504,167	$ 7,541,088
$ —	$ —	$ 9,699	$ 724,797
1,332	10	457	196,142
—	—	—	20,694
590	1,750	1,946	19,389
—	—	—	35,682
—	—	7,325	38,876
—	—	—	1,217,506
—	4,163	25	51,376
17,395	14,894	7,262	46,508
—	—	—	304
19,317	20,817	26,714	2,351,274
2,976	—	1,553	224,263
655,267	845,746	384,871	1,912,349
—	—	35,737	1,182,141
566,510	—	54,957	1,407,641
—	—	1,044	90,513
—	—	(709)	372,907
1,221,777	845,746	475,900	4,965,551
$ 1,244,070	$ 866,563	$ 504,167	$ 7,541,088

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

JUNE 30, 2020

(amounts expressed in thousands)

Total fund balances - governmental funds		$ 4,965,551
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	$ 4,494,153	
Land and nondepreciable capital assets	2,328,893	6,823,046
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.		613,249
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net pension asset		39,567
Long-term receivables		(444)
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.		237,715
Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.		(12,149)
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.		5,021
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	(551,906)	
Net pension liability	(2,243,084)	
Total OPEB liability	(45,593)	(2,840,583)
Total net position - governmental activities		$ 9,830,973

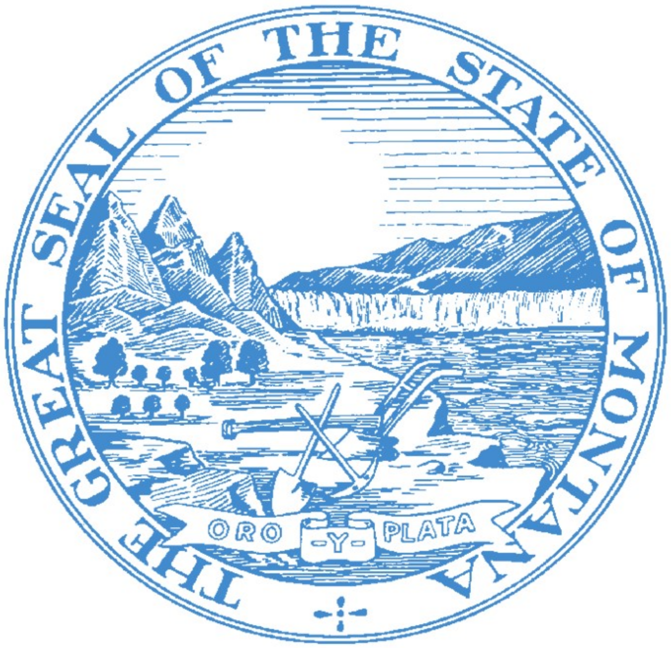
The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	$ 132,654	$ 285,639	$ —
Taxes:			
Natural resource	69,726	64,110	—
Individual income	1,421,934	—	—
Corporate income	186,680	—	—
Property	308,093	19,536	—
Fuel	—	260,324	—
Other	237,274	151,174	—
Charges for services/fines/forfeits/settlements	33,453	106,641	7,358
Investment earnings	20,243	39,163	668
Securities lending income	—	75	37
Sale of documents/merchandise/property	273	12,536	—
Rentals/leases/royalties	8	1,346	—
Contributions/premiums	—	33,809	—
Grants/contracts/donations	11,315	19,503	72
Federal	18,889	6,642	3,180,500
Federal indirect cost recoveries	178	57,509	93,287
Other revenues	2,414	3,949	1,289
Total revenues	2,443,134	1,061,956	3,283,211
EXPENDITURES			
Current:			
General government	372,209	193,199	172,137
Public safety	321,661	96,834	25,892
Transportation	—	248,620	106,199
Health and human services	480,752	231,632	2,181,889
Education	1,082,324	76,644	193,684
Natural resources	36,263	195,389	90,770
Debt service:			
Principal retirement	208	3,603	103
Interest/fiscal charges	256	645	11
Capital outlay	11,681	90,705	460,057
Securities lending	—	46	7
Total expenditures	2,305,354	1,137,317	3,230,749
Excess of revenue over (under) expenditures	137,780	(75,361)	52,462
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	433	15,290	257
Insurance proceeds	48	34,366	—
General capital asset sale proceeds	76	892	—
Bond premium	—	4,361	—
Bond proceeds	—	28,900	—
Energy conservation loans	—	632	—
Transfers in (Note 12)	86,773	176,213	1,485
Transfers out (Note 12)	(76,949)	(64,180)	(48,633)
Total other financing sources (uses)	10,381	196,474	(46,891)
Net change in fund balances	148,161	121,113	5,571
Fund balances - July 1 - as previously reported	443,409	1,713,834	(12,614)
Adjustments to beginning fund balance (Note 2)	1,445	1,378	244
Fund balances - July 1 - as adjusted	444,854	1,715,212	(12,370)
Increase (decrease) in inventories	(203)	(210)	—
Fund balances - June 30	$ 592,812	$ 1,836,115	$ (6,799)

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ —	$ 1,718	$ —	$ 420,011
22,557	—	7,606	163,999
—	—	—	1,421,934
—	—	—	186,680
—	—	—	327,629
—	—	—	260,324
—	—	3,997	392,445
—	—	9,826	157,278
77,197	59,787	40,226	237,284
184	157	74	527
—	9,937	—	22,746
—	54,826	—	56,180
—	—	—	33,809
—	138	—	31,028
—	—	—	3,206,031
—	—	—	150,974
—	—	—	7,652
99,938	126,563	61,729	7,076,531
—	4	32	737,581
—	—	96	444,483
—	—	—	354,819
—	—	678	2,894,951
—	—	13	1,352,665
—	4,352	469	327,243
—	—	30,835	34,749
—	—	4,853	5,765
—	—	49,096	611,539
113	96	46	308
113	4,452	86,118	6,764,103
99,825	122,111	(24,389)	312,428
—	—	—	15,980
—	—	638	35,052
—	11,021	8	11,997
—	—	—	4,361
—	—	—	28,900
—	—	—	632
2	6	68,662	333,141
(33,787)	(61,585)	(24,937)	(310,071)
(33,785)	(50,558)	44,371	119,992
66,040	71,553	19,982	432,420
1,155,737	774,193	456,054	4,530,613
—	—	(136)	2,931
1,155,737	774,193	455,918	4,533,544
—	—	—	(413)
$ 1,221,777	$ 845,746	$ 475,900	$ 4,965,551


THE GREAT SEAL OF THE STATE OF MONTANA
ORO Y PLATA

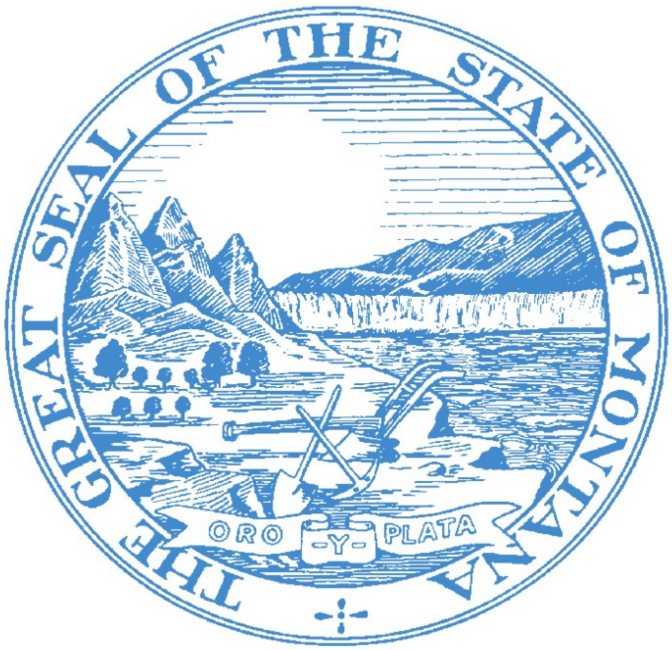
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 432,420
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	$ 611,539	
Depreciation expense and amortization	(254,930)	356,609
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.		(542)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		34,712
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(33,261)
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.		32,892
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.		(170,418)
Change in net position - governmental activities		$ 652,412

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


THE GREAT SEAL OF THE STATE OF MONTANA
ORO Y PLATA

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, 2020
(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)	$ 248,066	$ 26,546	$ 140,966	$ 415,578	$ 223,048
Receivables (net) (Note 4)	4,478	8,029	35,770	48,277	11,691
Interfund loans receivable (Note 12)	—	—	61	61	—
Due from other governments	16,745	—	—	16,745	10
Due from other funds (Note 12)	—	3,338	—	3,338	109
Due from component units	—	1,525	—	1,525	9
Inventories	—	—	4,424	4,424	4,933
Short-term investments (Note 3)	—	146	—	146	—
Securities lending collateral (Note 3)	—	—	339	339	386
Other current assets	—	—	370	370	565
Total current assets	269,289	39,584	181,930	490,803	240,751
Noncurrent assets:					
Advances to other funds (Note 12)	—	7,008	—	7,008	—
Advances to component units	—	9,892	—	9,892	—
Long-term investments (Note 3)	—	564	20,659	21,223	23,715
Long-term notes/loans receivable	2,266	39,703	—	41,969	—
Other long-term assets	—	—	1,395	1,395	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,379	16,379	6,069
Equipment	—	4	9,806	9,810	264,670
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	2,361	2,361	4,397
Intangible assets	—	—	1,521	1,521	551
Other capital assets	—	—	3,770	3,770	—
Less accumulated depreciation	—	(3)	(17,591)	(17,594)	(170,266)
Total capital assets	—	1	22,051	22,052	105,516
Total noncurrent assets	2,266	57,168	44,105	103,539	129,231
Total assets	271,555	96,752	226,035	594,342	369,982
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	51	2,372	2,423	9,975

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020
(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)	$ 29,005	$ 343	$ 20,613	$ 49,961	$ 16,999
Lottery prizes payable	—	—	2,173	2,173	—
Interfund loans payable (Note 12)	1,500	—	80	1,580	277
Due to other governments	—	—	248	248	—
Due to other funds (Note 12)	—	—	16,324	16,324	1,924
Unearned revenue	2,621	—	2,759	5,380	1,264
Lease/installment purchase payable (Note 10)	—	1	10	11	2,866
Short-term debt (Note 11)	—	90,670	—	90,670	—
Bonds/notes payable - net (Note 11)	—	—	—	—	167
Amounts held in custody for others	—	—	31	31	494
Securities lending liability (Note 3)	—	—	339	339	386
Estimated insurance claims (Note 8)	—	—	12,942	12,942	39,209
Compensated absences payable (Note 11)	—	32	828	860	3,730
Total current liabilities	33,126	91,046	56,347	180,519	67,316
Noncurrent liabilities:					
Lottery prizes payable	—	—	979	979	—
Advances from other funds (Note 12)	—	—	—	—	5,407
Lease/installment purchase payable (Note 10)	—	1	14	15	4,170
Bonds/notes payable - net (Note 11)	—	—	—	—	243
Estimated insurance claims (Note 8)	—	—	4,581	4,581	33,608
Compensated absences payable (Note 11)	—	23	1,334	1,357	4,620
Arbitrage rebate tax payable (Note 11)	—	22	—	22	—
Net pension liability (Note 6)	—	269	11,241	11,510	52,221
Total OPEB liability (Note 7)	—	14	803	817	2,795
Total noncurrent liabilities	—	329	18,952	19,281	103,064
Total liabilities	33,126	91,375	75,299	199,800	170,380
DEFERRED INFLOWS OF RESOURCES (Note 4)	—	57	3,588	3,645	11,142
NET POSITION					
Net investment in capital assets	—	1	22,034	22,035	91,167
Restricted for:					
Unemployment compensation	238,429	—	—	238,429	—
Other purposes	—	274	111,606	111,880	—
Unrestricted	—	5,096	15,880	20,976	107,268
Total net position	$ 238,429	$ 5,371	$ 149,520	$ 393,320	$ 198,435

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, 2020
(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	$ 126	$ 7	$ 196,619	$ 196,752	$ 160,006
Investment earnings	8,549	441	3,210	12,200	3,421
Securities lending income	—	—	4	4	6
Financing income	—	2,041	—	2,041	—
Contributions/premiums	119,397	—	125,820	245,217	227,049
Grants/contracts/donations	7,839	—	49,221	57,060	5,504
Other operating revenues	—	—	9,088	9,088	12,023
Total operating revenues	135,911	2,489	383,962	522,362	408,009
Operating expenses:					
Personal services	—	282	17,653	17,935	71,822
Contractual services	—	54	22,834	22,888	39,424
Supplies/materials	—	7	99,872	99,879	21,301
Benefits/claims	745,250	—	149,459	894,709	222,488
Depreciation	—	—	875	875	14,672
Amortization	—	—	541	541	541
Utilities/rent	—	53	1,119	1,172	7,608
Communications	—	8	971	979	11,376
Travel	—	2	249	251	469
Repairs/maintenance	—	—	1,437	1,437	27,904
Grants	—	—	—	—	230
Lottery prize payments	—	—	36,766	36,766	—
Securities lending expense	—	—	2	2	3
Arbitrage rebate tax	—	72	—	72	—
Interest expense	—	2,008	8	2,016	433
Other operating expenses	1,258	56	3,078	4,392	5,830
Total operating expenses	746,508	2,542	334,864	1,083,914	424,101
Operating income (loss)	(610,597)	(53)	49,098	(561,552)	(16,092)
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	32,576	32,576	—
Grant revenue	496,499	—	—	496,499	—
Insurance proceeds	—	—	—	—	261
Gain (loss) on sale of capital assets	—	—	44	44	(48)
Federal indirect cost recoveries	—	—	225	225	13,478
Increase (decrease) value of livestock	—	—	(353)	(353)	—
Total nonoperating revenues (expenses)	496,499	—	32,492	528,991	13,691
Income (loss) before contributions and transfers	(114,098)	(53)	81,590	(32,561)	(2,401)
Capital contributions	—	—	1,184	1,184	107
Transfers in (Note 12)	—	—	458	458	36,137
Transfers out (Note 12)	—	—	(59,394)	(59,394)	(944)
Change in net position	(114,098)	(53)	23,838	(90,313)	32,899
Total net position - July 1 - as previously reported	351,527	5,413	125,628	482,568	165,979
Adjustments to beginning net position (Note 2)	1,000	11	54	1,065	(443)
Total net position - July 1 - as adjusted	352,527	5,424	125,682	483,633	165,536
Total net position - June 30	$ 238,429	$ 5,371	$ 149,520	$ 393,320	$ 198,435

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, 2020
(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	$ 149,412	$ 7	$ 315,932	$ 465,351	$ 385,267
Payments to suppliers for goods and services	(3,499)	(248)	(120,966)	(124,713)	(111,093)
Payments to employees	—	(384)	(17,385)	(17,769)	(70,040)
Grant receipts (expenses)	7,830	—	49,381	57,211	5,261
Cash payments for claims	(744,996)	—	(149,826)	(894,822)	(184,467)
Cash payments for prizes	—	—	(37,048)	(37,048)	—
Other operating revenues	—	—	9,311	9,311	25,499
Other operating payments	(1,258)	—	(2,894)	(4,152)	(5,830)
Net cash provided by (used for) operating activities	(592,511)	(625)	46,505	(546,631)	44,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	32,576	32,576	—
Transfer to other funds	—	—	(62,239)	(62,239)	(944)
Transfer from other funds	—	—	457	457	36,142
Proceeds from interfund loans/advances	1,485	—	102	1,587	2,342
Payment of interfund loans and advances	—	—	(61)	(61)	—
Payment of principal and interest on bonds and notes	—	(16,756)	(8)	(16,764)	(728)
Grant receipt	479,806	—	—	479,806	—
Net cash provided by (used for) noncapital financing activities	481,291	(16,756)	(29,173)	435,362	36,812
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	262
Acquisition of capital assets	—	—	(2,238)	(2,238)	(12,656)
Proceeds from sale of capital assets	—	—	927	927	916
Net cash provided by (used for) capital and related financing activities	—	—	(1,311)	(1,311)	(11,478)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(5,546)	2,581	(2,965)	10,998
Proceeds (loss) on sales or maturities of investments	—	8,218	—	8,218	—
Proceeds (loss) from securities lending transactions/ investments	—	—	4	4	6
Interest and dividends on investments	11,306	455	3,230	14,991	3,421
Payment of securities lending costs	—	—	(3)	(3)	(3)
Collections of principal and interest on loans	—	42,169	—	42,169	—
Cash payment for loans	—	(29,093)	—	(29,093)	—
Net cash provided by (used for) investing activities	11,306	16,203	5,812	33,321	14,422
Net increase (decrease) in cash and cash equivalents	(99,914)	(1,178)	21,833	(79,259)	84,353
Cash and cash equivalents, July 1	347,980	27,724	119,133	494,837	138,695
Cash and cash equivalents, June 30	$ 248,066	$ 26,546	$ 140,966	$ 415,578	$ 223,048

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, 2020
(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)	$ (610,597)	$ (53)	$ 49,098	$ (561,552)	$ (16,092)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	875	875	14,672
Amortization	—	—	541	541	541
Securities lending expense	—	—	3	3	3
Investment earnings	(8,549)	(441)	(3,184)	(12,174)	(3,421)
Securities lending income	—	—	(4)	(4)	(6)
Financing income	—	(2,041)	—	(2,041)	—
Interest expense	—	2,008	8	2,016	432
Other revenue	—	—	225	225	13,476
Arbitrage rebate tax	—	(23)	—	(23)	—
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	(1,498)	—	(5,165)	(6,663)	(2,637)
Decr (Incr) in due from other funds	—	—	2	2	(29)
Decr (Incr) in due from component units	—	—	—	—	54
Decr (Incr) in due from other governments	(9)	—	166	157	(7)
Decr (Incr) in inventories	—	—	599	599	(602)
Decr (Incr) in other assets	—	—	(2)	(2)	355
Incr (Decr) in accounts payable	25,521	16	2,807	28,344	2,651
Incr (Decr) in due to other funds	—	—	1,476	1,476	82
Incr (Decr) in due to other governments	—	—	135	135	—
Incr (Decr) in lottery prizes payable	—	—	(281)	(281)	—
Incr (Decr) in unearned revenue	2,621	—	555	3,176	(115)
Incr (Decr) in amounts held in custody for others	—	—	—	—	494
Incr (Decr) in compensated absences payable	—	(16)	210	194	580
Incr (Decr) in total OPEB liability	—	1	(155)	(154)	(394)
Incr (Decr) in estimated claims	—	—	(1,546)	(1,546)	37,760
Incr (Decr) in other payables	—	—	7	7	(4,419)
Incr (Decr) in net pension liability and related accounts	—	(76)	135	59	1,219
Net cash provided by (used for) operating activities	$ (592,511)	$ (625)	$ 46,505	$ (546,631)	$ 44,597
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ —	$ 1,184	$ 1,184	$ 108
Incr (Decr) in fair value of investments	—	(9)	(905)	(914)	(1,050)
Total noncash transactions	$ —	$ (9)	$ 279	$ 270	$ (942)

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., in a trustee capacity.

Private-Purpose Trust Funds — account for assets held by the State, in a trustee capacity and are not required to be reported in the Pension (and Other Employee Benefit) Trust Funds or Investment Trust Funds, 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, in a trustee capacity.

Custodial Funds — account for assets held by the State as an agent that is not in a trust or equivalent arrangement, 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, 2020
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 130,602	$ 45,741	$ 1,705,734	$ 6,281
Receivables (net):				
Accounts receivable	22,235	—	—	668
Interest	65	—	809	—
Due from primary government	34,357	—	—	—
Due from other PERB plans	797	—	—	—
Long-term loans/notes receivable	9	—	—	—
Total receivables	57,463	—	809	668
Investments at fair value:				
Equity in pooled investments (Note 3)	11,658,386	—	13,139	—
Other investments (Note 3)	868,852	167,559	—	—
Total investments	12,527,238	167,559	13,139	—
Securities lending collateral (Note 3)	62,203	—	239	—
Capital Assets:				
Land	35	—	—	—
Buildings/improvements	973	—	—	—
Equipment	96	—	—	—
Accumulated depreciation	(281)	—	—	—
Intangible assets	5,309	—	—	—
Total capital assets	6,132	—	—	—
Other assets	—	34,835	—	2,540
Total assets	12,783,638	248,135	1,719,921	9,489
DEFERRED OUTFLOWS OF RESOURCES	359	—	—	—
LIABILITIES				
Accounts payable	1,247	21	780	672
Due to other PERB plans	797	—	—	—
Unearned revenue	369	—	—	—
Securities lending liability (Note 3)	62,203	—	239	—
Compensated absences payable	635	—	—	—
Net pension liability (Note 6)	1,488	—	—	—
Total OPEB liability (Note 7)	213	—	—	—
Total liabilities	66,952	21	1,019	672
DEFERRED INFLOWS OF RESOURCES	370	—	—	—
NET POSITION				
Restricted for:				
Pensions	12,136,708	—	—	—
Postemployment benefits other than pensions	579,967	—	—	—
Pool participants	—	—	1,718,902	—
Individuals, organizations, and other governments	—	248,114	—	8,817
Total net position	$ 12,716,675	$ 248,114	$ 1,718,902	$ 8,817

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, 2020
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS				
Contributions/premiums:				
Employer	$ 273,930	$ —	$ —	$ —
Employee	260,267	—	—	—
Other contributions	118,680	18,278	1,615,814	—
Investment earnings:				
Net increase in fair value of investments	405,201	(926)	1,304	—
Interest, dividends, and other	24,836	1	23,686	17
Securities lending income	1,349	—	3	—
Total investment earnings	431,386	(925)	24,993	17
Less investment costs:				
Administrative investment expense	64,071	—	—	—
Securities lending expense	719	—	2	—
Net investment earnings	366,596	(925)	24,991	17
Charges for services	786	—	—	—
Other additions and miscellaneous	905	9,160	—	51,943
Total additions	1,021,164	26,513	1,640,805	51,960
DEDUCTIONS				
Benefits	986,936	—	—	—
Refunds	22,878	—	—	—
Distributions	—	38,336	1,310,284	47,848
Administrative expenses	13,286	758	—	—
Local assistance	12	—	—	—
Transfers to MUS-RP	268	—	—	—
Transfers to PERS-DCRP	1,984	—	—	—
Total deductions	1,025,364	39,094	1,310,284	47,848
Change in net position	(4,200)	(12,581)	330,521	4,112
Net position - July 1 - as previously reported	12,720,859	287,288	1,388,381	—
Adjustments to beginning net position (Note 2)	16	(26,593)	—	4,705
Net position - July 1 - as adjusted	12,720,875	260,695	1,388,381	4,705
Net position - June 30	$ 12,716,675	$ 248,114	$ 1,718,902	$ 8,817

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 criterion 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 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 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 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 the 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 Avenue, 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 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 program revenues offset the direct expenses of a function. 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.

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 a $95.8 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 $27.2 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 to support 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 $5.2 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. For example, unliquidated security bonds held on deposit from self-insured employers.

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).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another as is the case with child support payments.

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 an 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. For fiscal year 2020, federal and state contributions were also made to this fund due to increased claims related to the statewide unemployment impact of COVID-19.

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 governments 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 Accounts (SMA). SMA participants have direct fixed income, equity, and Montana mortgage and loan investments. SMA 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. The State 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 on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as is the associated depreciation and amortization. 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, which is neither a deferred outflow of resources nor a deferred inflow of resources, 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 that 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, 2019, was 17,412 hours. For fiscal year 2020, 1,562 sick leave hours, 703 annual leave hours, and 2,428 excess annual leave hours were contributed to the sick leave pool, and 5,227 hours were withdrawn, leaving a balance of 16,879 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 $88.3 million as of June 30, 2020. 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. Still 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. The projected spend down for fiscal year 2021 is $72.7 million; thus, a related assignment of fund balance is reported at 2020 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, 2020, 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, 2020, committed fund balance in the General Fund of $117.8 million, represents the Budget Stabilization Reserve Fund balance.

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 complies 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 $3.8 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 applicable bond indenture agreements limit their use. Net position associated with the Unemployment Insurance Fund is also classified as restricted.

R. Property and Income 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. Each of Montana's 56 counties collect property taxes. 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.

Calendar year 2019 State income tax filing deadline, normally April 15th of the subsequent year, was delayed to July 15, 2020 due to COVID-19. The State has determined that extending the income tax filing deadline did not have a material adverse effect on the State's liquidity for fiscal year 2020, nor will it in fiscal year 2021.

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	$ 24,637	$ 34,417	$ 2,930	$ 19	$ 62,003
Agriculture	—	10,625	—	—	10,625
Car rental	4,113	1,371	—	—	5,484
Cigarette/tobacco/etc.	32,745	45,158	1,556	—	79,459
Contractors gross receipts	6,729	—	—	—	6,729
Energy tax	7,235	40	—	—	7,275
Fire protection	—	3,686	—	—	3,686
Insurance premium	82,452	37,221	—	—	119,673
Light vehicle registration	44	5,085	—	—	5,129
Liquor tax	5,686	2,282	—	32,557	40,525
Livestock	—	4,991	—	—	4,991
Other taxes	143	1,744	—	—	1,887
Public service commission	—	5,249	—	—	5,249
Railroad car companies	4,293	—	—	—	4,293
Telephone license	11,581	—	—	—	11,581
Video gaming	57,447	6	—	—	57,453
Total other taxes	$ 237,105	$ 151,875	$ 4,486	$ 32,576	$ 426,042

T. Tax Abatement

In the Montana Board of Investment's (BOI) Commercial Loan Program within the SMA, 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.

The basic sector business must create at least 15 full-time basic sector jobs to be eligible for the program. 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, 2020, basic sector business entities made total user fee payments of $8.9 million, representing $7.5 million of principal and $1.4 million in interest. During the fiscal year ended June 30, 2020, a total of $14.0 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2020 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed

	Tax Year 2019	Tax Year 2018	Total
Corporate income tax	$ —	$ 1,159	$ 1,159
Individual income tax	6,476	6,320	12,796
Total amount claimed	$ 6,476	$ 7,479	$ 13,955

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, 2020. Further detail related to these agreements is provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes criteria for identifying fiduciary activities, while outlining reporting responsibilities of fiduciary funds in state and local governmental accounting. This Statement is designed to enhance consistency and comparability of information reported in financial statements for assessing government accountability and stewardship.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 60* (GASB 90). The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government is holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The objective of this Statement is to provide temporary relief in the form of delayed effective reporting periods for upcoming GASB pronouncements known to affect governmental financial statements. Guidance addressed in this Statement will help to safeguard the reliability of financial statements, which in turn will benefit the users of the financial statements.

For the year ended June 30, 2020, the State of Montana implemented the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units; mitigate costs associated with financial reporting; enhance relevance, consistency, and comparability of financial reporting. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans.

B. Adjustments to Beginning Net Position

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), requires a retroactive restatement of financial statements for all prior periods presented, though primarily affects the Fiduciary Fund Financial Statements. If restatement for prior periods is not practicable, the cumulative effect of applying GASB 84 is presented as a restatement of beginning net position for the earliest period restated. In accordance with GASB 84, the State of Montana reclassified various fund activities and restated the beginning net position as follows. Some enterprise funds, previous private-purpose trust funds, and agency funds were reclassified as custodial funds, creating an increase to beginning net position in the amount of $4.7 million. Some agency funds were reclassified to private-purpose trust funds, creating an increase to beginning net position in the amount of $2.4 million. Some previous private-purpose trust funds were reclassified to governmental funds and custodial funds, creating a decrease to beginning net position in the amount of $29.0 million.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

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

Cash/cash equivalents	$	6,051,526
Equity in pooled investments	$	14,307,148
Investments	$	3,427,444

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 UIP 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 UIP.

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 Accounts (SMA) participant, which provides BOI staff with 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, 2020, BOI separately managed investments outside of the pools on behalf of participants. The investments are combined for reporting purposes in the SMA portion of the UIP. In prior years, the SMA portion of the UIP was referred to as Separately Managed Investments (SMI). SMA participants include the State Treasurer's Cash Fund, State agency insurance reserves, and other State agencies. SMA 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 SMA.

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 UIP financial statements include the activity for MSF within SMA on a June 30, 2020, 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 price represent 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. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

(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% of the fair value of domestic securities and 105% of the fair value of international securities while the securities are on loan. On any day, including June 30th, 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% and 20% respectively, on securities 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 2020, the custodial bank loaned BOI's public securities and received as collateral either: 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 2020. 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 2020 resulting from a borrower default. As of June 30, 2020, 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. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 28 days and the average weighted final maturity of 91 days.

(d) Investment Pools and Separately Managed Accounts (SMA) are described in the following paragraphs.

Consolidated Asset Pension Pool (CAPP)
The CAPP IPS contain prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also 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 Investments
- Natural Resources
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

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 Core Fixed Income Asset Class and Non-Core 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 U.S. dollar value of investments made.

As part of the asset allocation approved by the Board in November 2019, the Private Equity Pension Asset Class (PAC) is now referred to as the Private Investments PAC and the High Yield PAC is referred to as the Non-Core Fixed Income PAC. The assets within the U.S. Treasury Inflation Protected Securities (TIPS) PAC, Investment Grade PAC, Agency Mortgage Backed Securities PAC, U.S. Treasury and Agency PAC, Diversifying Strategies PAC, and Broad Fixed Income PAC were combined into the Core Fixed Income PAC. These changes were effective in December 2019. These changes did not have an impact on the underlying value of the securities within the impacted PAC’s.

Trust Funds Investment Pool (TFIP)
The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

Short Term Investment Pool (STIP)
The STIP IPS limits the 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, 2020, is detailed as follows:

STIP Reserve
(in thousands)

Beginning STIP Reserve	$ 47,528
STIP Reserve activity	
Investment Earnings:	
Interest income	650
Transfer of daily STIP income	3,510
Recoveries from write-offs	846
Credit enhancement fees	157
Total STIP Reserve activity	5,163
Transfers to STIP	(127)
Total STIP Reserve activity	5,036
Ending STIP Reserve	$ 52,564

Separately Managed Accounts (SMA)
SMA invests primarily in investment grade, U.S. dollar denominated fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and high yield fixed income. The SMA 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 (Cash and Cash Equivalents and Investments Held at Custodial Bank)
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 have bank ratings from at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2020, 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 requirements. Concentration of credit risk for 2020 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 U.S. Government securities, the pools and SMA 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 U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2020, the CAPP's cash equivalents position held at its custodial bank, $193.5 million was held in unrated money market funds.

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, 2020, all the STIP money market investments were in US Governmental money markets and $50 million was held on deposit in a short-term investment vehicle available through the custodial bank.

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 SMA 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, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, 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, 2020. 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 46 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 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.

Other Policy Considerations

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the Core Fixed average duration will be maintained in a range within 20% of the benchmark duration. The Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20% of the benchmark duration. Interest rate risk for SMA 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 contracts, credit default swaps, index futures (long duration), rights and warrants which are classified as investment derivative instruments. The investment derivative instruments decreased in fair value for the fiscal year ended June 30, 2020, by $2.1 million. The contracts had a fair value of $152 thousand as of June 30, 2020. The notional amount of the contracts was $10.3 million.

(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, the 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, the 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’s rating from at least two Nationally Registered Statistical Ratings Organizations (NRSROs) is reviewed on an annual basis.

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, 2020, 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 the 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, 2020, 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 is restricted to those who 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, 2020. 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 2020 fiscal year for investments held by the trustee.

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	$ 77,974
Uninsured and uncollateralized cash	2,705
Undeposited cash	1,305
Cash in US Treasury	254,942
Cash in MSU component units	6,543
Cash in UM component units	12,195
Less: outstanding warrants	(27,368)
	$ 328,296

As of June 30, 2020, the carrying amount of deposits for component units was $186.7 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)]	$ 430,142
Corporate commercial paper [(2)]	398,071
Corporate notes [(2)]	115,311
Certificates of deposit [(2)]	300,206
Agency or government related [(2)]	1,182,828
Money market fund unrated	261,528
Cash and cash equivalents [(2)]	3,305,016
Less: STIP Adjustments [(3)]	(269,872)
Total cash equivalents	$ 5,723,230

(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, 2020, local governments had invested $1.7 billion, and component units of the State of Montana had invested $331.5 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of June 30, 2020
(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Agency or government related	$ 121,655	A-1+
Asset backed commercial paper	1,508,483	A-1+
Corporate commercial paper	385,100	A-1+
Certificates of deposit	43,029	A-1+
Total cash equivalents	$ 2,058,267	

STIP
Credit Quality Rating and Weighted Average of Maturity as of June 30, 2020
(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 430,142	A-1+	56
Agency or government related	1,182,828	A-1+	52
Corporate:			
Commercial paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of deposit	300,206	A-1	56
Total STIP fixed income investments at fair value	$ 2,426,558		

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	$ 11,673,887
TFIP:	
Trust funds investment pool	2,644,510
Total pooled investments	14,318,397
Pool adjustments (net)	(11,249)
Total equity in pooled investments	$ 14,307,148

(1) Includes cash/cash equivalents and investments.

As of June 30, 2020, the fair value of the underlying securities on loan was $608.0 million. Collateral provided for the securities on loan totaled $620.1 million, consisting of $110.4 million in cash and $509.7 million in securities.

As of June 30, 2020, local governments invested $13.1 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2020, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2020
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	$ 643,374	$ 348,714	$ 282,470	$ 1,274,558	AAA	3.24-12.52
Agency or Government Related	163,568	142,612	113,999	420,179	AAA	3.01-5.29
Asset-Backed Securities	88,048	83,281	57,768	229,097	AA+ to AAA	1.69-2.72
Mortgage-Backed Securities:						
Noncommercial	697,867	588,024	129,577	1,415,468	AAA	1.86-2.56
Commercial	144,057	149,106	33,534	326,697	AAA	4.60-6.97
Corporate:						
Financial	322,656	311,131	238,394	872,181	BBB+ to A-	3.84-4.65
Industrial	726,975	625,164	366,556	1,718,695	BB+ to A-	4.55-5.91
Industrial (Unrated)	444	1,382	505	2,331	NR	0.40-3.06
Utility	22,041	16,429	9,625	48,095	BBB- to BBB	3.48-6.04
Total fixed income investments at fair value	$ 2,809,030	$ 2,265,843	$ 1,232,428	$ 6,307,301		

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 is based on the latest appraisal value. Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents and Montana Mortgages and Loans.

Each of the investment pools and SMA has the following fair value measurements as of June 30, 2020:

Investments Measured at Fair Value
(in thousands)

		Fair Value Measurements Using		
	June 30, 2020	**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	$ 1,704,700	$ 1,704,700	$ —	$ —
Agency or Government Related	1,603,007	—	1,603,007	—
Asset Backed Securities	229,097	—	229,097	—
Mortgage Backed Securities:				
Noncommercial	1,415,468	—	1,415,468	—
Commercial	326,697	—	326,697	—
Corporate:				
Commercial Paper	398,071	—	398,071	—
Commercial Notes	115,311	—	115,311	—
Certificates of Deposit	300,206	—	300,206	
Financial	872,181	—	872,181	—
Industrial	1,718,695	—	1,718,695	—
Industrial (Unrated)	2,331	—	2,331	—
Utility	48,095	—	48,095	—
Equity investments	3,997,407	3,997,407	—	—
International equity investments	1,974,031	1,974,031	—	—
Direct Real Estate	19,215	—	—	19,215
Residential Mortgages	2,167	—	—	2,167
Total investments by fair value level	14,726,679	7,676,138	7,029,159	21,382
Investments measured at the net asset value (NAV)				
Private Equity Partnerships	1,531,566			
Core Real Estate	711,902			
Non-Core Real Estate	484,230			
Natural Resources	261,683			
Real Estate High Income Fund	131,764			
Total investments measured at NAV	3,121,145			
Total investments measured at fair value	17,847,824			
Investments at cost				
Cash and cash equivalents held at custodial bank	3,520,543			
SMA Montana Mortgages and Loans	203,601			
Total investments not categorized	3,724,144			
Total investments	$ 21,571,968			

The investments measured at NAV for the year ended June 30, 2020, are detailed below.

	Investments Measured at NAV (in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Partnerships	$ 1,531,566	$ 1,038,167		
Core Real Estate	711,902	157,793	Monthly, quarterly	45-90 days
Non-Core Real Estate	484,230	502,567		
Natural Resources	261,683	265,305		
High Yield Bond Fund	131,764	—	Daily	1-3 days
Total investments measured at the NAV	$ 3,121,145	$ 1,963,832		

STIP and $2.9 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Equity Partnerships – This type includes investments in limited partnerships. Generally speaking, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, mezzanine 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 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) via 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 the investments in this category have been determined using 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 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 the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital.

Natural Resources – This type includes private partnership funds that primarily invest in timber, energy and broad natural resource funds. 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 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital.

Real Estate High Income Fund – This type consists of predominantly of real estate related instruments with an emphasis in U.S. 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 the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of the June 30, 2020, exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depository 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	$ 48	$ 22,100	$ —	$ —
Brazilian Real	18	14,424	—	—
Canadian Dollar	55	27,668	—	—
Danish Krone	—	13,133	—	—
EMU – Euro	1	178,067	16,278	1,144
Hong Kong Dollar	81	60,149	—	—
Hungarian Forint	—	1,504	—	—
Indonesian Rupiah	3	2,305	—	—
Japanese Yen	193	117,539	—	—
Malaysian Ringgit	4	161	—	—
Mexican Peso	18	8,729	—	—
New Israeli Sheqel	—	4,395	—	—
Korean Fortnit	33	23,391	—	—
New Zealand Dollar	1	259	—	—
Norwegian Krone	2	4,318	—	—
Philippine Peso	3	65	—	—
Polish Zloty	—	481	—	—
Pound Stering	7	59,147	—	—
Singapore Dollar	145	7,856	—	—
South African Rand	—	7,091	—	—
South Korean Won	8	25,790	—	—
Swedish Krona	90	30,288	—	—
Swiss Franc	—	43,745	—	—
New Taiwan Dollar	10	2,366	—	—
Thailand Baht	4	3,729	—	—
Yuan Renminbi	51	10,603	—	—
Total cash and securities	$ 775	$ 669,303	$ 16,278	$ 1,144

Investments in alternative equity are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last for a minimum of 10 years. The following table shows the remaining BOI commitments to alternative equity managers.

Commitments to Fund Managers
(in thousands)

Pension Asset Class	Original Commitment	Commitment Remaining
Private Equities PAC	$ 3,045,722	$ 1,038,167
Real Estate PAC	2,060,130	660,360
Natural Resources PAC	584,412	265,305
Total	$ 5,690,264	$ 1,963,832

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	50.39 %
Universities	17.83
MPERA (Montana Public Employee Retirement Administration)	24.96
College Savings Plan	4.58
Montana Board of Housing	1.16
Other (1)	1.08
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. This investment policy includes 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 is 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, 2020	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]	$ 3,522	$ 3,522	$ —	$ —
Agency/Government Related [1]	3,023	—	3,023	—
Government Securities	2,023	2,023	—	—
Stocks	6,521	6,521	—	—
Other	9,588	—	9,588	—
Total investments at fair value	24,677	12,066	12,611	—
Investments at cost				
Montana Mortgages and Loans [3]	193,506			
Total investments at cost	193,506			
Total primary government	218,183			
Component units/fiduciary funds				
Investments by fair value level				
Treasuries [1]	278,948	278,948	—	—
Agency/Government Related [1]	110,976	—	110,976	—
Asset-Backed Securities [1]	57,768	—	57,768	—
Mortgage-Backed Securities [1]	129,577	—	129,577	—
Commercial Mortgage-Backed Securities [1]	33,534	—	33,534	—
Financial-Corporate [1]	238,394	—	238,394	—
Industrial-Corporate [1]	366,556	—	366,556	—
Industrial-Corporate (Unrated) [1]	505	—	505	—
Utility-Corporate [1]	9,625	—	9,625	—
Equity Investments	159,979	159,979	—	—
International Equity Investments	39,792	39,792	—	—
529 College Savings Plan	156,859	—	156,859	—
VEBA	8,226	8,226	—	—
State Auditor	10,699	6,037	4,662	—
MSU Investments [2]	(18)	—	(18)	—
MSU Component Unit Investments [2]	183,858	179,857	1,981	2,020
UM Component Unit Investments [2]	202,595	147,083	45,309	10,203
Board of Housing [2]	39,858	6,441	33,417	—
Total investments at fair value	2,027,731	826,363	1,189,145	12,223
Investments at net asset value (NAV)				
Core Real Estate	101,390			
Deferred Compensation [2]	560,706			
Defined Contribution [2]	294,648			
MSU Component Unit Investments [2]	94,672			
UM Component Unit Investments [2]	111,300			
UM Other Investments [2]	420			
UM Interest in Split Interest [2]	4,290			
Total investments at NAV	1,167,426			
Investments at cost				
MSU Component Unit Investments [2]	14,104			
Total Investments at Cost	14,104			
Total component unit/fiduciary investments	3,209,261			
Total investments	$ 3,427,444			
Securities lending investment pool	$ 42,673			

(1) The credit quality rating and duration are included in the 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 in SMA financial statements. This amount of $10.1 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, 2020, the fair value of the investments on loan was $133.7 million. Collateral provided for the investments on loan totaled $136.5 million consisting of $42.7 million in cash and $93.8 million in securities.

$1.7 billion of SMA 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, 2020
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating [1]	Effective Duration [1]
Short-term investments			
US Treasury obligations	$ 146	AA+	0.46
Restricted investments			
US Treasury obligations	564	AA+	0.46
Total investments	$ 710		

[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, 2020, 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	$ —	$ 4,681	$ 2,469	$ 375	$ —	$ —	$ 12,094
Contributions/premiums	—	—	—	11,200	—	—	1,195
Grants/contracts/donations	—	—	—	—	—	16	258
Investment income	2,799	—	509	118	1,794	6,005	3,126
License and permits	—	—	—	—	—	—	8,538
Other receivables	—	71,178	8,503	958	—	—	636
Reimbursements/overpayments	—	304	18,503	18	—	—	13,881
Taxes	8,426	—	530,391	—	—	3,003	65,748
Total receivables	11,225	76,163	560,375	12,669	1,794	9,024	105,476
Less: allowance for doubtful accounts	—	(726)	(125,682)	(978)	—	(24)	(19,290)
Receivables, net	$ 11,225	$ 75,437	$ 434,693	$ 11,691	$ 1,794	$ 9,000	$ 86,186

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	$ —	$ 31,671	$ —
Contributions/premiums	—	4,588	6,068
Loans/investment income	8,029	95	—
Other receivables	—	62	—
Reimbursements/overpayments	—	—	2,129
Total receivables	8,029	36,416	8,197
Less: allowance for doubtful accounts	—	(646)	(3,719)
Receivables, net	$ 8,029	$ 35,770	$ 4,478

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]	$ —	$ 14,999	$ 979	$ —	$ —
Pension deferred outflows [2]	13	586,392	8,996	—	65
Refunding deferred outflows	—	—	—	1,805	—
Total deferred outflows	$ 13	$ 601,391	$ 9,975	$ 1,805	$ 65

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows [1]	$ 5	$ 282
Pension deferred outflows [2]	46	2,090
Total deferred outflows	$ 51	$ 2,372

(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	$ 431	$ 27	$ 1,655	$ 50
Payroll	10,922	35,566	4,839	6	25,600
Tax refunds	—	188,354	—	—	—
Vendors/individuals	226,436	65,270	12,133	9,693	162,951
Payables, net	$ 237,364	$ 289,621	$ 16,999	$ 11,354	$ 188,601

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	$ 302	$ 3	$ —
Payroll	30	1,276	—
Vendors/individuals	11	19,334	29,005
Payables, net	$ 343	$ 20,613	$ 29,005

D. Deferred Inflows of Resources

	Governmental Activities			
	Federal Special Revenue	General Fund	Internal Service Funds	State Special Revenue
OPEB deferred inflows [1]	$ —	$ 26,005	$ 1,698	$ —
Pension deferred inflows [2]	37	181,999	9,444	60
Total deferred inflows	$ 37	$ 208,004	$ 11,142	$ 60

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows [1]	$ 8	$ 503
Pension deferred inflows [2]	49	3,085
Total deferred inflows	$ 57	$ 3,588

(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, 2020, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases [1]	Decreases [1]	Ending Balance
Capital assets not being depreciated:				
Land	$ 737,025	$ 16,546	$ (75)	$ 753,496
Construction work in progress	1,105,818	543,097	(426,664)	1,222,251
Easements	218,813	18,059	—	236,872
Museum and art	85,670	408	—	86,078
Other	29,842	354	—	30,196
Total capital assets not being depreciated	2,177,168	578,464	(426,739)	2,328,893
Capital assets being depreciated:				
Infrastructure	5,573,558	386,946	(201,537)	5,758,967
Land improvements	69,251	7,744	—	76,995
Buildings/improvements	605,637	17,788	(5,245)	618,180
Equipment	410,261	33,823	(13,466)	430,618
Easements - amortized	1,377	—	(73)	1,304
Other	5,566	210	—	5,776
Total capital assets being depreciated	6,665,650	446,511	(220,321)	6,891,840
Less accumulated depreciation for:				
Infrastructure	(1,700,168)	(195,227)	188,932	(1,706,463)
Land improvements	(33,438)	(3,220)	—	(36,658)
Buildings/improvements	(399,024)	(19,418)	545	(417,897)
Equipment	(270,662)	(24,236)	9,181	(285,717)
Other	(4,308)	(254)	—	(4,562)
Total accumulated depreciation	(2,407,600)	(242,355)	198,658	(2,451,297)
Total capital assets being depreciated, net	4,258,050	204,156	(21,663)	4,440,543
Intangible assets	45,267	35,421	(27,078)	53,610
Governmental activities capital assets, net	$ 6,480,485	$ 818,041	$ (475,480)	$ 6,823,046

[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	6,887	2,361	(6,887)	2,361
Other	3,640	205	(75)	3,770
Total capital assets not being depreciated	11,327	2,566	(6,962)	6,931
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	10,199	6,180	—	16,379
Equipment	9,573	419	(182)	9,810
Total capital assets being depreciated	24,777	6,599	(182)	31,194
Less accumulated depreciation for:				
Infrastructure	(746)	(19)	—	(765)
Land improvements	(2,064)	(149)	—	(2,213)
Buildings/improvements	(6,799)	(317)	—	(7,116)
Equipment	(7,274)	(390)	164	(7,500)
Total accumulated depreciation	(16,883)	(875)	164	(17,594)
Total capital assets being depreciated, net	7,894	5,724	(18)	13,600
Intangible assets	2,062	—	(541)	1,521
Business-type activities capital assets, net	$ 21,283	$ 8,290	$ (7,521)	$ 22,052

[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	$ 8,222
Public safety	8,043
Transportation, including depreciation of the highway system maintained by the State	197,267
Health and human services	2,952
Education	179
Natural resources, including depreciation of the state's dams	11,020
Depreciation on capital assets held by the internal service funds	14,672
Total depreciation expense – Governmental Activities	$ 242,355

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

	Depreciation [2]
Liquor Stores	$ 110
State Lottery	56
Prison Funds	403
West Yellowstone Airport	257
Other Enterprise Funds	49
Total depreciation expense – Business-type Activities	$ 875

[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 hears 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 whom 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 constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2020, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	548	329	57	33	27	221	364
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	549	329	57	34	28	222	365

There are 688 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, 2020, 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	233	1,033	29,039	1,502	829	735	2,401	19,751	3,100	5,601
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	17	135	4,070	146	95	39	766	1,828	639	4,293
Non-vested	1	31	495	20,548	696	181	72	—	14,941	790	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements(3)	67	335	371	23,195	711	811	648	1,519	16,605	106	—
Disability retirements	—	4	2	138	28	27	12	1	192	9	—
Survivor benefits(4)	5	11	11	523	24	32	18	4	480	1	—
Total membership	133	631	2,047	77,513	3,107	1,975	1,524	4,691	53,797	4,645	9,894

(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, 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, 2020, based on a June 30, 2019, 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	Employer's Deferred Outflows of Resources	Employer's Deferred Inflows of Resources
JRS	$ 65,319	$ 104,886	$ (39,567)	$ (114)	$ 5,690	$ 1,450
HPORS	237,728	152,778	84,950	12,145	11,713	—
GWPORS	247,013	206,348	40,665	9,501	13,748	4,003
PERS-DBRP	3,128,757	2,310,595	818,162	87,976	141,953	155,410
SRS	22,464	18,397	4,067	63	2,144	2,513
FURS	11,593	9,284	2,309	530	1,084	195
TRS	148,249	101,756	46,493	15,181	32,800	919
Totals	$ 3,861,123	$ 2,904,044	$ 957,079	$ 125,282	$ 209,132	$ 164,490

(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 is required to contribute 25.81% of a member's compensation.

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, 2018, with update procedures used to roll forward the total pension liability/(asset) to June 30, 2019. The actuarial assumptions used in the June 30, 2019, 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 0.17%

- 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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)	$ (33,242)	$ (39,567)	$ (45,028)

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 6/30/18	Net Pension Liability (Asset) as of 6/30/19	Percent of NPA
Employer's proportionate share	$ (42,459)	$ (39,567)	100%

At June 30, 2020, the employer reported a net pension asset of $39.6 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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 6/30/2018	$ 60,192	$ 102,651	$ (42,459)
Service costs	1,772	—	1,772
Interest	4,458	—	4,458
Difference between expected and actual experience	2,743	—	2,743
Contributions – member	—	517	(517)
Net investment income	—	5,687	(5,687)
Benefit payments	(3,846)	(3,846)	—
Administrative expense	—	(123)	123
Net changes	5,127	2,235	2,892
Balances at 6/30/2019	$ 65,319	$ 104,886	$ (39,567)

Pension Expense

At June 30, 2020, the employer recognized pension expense of $(114.0) thousand for the JRS.

Deferred Outflows and Inflows

As of the fiscal year ended June 30, 2020, 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	$ 2,273	$ 1,450
Changes of assumptions	966	—
Differences between expected and actual experience	463	—
Contributions paid to JRS subsequent to the measurement date – FY 2020 contributions	1,988	—
Totals	$ 5,690	$ 1,450

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ 1,577
2022	(591)
2023	859
2024	407

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on 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 member's 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, 2020, the balance held by MPERA for HPORS DROP participants was approximately $3.8 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, 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 0.27%
- 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 117,532	$ 84,950	$ 58,614

Net Pension Liability
In accordance with GASB 68, the 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 6/30/18	Net Pension Liability as of 6/30/19	Percent of NPL
Employer's proportionate share	$ 78,382	$ 84,950	100%

At June 30, 2020, the employer reported a liability of $85.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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 6/30/2018	$ 227,581	$ 149,199	$ 78,382
Service costs	3,453	—	3,453
Interest	16,926	—	16,926
Difference expected and actual experience	2,413	—	2,413
Contributions – employer	—	5,845	(5,845)
Contributions – non-employer (State)	—	233	(233)
Contributions – member	—	2,002	(2,002)
Net investment income	—	8,269	(8,269)
Refund of contributions	(582)	(582)	—
Benefit payments	(12,063)	(12,063)	—
Administrative expense	—	(127)	127
Other changes	—	2	(2)
Net changes	10,147	3,579	6,568
Balances at 6/30/2019	$ 237,728	$ 152,778	$ 84,950

Pension Expense
At June 30, 2020, the employer recognized pension expense of $12.1 million for the HPORS.

Deferred Outflows and Inflows
At June 30, 2020, the employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $6.1 million.

As of the fiscal year ended June 30, 2020, 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	$ 2,798	$ —
Changes of assumptions	1,973	—
Net difference between projected and actual earnings on pension plan investments	733	—
Contributions paid to HPORS subsequent to the measurement date – FY 2020 contributions	6,209	—
Totals	$ 11,713	$ —

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ 4,087
2022	(38)
2023	862
2024	593

<u>Game Wardens' & Peace Officers' Retirement System</u> – 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, 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 – 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 2119. 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 73,739	$ 38,635	$ 9,965
Discretely presented component units employer GWPORS net pension liability	3,875	2,030	524
Total employer GWPORS net pension liability	$ 77,614	$ 40,665	$ 10,489

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
Primary government employer proportionate share	$ 38,851	$ 38,635	95.007027 %
Discretely presented component units employer proportionate share	2,096	2,030	4.992973 %
Total employer GWPORS proportionate share	$ 40,947	$ 40,665	100 %

At June 30, 2020, the employer reported a total liability of $40.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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 6/30/2018	$ 222,467	$ 183,616	$ 38,851
Service costs	7,604	—	7,604
Interest	16,738	—	16,738
Difference between expected and actual experience	(4,492)	—	(4,492)
Contributions – employer	—	4,452	(4,452)
Contributions – member	—	5,288	(5,288)
Net investment income	—	10,569	(10,569)
Refunds of contributions	(951)	(951)	—
Benefit payments	(6,983)	(6,983)	—
Administrative expense	—	(192)	192
Other changes [1]	296	245	51
Net changes	12,212	12,428	(216)
Balances at 6/30/2019	$ 234,679	$ 196,044	$ 38,635

[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 6/30/2018	$ 12,003	$ 9,907	$ 2,096
Service costs	400	—	400
Interest	880	—	880
Difference between expected and actual experience	(236)	—	(236)
Contributions - employer	—	234	(234)
Contributions - member	—	278	(278)
Net investment income	—	556	(556)
Refunds of contributions	(50)	(50)	—
Benefit payments	(367)	(367)	—
Administrative expense	—	(10)	10
Other changes [1]	(296)	(244)	(52)
Net changes	331	397	(66)
Balances at 6/30/2019	$ 12,334	$ 10,304	$ 2,030

[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, 2020, the employer recognized a total pension expense of $9.5 million for its proportionate share of the GWPORS pension expense: $9.1 million related to the primary government and $441.3 thousand related to component units.

Deferred Outflows and Inflows

At June 30, 2020, the State, as a primary government employer, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $4.4 million.

As of the fiscal year ended June 30, 2020, 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	$ 5,203	$ 3,593
Net difference between projected and actual earnings on pension plan investments	820	—
Changes in assumptions	2,233	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	221	136
Contributions paid to GWPORS subsequent to the measurement date – FY 2020 contributions	4,599	—
Totals	$ 13,076	$ 3,729

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	
2021	$	3,095
2022		1,487
2023		345
2024		(179)

The State's discretely presented component units, as employers, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $225.2 thousand.

As of the fiscal year ended June 30, 2020, 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	$	273	$	189
Net difference between projected and actual earnings on pension plan investments		43		—
Changes in assumptions		118		—
Changes in proportion and differences between employer contributions and proportionate share of contributions		—		85
Contributions paid to GWPORS subsequent to the measurement date – FY 2020 contributions		238		—
Totals	$	672	$	274

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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	
2021	$	128
2022		43
2023		6
2024		(17)

(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
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% 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.

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 8.77% of member compensation.
Local government entities are required to contribution 8.67% of member compensation.
School district employers contributed 8.40% 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, 2020, 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 the General Fund. Funding provided for the year ended June 30, 2020, totaled $33.6 million.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2019, 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 1,175,466	$ 818,162	$ 517,893
State as a nonemployer contributing entity to PERS-DBRP – net pension liability	733,123	510,277	323,003

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's proportionate share as an employer entity	$ 825,387	$ 818,162	39.140686 %
State's proportionate share as a nonemployer contributing entity	520,058	510,277	24.411533 %
State of Montana totals	$ 1,345,445	$ 1,328,439	63.552219 %

At June 30, 2020, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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, 2020, the State as an employer recognized a pension expense of $88.0 million for its proportionate share of the PERS-DBRP's pension expense. The State as a nonemployer contributing entity recognized grant expense of $1.0 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 $142.7 million that is actuarially allocated to the State as a nonemployer. The total pension expense recognized by the State as a nonemployer was $177.3 million. Total pension-related expenses recognized by the State, both as employer and nonemployer contributing entity at June 30, 2020, were $265.3 million.

Deferred Outflows and Inflows

At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $56.2 million.

As of the fiscal year ended June 30, 2020, 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	$ 38,795	$ 38,498
Net difference between projected and actual earnings on pension plan investments	9,920	—
Change of assumptions	34,734	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	116,912
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2020 contributions	58,504	—
Totals	$ 141,953	$ 155,410

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ (11,352)
2022	(73,202)
2023	3,690
2024	8,903

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $34.6 million.

As of the fiscal year ended June 30, 2020, 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	$ 24,196	$ 24,011
Net difference between projected and actual earnings on pension plan investments	6,187	—
Change of assumptions	21,663	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	191,364	—
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2020 contributions	35,008	—
Totals	$ 278,418	$ 24,011

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction to its share of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ 125,389
2022	86,156
2023	2,301
2024	5,553

<u>Sheriffs' Retirement System</u> – 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019 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 0.23%
- 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 2120. 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 7,216	$ 4,067	$ 1,486

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
Employer proportionate share	$ 3,663	$ 4,067	4.876949 %

At June 30, 2020, the State, as an employer, reported a liability of $4.1 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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, 2020, the employer recognized a pension expense/(income) of $63.0 thousand for its proportionate share of the SRS pension expense/(income).

Deferred Outflows and Inflows

At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $513.5 thousand.

As of the fiscal year ended June 30, 2020, 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	$ 262	$ 5
Net difference between projected and actual earnings on pension plan investments	79	—
Changes of assumptions	1,273	2,196
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	312
Contributions paid to SRS subsequent to the measurement date – FY 2020 contributions	530	—
Totals	$ 2,144	$ 2,513

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, 2019, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ (460)
2022	(645)
2023	109
2024	97

<u>Municipal Police Officers' Retirement System</u> – 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 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, 2020, the balance held by MPERA for MPORS DROP participants was approximately $10.7 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 the date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2020:

- 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019 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 0.00% 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 2133. 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 196,248	$ 133,487	$ 83,247

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State as a nonemployer contributing entity – proportionate share	$ 114,956	$ 133,487	67.063878 %

At June 30, 2020, the State, as a nonemployer contributing entity, reported a liability of $133.5 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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 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 $21.0 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, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $15.9 million.

As of the fiscal year ended June 30, 2020, 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	$ 11,847	$ 848
Net difference between projected and actual earnings on pension plan investments	2,481	—
Change of assumptions	2,685	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	209	—
tributions paid to MPORS subsequent to the measurement date – FY 2020 Contributions	16,677	—
Totals	$ 33,899	$ 848

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ 7,579
2022	2,955
2023	4,590
2024	1,250

<u>Firefighters' Unified Retirement System</u> – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The actuarial assumptions used in the June 30, 2019, 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 0.25%
- 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 adjustments 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 2133. 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 4,033	$ 2,309	$ 919
State as a nonemployer contributing entity to FURS – net pension liability	138,890	79,524	31,656

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's proportionate share as an employer entity	$ 2,650	$ 2,309	2.013129 %
State's proportionate share as a nonemployer contributing entity	78,285	79,524	69.323577 %
State of Montana totals	$ 80,935	$ 81,833	71.336706 %

At June 30, 2020, the State reported a liability of $81.8 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The proportion of the net pension liability was based on all employer and nonemployer contributions received by the FURS during the measurement period, July 1, 2018, through June 30, 2019, 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 effect 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, 2020, the State as an employer recognized pension expense of $530.1 thousand for its proportionate share of the FURS pension expense. The State also recognized grant expense of $17.0 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, 2020, was $17.5 million.

Deferred Outflows and Inflows
At June 30, 2020, the State, as an employer, recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $493.5 thousand.

As of the fiscal year ended June 30, 2020, 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	$ 208	$ 24
Net difference between projected and actual earnings on pension plan investments	77	—
Change of assumptions	170	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	30	171
Contributions paid to FURS subsequent to the measurement date – FY 2020 contributions	599	—
Totals	$ 1,084	$ 195

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, 2019, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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**
2021	$ 191
2022	7
2023	90
2024	50
2025	(48)

At June 30, 2020, the State recognized a beginning deferred outflow of resources as a nonemployer contributing entity for fiscal year 2019 contributions of $16.2 million.

As of the fiscal year ended June 30, 2020, 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	$ 7,149	$ 825
Net difference between projected and actual earnings on pension plan investments	2,650	—
Change in assumptions	5,863	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,186	—
Contributions paid to FURS subsequent to the measurement date – FY 2020 contributions	17,147	—
Totals	$ 33,995	$ 825

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.
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
2021	$ 5,294
2022	2,773
2023	4,693
2024	3,160
2025	103

<u>Volunteer Firefighters' Compensation Act</u> – 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2019, 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 $70.6 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 2111. 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, 2019, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
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	$ 11,433	$ 6,907	$ 3,069

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State as a nonemployer proportionate share	$ 7,667	$ 6,907	100 %

At June 30, 2020, the State reported a liability of $6.9 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, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. 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, 2018, through June 30, 2019, 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 $1.5 million 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, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $2.4 million.

As of the fiscal year ended June 30, 2020, 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	$ —	$ 426
Net difference between projected and actual earnings on pension plan investments	363	—
Contributions paid to VFCA subsequent to the measurement date – FY 2020 contributions	2,475	—
Totals	$ 2,838	$ 426

Amounts reported as deferred outflows of resources related to pensions resulting from the State's contributions made subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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
2021	$ (123)
2022	(210)
2023	99
2024	171

<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 one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also 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 11.45% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.07% of an active, non-reemployed, 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, 2019, is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial

assumptions used in the July 1, 2019, 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%. Since an increase in the amount of the GABA is not automatic and must be approved by the TRS, the assumed increase was lowered from 1.5% to the current rate of 0.5% per annum.
- 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 are 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 2124. 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). It 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 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. Based on this information, the TRS's adopted assumption of 5.00% for the real return is reasonable. 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, 2019, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	35.00%	6.05%
Broad International Equity	18.00%	7.01%
Private Equity	10.00%	10.53%
Natural Resources	3.00%	4.00%
Core Real Estate	7.00%	5.65%
TIPS	3.00%	1.40%
Intermediate Duration Bonds	19.00%	2.17%
High Yield Bonds	3.00%	4.09%
Cash	2.00%	0.78%
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	$ 63,590	$ 46,493	$ 32,168
State as a nonemployer contributing entity to TRS – net pension liability	978,810	715,637	495,140

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 6/30/18	Net Pension Liability as of 6/30/19	Percent of Collective NPL
State's as an employer entity	$ 47,407	$ 46,493	2.411113 %
State's as a nonemployer entity	700,417	715,637	37.112880 %
State of Montana totals	$ 747,824	$ 762,130	39.523993 %

At June 30, 2020, the State reported a liability of $762.1 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2018, through June 30, 2019, relative to all contributions received from the TRS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: The GABA for Tier Two members is a variable rate between 0.5% and 1.5% as determined by the TRS. Since an increase in the amount of the GABA is not automatic and must be approved by the TRS, the assumed increase was lowered from 1.5% to the current rate of 0.5% per annum.

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, 2020, the State as an employer recognized a pension expense of $15.2 million for its proportionate share of the collective TRS pension expense. The State as a nonemployer contributing entity also recognized grant expense of $69.3 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 2020 was $83.4 million.

Deferred Outflows and Inflows
At June 30, 2020, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $16.5 million.

As of the fiscal year ended June 30, 2020, 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	$ 308	$ —
Net difference between projected and actual earnings on pension plan investments	451	—
Change of assumptions	2,321	104
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,034	815
Contributions paid to TRS subsequent to the measurement date – FY 2020 contributions	16,686	—
Totals	$ 32,800	$ 919

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and 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**
2021	$ 8,418
2022	4,854
2023	1,550
2024	373

At June 30, 2020, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2019 contributions of $44.3 million.

As of the fiscal year ended June 30, 2020, 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	$ 4,737	$ —
Net difference between projected and actual earnings on pension plan investments	6,937	—
Changes of assumptions	35,734	1,604
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,011	28,569
Contributions paid to TRS subsequent to the measurement date – FY 2020 Contributions	44,841	—
Totals	$ 97,260	$ 30,173

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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

	(in thousands)
Year ended June 30:	**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**
2021	$ 16,683
2022	(173)
2023	(8)
2024	5,744

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, 2020. 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, 2020, 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, 2020, is $8.3 million and, contribution forfeitures were $448.6 thousand.

Local government entities contribute 8.67% of member compensation. School district employers contributed 8.40% 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 8.77% of member compensation.

The total contribution rate of 8.77%, referenced in the preceding paragraph, is allocated as follows: 8.43% 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 60 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 16.67% 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 investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were $17.2 million, and the total employee contributions were $19.9 million for the fiscal year ended June 30, 2020.

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. 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. Mortgages are present value adjusted. 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 2020, 261 employees participated 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 2020 totaled $17.9 thousand. The outstanding balance at June 30, 2020, totaled $9.2 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 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. Counsel representing the class are Lawrence A. Anderson from Great Falls, Montana and Tom and Sean Morrison from Helena, Montana.

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 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. MPERA filed a notice of submittal on July 22, 2019. On August 21, 2020, an amended Scheduling Order was issued by the Court extending deadlines for periods of discovery as well as all pre-trial dates. This matter was settled between the parties on October 8, 2020.

PERB v. Lewis and Clark County. On May 1, 2020, the PERB filed a Complaint for Declaratory Relief in the First Judicial District of Montana against Lewis and Clark County. This complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, vests the PERB with the authority to actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of Lewis and Clark County that has terminated its participation in a PERB administered defined benefit plan, and compel the payment of and collect this unfunded pension liability upon this component unit's termination. On May 13, 2020, Lewis and Clark County filed a motion to dismiss the Complaint. This motion has been fully briefed by both parties and the PERB awaits a ruling from the Court. On June1, 2020, the PERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County. On June 18, 2020, Lewis and Clark County filed a motion to dismiss PERB's First Amended Complaint. This motion has been fully briefed and the PERB awaits a ruling from the Court.

Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. PERB and MPERA. On May 1, 2020, the MACo filed a Complaint for Declaratory Judgement, Injunctive Relief, and a Writ of Prohibition against the PERB and MPERA in the First Judicial District Court of Lewis and Clark County. This Complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that the 1947 Contract between the PERB and Lewis and Clark County and Cascade County, as well as other similar agreements between the PERB and all other Montana counties, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that MACo is entitled to a preliminary and permanent injunction enjoining PERB from assessing withdrawal penalties against Montana counties, and that MACo is entitled to a Writ of Prohibition arresting the PERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo amended its original pleading by filing its First Amended Complaint. This amendment added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as the additional claims for breach of express and implied contract. On June 25, 2020, the PERB filed a Motion to Dismiss, or in the Alternative, Partial Summary Judgement with regard to the Plaintiffs' Count II, IV, V, and VI. This motion has been fully briefed by all parties and PERB awaits a ruling from the Court.

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 is 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 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, 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.

As of December 31, 2019, the State OPEB plan's administratively established retiree medical premiums vary between $448.00 and $1,777.00 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. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare.

As of June 30, 2020, the MUS OPEB plan's administratively established retiree medical premiums vary between $368.00 and $2,746.00 per month. Retiree dental premiums vary between $52.00 and $156.00 per month, while vision premiums vary from $10.70 to $31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was 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. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

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, 2020.

The number of State Plan participants as of March 31, 2020, follows:

State Plan Participants

Enrollment	State (1)	Facility Finance Authority (2)	Montana Board of Housing (2)	Public Employee Retirement Board (2)	Montana State Fund (2)	Teachers Retirement System (2)	Total
Active employees	12,056	1	12	48	279	21	12,417
Retired employees, spouses, and surviving spouses	2,514	2	3	1	20	6	2,546
Total	14,570	3	15	49	299	27	14,963

The number of MUS Plan participants as of March 31, 2020, follows:

MUS Plan Participants

Enrollment	MSU-GFC (2)	UM-HC (2)	MSU-Billings (2)	MSU-Bozeman (2)	MSU-Northern (2)	OCHE (1)	UM-Missoula (2)	UM-MT Tech (2)	UM-Western (2)	Total
Active employees	110	82	451	3,136	171	63	1,874	388	191	6,466
Retired employees, spouses, and surviving spouses	7	14	117	493	34	17	500	102	56	1,340
Total	117	96	568	3,629	205	80	2,374	490	247	7,806

(1) Primary Government
(2) 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 6/30/2019	$ 54,593	$ 1,104	$ 55,697	$ 425	$ 38,923	$ 39,348
Changes for the year:						
Service cost	1,899	47	1,946	11	1,725	1,736
Interest	1,554	32	1,586	12	1,118	1,130
Difference between expected and actual experience	(9,504)	95	(9,409)	(162)	(14,853)	(15,015)
Changes of assumptions or other inputs	(1,828)	(49)	(1,877)	(18)	(1,773)	(1,791)
Benefit payments	(585)	(16)	(601)	15	1,426	1,441
Net changes	(8,464)	109	(8,355)	(142)	(12,357)	(12,499)
Balances at 6/30/2020 [1]	$ 46,129	$ 1,213	$ 47,342	$ 283	$ 26,566	$ 26,849

[1] State and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2019 and 2020 for the State Plan was 100% both years and for the MUS Plan is 95.59% and 94.92%, 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, 2019, rolled forward to March 31, 2020, 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 (weighted average):		
Before Medicare eligibility	$ 14,772	$ 5,470
After Medicare eligibility	5,376	4,659
Actuarial valuation date	December 31, 2019	
Experience study period	January 1, 2017 through December 31, 2019	
Actuarial measurement date (1)	March 31, 2020	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.75%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
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 a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

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	$ 11,212	$ 9,199
After Medicare eligibility	4,301	5,295
Actuarial valuation date	December 31, 2019	
Actuarial measurement date (1)	March 31, 2020	
Experience study period	January 1, 2017 through December 31, 2019	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.75%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

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

Mortality - Healthy: 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 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 a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

Changes in benefit terms since last measurement date: Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

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 (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current discount rate:

	State OPEB plan (in thousands)		
	1.0% Decrease (1.75%)	Current Discount Rate (2.75%)	1.0% Increase (3.75%)
Primary Government	$ 59,852	$ 46,129	$ 36,138
Discrete Component Units	1,616	1,213	916
Total OPEB liability	$ 61,468	$ 47,342	$ 37,054

	MUS OPEB plan (in thousands)		
	1.0% Decrease (1.75%)	Current Discount Rate (2.75%)	1.0% Increase (3.75%)
Primary Government	$ 382	$ 283	$ 211
Discrete Component Units	35,949	26,566	19,794
Total OPEB liability	$ 36,331	$ 26,849	$ 20,005

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 (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current healthcare cost trend rates:

	State Plan (in thousands)		
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	$ 36,175	$ 46,129	$ 60,223
Discrete Component Unit	915	1,213	1,630
Total OPEB liability	$ 37,090	$ 47,342	$ 61,853

	MUS Plan (in thousands)		
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	$ 211	$ 283	$ 384
Discrete Component Unit	19,731	26,566	36,276
Total OPEB liability	$ 19,942	$ 26,849	$ 36,660

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the State OPEB plan's OPEB expense is $2.5 million and the MUS OPEB plan's OPEB expense is $1.5 million.

At June 30, 2020, 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	$ —	$ 12,210
Changes of assumptions or other inputs	16,160	15,732
Total	$ 16,160	$ 27,942
Discrete Component Units		
Difference between expected and actual experience	$ 132	$ 137
Changes of assumptions or other inputs	431	420
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability(1)	4	—
Total	$ 567	$ 557

In prior years, the amounts deferred for transactions subsequent to the measurement date of the total OPEB liability were employer contributions. In the year ending June 30, 2020, such contributions were significantly reduced or nonexistent because fewer medical claims were experienced during the period subsequent to the measurement date. This was due to postponement of procedures, by hospitals and clinics, in response to the COVID-19 pandemic.

At June 30, 2020, 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	$ —	$ 159
Changes of assumptions or other inputs	106	113
Total	$ 106	$ 272
Discrete Component Units		
Difference between expected and actual experience	$ —	$ 14,663
Changes of assumptions or other inputs	10,352	11,070
Total	$ 10,352	$ 25,733

In prior years, the amounts deferred for transactions subsequent to the measurement date of the total OPEB liability were employer contributions. In the year ending June 30, 2020, such contributions were significantly reduced or nonexistent because fewer medical claims were experienced during the period subsequent to the measurement date. This was due to postponement of procedures, by hospitals and clinics, in response to the COVID-19 pandemic.

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
2021	$ (1,057)	$ (1)	$ (1,058)
2022	(1,057)	(1)	(1,058)
2023	(1,057)	(1)	(1,058)
2024	(1,057)	(1)	(1,058)
2025	(1,057)	(1)	(1,058)
Thereafter	(6,497)	11	(6,486)

	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
2021	$ (14)	$ (1,321)	$ (1,335)
2022	(14)	(1,321)	(1,335)
2023	(14)	(1,321)	(1,335)
2024	(14)	(1,321)	(1,335)
2025	(14)	(1,321)	(1,335)
Thereafter	(96)	(8,776)	(8,872)

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, 2020, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for one employee provided for up to six months, one-time lump-sum incentive payments for 15 employees, and paid administrative leave for 15 employees.

During the year ended June 30, 2020, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 12 employees.

During the year ended June 30, 2020, the cost of termination benefits for the fiscal year was $107.1 thousand and $366.4 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 532 policies during the 2020 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 reserve fund's actuarial soundness 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 2020 growing season, with a 75.0% share of premiums and losses allotted to the Reinsurer and a 25.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of $11.1 thousand, which is 25.0% of the estimated claims ($42.6 thousand) plus adjustment expenses through June 30, 2020. The amount deducted from the estimated claims as of June 30, 2020, for reinsurance was $31.9 thousand (75.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2020, were $844.6 thousand, which was 75.0% of total premiums of $1.1 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, and 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 $10.3 million as of June 30, 2020, 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 MUS employees. 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 2020, the program ceded $361.2 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses 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 $4.8 million for estimated claims at June 30, 2020. 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 a 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 administration expenses, 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, 2020, this liability amount was estimated to be $2.4 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	
	2020	2019	2020	2019	2020	2019
Unpaid claims and claim adjustment expenses at beginning of year	$ 17	$ 35	$ 10,000	$ 10,200	$ 6,789	$ 5,831
Incurred claims and claim adjustment expenses: provision for insured events of the current year	793	422	92,564	88,473	1,992	2,523
Increase (decrease) in provision for insured events of prior years	(5)	96	—	—	(2,485)	93
Total incurred claims and claim adjustment expenses	788	518	92,564	88,473	(493)	2,616
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(782)	(405)	(92,264)	(88,673)	(539)	(644)
Claims and claim adjustment expenses attributable to insured events of prior years	(12)	(131)	—	—	(920)	(1,014)
Total payments	(794)	(536)	(92,264)	(88,673)	(1,459)	(1,658)
Total unpaid claims and claim adjustment expenses at end of year	$ 11	$ 17	$ 10,300	$ 10,000	$ 4,837	$ 6,789

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 $2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below $2.0 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, 2010, through June 30, 2020, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2020, the estimated claims liability was $53.8 million. Of the $53.8 million estimated claims liability, $36.4 million is related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

(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, 2020, 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

$19.0 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2021, $18.8 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, 2020, 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, 2020, $48.3 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	
	2020	2019	2020	2019	2020	2019
Amount of claims liabilities at the beginning of each fiscal year	$ 16,157	$ 15,180	$ 18,896	$ 17,723	$ 44,266	$ 31,109
Incurred claims:						
Provision for insured events of the current year	7,091	4,803	170,812	175,435	—	—
Increase (decrease) in provision for insured events of prior years	1,120	12,348	(4,377)	(1,672)	12,616	22,193
Total incurred claims	8,211	17,151	166,435	173,763	12,616	22,193
Payments:						
Claims attributable to insured events of the current year	(3,063)	(2,167)	(151,950)	(156,695)	—	—
Claims attributable to insured events of prior years	(3,874)	(14,007)	(14,399)	(15,895)	(8,602)	(9,036)
Total payments	(6,937)	(16,174)	(166,349)	(172,590)	(8,602)	(9,036)
Total claims liability at end of each fiscal year	$ 17,431	$ 16,157	$ 18,982	$ 18,896	$ 48,280	$ 44,266

(1) $36.4 million of additional claims for the Administration Insurance Plans not included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2020, the Department of Transportation had contractual commitments of approximately $281.5 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, 2020, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $60.9 million for capital projects construction. The primary government will fund $40.4 million of these projects, with the remaining $20.5 million funded from the Montana University System.

At June 30, 2020, Fish, Wildlife, and Parks had contractual commitments of approximately $1.9 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, 2020, BOI had committed, but not yet purchased, $21.7 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $8.1 million for loans as of June 30, 2020. As of June 30, 2020, another $825.9 thousand 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, 2020, 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, 2020, totaled $29.6 million.

D. Department of Corrections Bond Commitments

At June 30, 2020, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of $10.3 million, of which $1.8 million in principal payments are scheduled to be paid by June 30, 2021. These bonds have been issued to facilities operating treatment and pre-release 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, 2020, the Department of Labor and Industry, had $1.9 million contractual commitments for Montana State AmeriCorps Programs and a $1.8 million commitment for information technology contracts. The funding for these programs is federal grants, state special revenue funds, and proprietary 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
BOI Municipal Finance Programs	$ 12
Liquor Warehouse	186
State Lottery Fund	19
Prison Industries	3
Other Enterprise Funds	1
Subtotal - Enterprise funds	$ 221
Internal Service Funds	
SABHRS Finance and Budget Bureau	$ 218
Investment Division	49
Labor Central Services	1,193
Subtotal - Internal Service funds	$ 1,460

G. Encumbrances

As of June 30, 2020, 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	$ 39,219	$ 16,769	$ 939	$ 50,452	$ 107,379

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 if the 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, 2020, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2021	$ 5,918	$ 12
2022	4,419	11
2023	2,905	4
2024	2,003	—
2025	1,571	—
2026 - 2030	3,877	—
2031 - 2035	1,660	—
Total minimum payments	22,353	27
Less: interest	(1,736)	(1)
Present value of minimum payments	$ 20,617	$ 26

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

Asset Class	
Buildings	$ 1,596
Equipment	38,568
Less: Accum Depreciation	(13,137)
Net Book Value	$ 27,027

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2020 totaled $26.3 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2021	$ 23,465	$ 663
2022	21,675	611
2023	19,999	562
2024	17,047	563
2025	14,235	537
2026 - 2030	48,192	1,441
2031 - 2035	26,588	758
Thereafter	13,604	735
Total future rental payments	$ 184,805	$ 5,870

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 2020, the State issued two bond anticipation notes. The proceeds of the State Revolving Fund Programs Wastewater 2020D and Drinking Water 2019D issuances were used to fund wastewater and drinking water system improvements and rehabilitation. The State made some payments to Drinking Water 2019A, as well as paid off Wastewater 2019B, during fiscal year 2020. An additional bond anticipation note has been authorized, but not issued as of fiscal year-end. The following schedule summarizes the activity for the year ended June 30, 2020 (in thousands):

Bond Anticipation Notes	Beginning Balance	Additions	Reductions	Ending Balance
Water/Wastewater - 2019B	1,190	1,910	3,100	—
Drinking Water - 2019A	1,400	1,500	2,300	600
Drinking Water – 2019D [1]	—	1,300	—	1,300
Water/Wastewater – 2020D [1]	—	1,100	—	1,100

(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 did not resell the bonds 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, 2020, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2020
2003	$ 15,000	$ 14,310
2004	18,500	17,975
2007	15,000	14,620
2010	12,000	11,880
2013	12,000	11,960
2017	20,000	19,925
		$ 90,670

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2020 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$ 105,065	$ —	$ 14,395	$ 90,670

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, 2020, were as follows (in thousands):

				Principal Payments		
Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Fiscal Year 2021	In Year of Maturity (2)	Balance June 30, 2020
General obligation bonds						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	180	200 (2023)	570
CERCLA Program (5)	2005D	2,000	3.25-4.3	115	140 (2026)	765
Energy Conservation Program (4)	2006B	3,750	4.0-6.0	320	330 (2022)	650
Long-Range Bldg Program	2008D	3,100	3.375-4.35	160	220 (2028)	1,495
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	710	710 (2021)	710
Trust Land (Taxable)	2010F	21,000	1.55-4.9	1,000	1,450 (2031)	13,265
Long-Range Bldg Program	2010G	550	1.5-2.7	60	60 (2021)	60
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	670	720 (2023)	2,085
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	685	115 (2025)	3,010
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,085	820 (2028)	17,555
Water Pollution Control Revolving Fund (3)	2015C	24,365	3.0-5.0	905	1,860 (2036)	21,185
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,605	3,465 (2030)	28,900
Total general obligation bonds		$147,730		$ 9,495		$ 90,250
Special revenue bonds						
Renewable Resource Program (Taxable) (7)	2010C	6,720	0.9-4.2	410	170 (2031)	3,540
Renewable Resource Program (7)	2013A	2,255	2.0-3.625	145	155 (2024)	595
Renewable Resource Program (Taxable) (7)	2013B	3,390	1.0-4.75	210	290 (2029)	2,215
U.S. Highway 93 GARVEE Refunding (8)	2016	22,540	0.74-1.86	3,390	3,740 (2023)	10,685
State Hospital Project (6)	2018	4,575	4.0-5.05	1,130	1,165 (2022)	2,295
Total special revenue bonds		$ 39,480		$ 5,285		$ 19,330

Governmental Activities	Amount Issued	Interest Range (%) [1]	Principal Payments Fiscal Year 2021	Principal Payments In Year of Maturity [2]	Balance June 30, 2020
Notes Payable					
Middle Creek Dam Project [9]	3,272	8.125	96	226 (2034)	1,854
Tongue River Dam Project [10]	11,300	—	290	290 (2038)	5,215
ITSD IBM Professional Services	758	0.19	167	72 (2023)	409
Total notes payable	$ 15,330		$ 553		$ 7,478
Subtotal governmental activities, before unamortized balances					117,058
Unamortized premium					10,348
Total governmental activities	$202,540		$ 15,333		$ 127,406

(1) The interest range is over the life of the obligation.
(2) Year of maturity refers to fiscal year.
(3) This bond provides 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, 2020, 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
2021	$ 9,495	$ 3,656	$ 5,285	$ 913	$ 553	$ 8
2022	8,845	3,571	5,510	678	560	44
2023	8,905	3,104	4,565	432	465	41
2024	8,320	2,737	860	209	398	41
2025	7,965	2,350	745	141	403	41
2026 - 2030	35,350	6,765	2,195	271	2,095	204
2031 - 2035	9,510	1,547	170	5	2,135	163
2036 - 2040	1,860	47	—	—	869	—
Total	$ 90,250	$ 23,777	$ 19,330	$ 2,649	$ 7,478	$ 542

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2020, were as follows (in thousands):

	Beginning Balance [4]	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	$ 73,090	$ 28,900	$ 11,740	$ 90,250	$ 9,495	$ 80,755
Special revenue bonds	38,425	—	19,095	19,330	5,285	14,045
Notes payable	8,150	—	672	7,478	553	6,925
	119,665	28,900	31,507	117,058	15,333	101,725
Unamortized discount	(7)	7	—	—	—	—
Unamortized premium	7,461	2,887	—	10,348	—	10,348
Total bonds/notes payable [3]	127,119	31,794	31,507	127,406	15,333	112,073
Other liabilities						
Lease/installment purchase payable	12,545	16,653	8,581	20,617	5,634	14,983
Operating lease rent holiday	8	—	8	—	—	—
Compensated absences payable [1]	101,685	59,366	51,758	109,293	51,621	57,672
Estimated insurance claims [1] [2]	79,318	187,262	145,482	121,098	46,576	74,522
Pollution remediation	177,850	—	4,358	173,492	14,250	159,242
Net pension liability	2,220,765	49,435	27,116	2,243,084	—	2,243,084
Total OPEB liability	54,012	—	8,419	45,593	—	45,593
Total other liabilities	2,646,183	312,716	245,722	2,713,177	118,081	2,595,096
Total governmental activities long-term liabilities	$ 2,773,302	$ 344,510	$ 277,229	$ 2,840,583	$ 133,414	$ 2,707,169
Business-type activities						
Lease/installment purchase payable	$ 18	$ 53	$ 45	$ 26	$ 11	$ 15
Compensated absences payable	2,022	1,055	860	2,217	860	1,357
Arbitrage rebate tax payable	44	21	43	22	—	22
Estimated insurance claims	19,069	92,423	93,969	17,523	12,942	4,581
Net pension liability	11,943	662	1,095	11,510	—	11,510
Total OPEB liability	1,004	—	187	817	—	817
Total business-type activities long-term liabilities	$ 34,100	$ 94,214	$ 96,199	$ 32,115	$ 13,813	$ 18,302

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.
(2) $36.4 million Administration Insurance Plans included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.
(3) Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.
(4) Total OPEB liability and Pension benefits payable beginning balances were restated due to prior period adjustments.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make several prepayments: $1.2 million on Series 2010B general obligation bond, $450.0 thousand on Series 2013D general obligation bond, $1.2 million on Series 2013E general obligation bond, $805.0 thousand on Series 2003A special revenue bond, $1.1 million on Series 2010B state special revenue bond, and $865.0 thousand on Series 2013A special revenue bond. The prepayments on all three general obligation bonds, as well as those made to special revenue bonds Series 2003A and Series 2010B, resulted in payoffs.

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, 2020, 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, 2020, QSCB debt outstanding aggregated $3.9 million.

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, 2020, was $173.5 million. Of this liability, $4.5 million resulted in settlement agreements to provide restoration of natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; $162.5 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (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 $88.3 million as of June 30, 2020. 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 $54.0 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, 2020 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 88,941	$ 4,000	$ 4,595	$ 88,346

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 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, 2020, consisted of the following (in thousands):

	Due to Other Funds								
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Enterprise Funds (2)	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds									
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ —	$ 8	$ —	$ 8
Federal Special Revenue	—	—	2,871	—	—	—	—	11	2,882
General Fund	—	1,499	—	—	—	15,954	—	9,018	26,471
Internal Service Funds	40	26	—	—	—	—	—	43	109
Municipal Finance Programs	—	—	—	1,924	—	—	1,414	—	3,338
Nonmajor Governmental Funds	—	308	29	—	—	—	—	1,110	1,447
State Special Revenue (1)	550	18	170	—	1,750	125	524	—	3,137
Total	$ 590	$ 1,851	$ 3,070	$ 1,924	$ 1,750	$ 16,079	$ 1,946	$ 10,182	$ 37,392

(1) Total due from other funds to the state special revenue fund on the fund financial statement is reported as $13.7 million. The difference of $10.6 million between the amount reported above of $3.1 million 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.

(2) Total due to other funds from the non-major enterprise funds on the fund financial statement is reported as $16.3 million. The difference of $245.1 thousand between the amount reported above of $16.1 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, 2020, consisted of the following (in thousands):

	Interfund Loans Payable								
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	Unemployment Insurance	Total
Interfund Loans Receivable									
General Fund	$ 1,332	$ 88,769	$ 258	$ 257	$ 80	$ 5,283	$ —	$ —	$ 95,979
Nonmajor Enterprise Funds	—	61	—	—	—	—	—	—	61
Nonmajor Governmental Funds	—	—	—	—	—	5	—	—	5
State Special Revenue	—	100,225	19	200	—	—	10	1,500	101,954
Total	$ 1,332	$ 189,055	$ 277	$ 457	$ 80	$ 5,288	$ 10	$ 1,500	$197,999

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, 2020, 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	$ —	$ —	$ 2,507	$ —	$ 2,507
General Fund	355	—	—	—	355
Municipal Finance Programs	—	5,407	1,601	—	7,008
Nonmajor Governmental Funds	—	—	—	6,065	6,065
State Special Revenue	25,131	—	3,217	—	28,348
Total	$ 25,486	$ 5,407	$ 7,325	$ 6,065	$ 44,283

Additional detail for certain advance balances at June 30, 2020, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program

Departmental Function	Balance
Natural Resources and Conservation	$ 1,601
Fish, Wildlife, and Parks	756
Transportation	4,651
Total	$ 7,008

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, 2020, 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	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ 2
Federal Special Revenue	—	—	20	—	—	—	—	1,465	1,485
General Fund [1]	21,600	114	—	—	5	50,522	—	14,532	86,773
Internal Service Funds	—	—	1,400	—	—	—	—	34,737	36,137
Land Grant	—	—	5	—	—	—	—	1	6
Nonmajor Enterprise Funds	—	—	—	—	—	—	—	458	458
Nonmajor Governmental Funds	589	31,838	19,685	—	2,187	—	1,376	12,987	68,662
State Special Revenue	11,598	16,681	55,839	391	59,393	8,752	23,559	—	176,213
Total	$ 33,787	$ 48,633	$ 76,949	$ 391	$ 61,585	$ 59,274	$ 24,937	$ 64,180	$369,736

(1) $57.1 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 $944.0 thousand. The difference of $553.3 thousand between the amount reported above of $390.7 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 $59.4 million. The difference of $120.9 thousand between the amount reported above of $59.3 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, 2020, as follows (in thousands):

Fund Type/Fund	Deficit [1]
Governmental Funds	
Federal Special Revenue [2]	$ (6,800)
Federal/Private Construction Grants	(710)
Internal Service Funds	
Information Tech Services	$ (16,334)
Building and Grounds	(1,171)
Admin Central Services	(1,817)
Labor Central Services	(5,962)
Commerce Central Services	(1,377)
OPI Central Services	(2,227)
DEQ Indirect Cost Pool	(3,623)
Payroll Processing	(1,638)
Warrant Processing	(8)
Investment Division	(2,298)
Aircraft Operation	(678)
Justice Legal Services	(709)
Personnel Training	(159)
Other Internal Services	(345)
SABHRS Finance & Budget Bureau	(252)
Enterprise Fund	
State Lottery	$ (1,898)
Subsequent Injury	(1,313)
Local Government Audits	(163)

(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) Delayed fire season federally reimbursable costs, which are currently reported as unavailable revenues within deferred inflow of resources, is a significant factor creating this deficit.

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, 2020.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 124,482	$ 46,545	$ 22,478	$ 3,280	$ 156	$ 88,698	$ 285,639
Taxes	212,989	5,091	260,331	—	—	16,733	495,144
Charges for services	26,865	18,209	9,307	33,009	2,346	16,905	106,641
Investment earnings	700	11,852	507	491	1,513	24,100	39,163
Securities lending income	—	27	—	—	3	45	75
Sale of documents/ merchandise/property	1,386	3,417	89	84	6	7,554	12,536
Rentals/leases/royalties	298	16	672	50	7	303	1,346
Contributions/premiums	28,290	—	—	5,204	—	315	33,809
Grants/contracts/donations	1,495	767	276	10,545	1,791	4,629	19,503
Federal	6,184	—	1	430	27	—	6,642
Federal indirect cost recoveries	—	—	52,086	43	—	5,380	57,509
Other revenues	2,112	429	291	140	193	784	3,949
Transfers in	35,320	8,602	1,536	8,034	1,264	121,457	176,213
Total State Special Revenue	$ 440,121	$ 94,955	$ 347,574	$ 61,310	$ 7,306	$ 286,903	$ 1,238,169

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	$ 818	$ 6	$ —	$ 6,531	$ 1	$ 2	$ 7,358
Investment earnings	456	17	—	—	57	138	668
Securities lending income	37	—	—	—	—	—	37
Grants/contracts/donations	—	—	—	13	59	—	72
Federal	204,771	18,983	565,747	2,071,021	193,655	126,323	3,180,500
Federal indirect cost recoveries	—	—	—	91,703	58	1,526	93,287
Other revenues	6	9	—	1,269	2	3	1,289
Transfers in	—	1,356	—	109	20	—	1,485
Total Federal Special Revenue	$ 206,088	$ 20,371	$ 565,747	$ 2,170,646	$ 193,852	$ 127,992	$ 3,284,696

Governmental Fund Balance By Function, June 30, 2020
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances:							
Nonspendable							
Inventory	$ 3,704	$ 20,118	$ —	$ —	$ —	$ —	$ 23,822
Permanent fund principal	—	500	—	655,267	845,746	384,871	1,886,384
Long-term notes/receivables	355	—	—	—	—	—	355
Prepaid expense	844	692	252	—	—	—	1,788
Total nonspendable	4,903	21,310	252	655,267	845,746	384,871	1,912,349
Restricted							
General government	—	27,413	—	—	—	24,353	51,766
Public safety	—	198,844	—	—	—	1	198,845
Transportation	—	127,891	—	—	—	—	127,891
Health and human services	—	9,020	—	—	—	680	9,700
Education	—	14,502	—	—	—	7	14,509
Natural resources	—	768,734	—	—	—	10,696	779,430
Total restricted	—	1,146,404	—	—	—	35,737	1,182,141
Committed							
General government	117,773	140,565	—	566,510	—	28,148	852,996
Public safety	—	61,203	—	—	—	—	61,203
Transportation	—	16,837	—	—	—	—	16,837
Health and human services	—	40,453	—	—	—	—	40,453
Education	—	19,946	—	—	—	—	19,946
Natural resources	—	389,397	—	—	—	26,809	416,206
Total committed	117,773	668,401	—	566,510	—	54,957	1,407,641
Assigned							
General government	—	—	—	—	—	836	836
Public safety	—	—	—	—	—	208	208
General Fund spend down	72,700	—	—	—	—	—	72,700
Encumbrance	16,769	—	—	—	—	—	16,769
Total assigned	89,469	—	—	—	—	1,044	90,513
Unassigned	380,667	—	(7,051)	—	—	(709)	372,907
Total fund balance	$ 592,812	$ 1,836,115	$ (6,799)	$ 1,221,777	$ 845,746	$ 475,900	$ 4,965,551

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 Department of Labor and Industry Workforce Services Division rents space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The term of the lease is July 1, 2019 and ending June 30, 2022. The annual lease amount is currently set at $35.0 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 $95.9 thousand for the fiscal year ended June 30, 2020.

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 $16.9 thousand for the fiscal year ended June 30, 2020.

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 2020 was $3.1 million. The loans have interest rates of 2.5% 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, which includes recusing oneself in matters related to a conflict of interest. DEQ is required to go through a competitive bidding process to ensure this State law is followed. 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 oversight, and is also a shareholder of a separate company that receives funds. A DEQ employee's spouse is an elected City Commissioner for the City of Helena which was awarded $25.5 thousand in VW Settlement funds for three electric charging stations by DEQ. Total payments to all related parties were direct payments to the contractors in the amount of $282.2 thousand and $34.0 thousand, and indirect payments to the bank and the insurance company in the amount of $45.1 thousand and $12.1 thousand, respectively, for the fiscal year ended June 30, 2020.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery 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, and serves as the Secretary of its board of directors. As such, the Director of the Montana Lottery is in a management position for both MUSL and the Montana Lottery, which 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, 2020. The prize reserve monies are assets of the Montana Lottery and would be returned if the Montana 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 prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess prize payments. The Montana Lottery paid MUSL $5.4 million for its share of prizes and received reimbursements for prizes in the amount of $3.0 million for the fiscal year ended June 30, 2020.

There are campus-affiliated foundations within the Montana University System (MUS) as identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campus. As such, transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. These transactions do not affect the financial statements in any way; however, total such transactions were $7.3 thousand for the fiscal year ended June 30, 2020.

In addition, the MUS Group Insurance Program offers insurance coverage and receives insurance premiums from other related parties such as the campus-affiliated foundation and the community colleges. This premium revenue for campus-affiliated foundations and the community colleges approximately amounts to $6.5 million for the fiscal year ended June 30, 2020.

Montana Higher Education Student Assistance Corporation (MHESAC) has no employees and its business operations are managed by the Student Assistance Foundation (SAF). A Board of Regents board member is also a MHESAC Board of Directors member, an Office of the Commissioner of High Education OCHE staff member is a MHESAC officer, and the Commissioner of Higher Education is an Ex-Officio member of the board.

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. Still 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. 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 enforce their statutes diligently.

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 a precedent for future NPM Adjustment proceedings, except for the ruling on the burden of proof.

A stipulated dismissal with prejudice was filed on November 17, 2020 following a settlement of $65.3 million to be paid to the State for withheld payments from the disputed payment account. The State also secured ongoing relief for the next eleven years preventing the participating manufacturers from claimed the State did not diligently enforce the Master Settlement Agreement.

<u>PPL v. Montana</u> 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 the 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 the 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. 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 of 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 rules 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, now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL), is scheduled for a bench trial beginning September 27, 2021. All Defendants have answered the State's amended complaint, including the recently added Defendant United States. The State's expert witnesses have been disclosed and Defendants' expert witnesses are required to be disclosed in February 2021. Discovery will close May 21, 2021. 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, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The 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. The 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, which was October 23, 2008.

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 to 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 developed the notice that has been sent to class members.

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.

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; any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs $1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the 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. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs $1.7 million in based payments plus interest.

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. The 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.

As of June 30, 2020, the State paid Plaintiffs $2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

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. 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) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff has made several 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 continues to be unable to specify an anticipated amount of financial obligation imposed either by settlement or by judgment.

Kila Shepherd v. Montana Department of Corrections (Department) (Cause # BDV-2020-302/DA 20-0376) is a Step III Grievance proceeding, in accordance with 2.21.8017, Administrative Rules of Montana (ARM), and the Department has hired outside legal counsel to represent it regarding Ms. Shepherd's termination from her position at the Department. Ms. Shepherd sought in excess of $1.0 million for punitive damages, lost wages, loss of benefits, emotional distress, and attorney's fees. A hearing on the Step III grievance before an administrative law judge (ALJ) was held in January 2019. The ALJ issued a decision in February 2020, finding in favor of the Department and recommending denial of the grievance. The Department concurred with the decision and issued its final administrative decision denying Ms Shepherd's grievance over the termination. Ms. Shepherd then filed a lawsuit in Lewis & Clark County district court, alleging wrongful discharge. The Department filed a motion to dismiss on the grounds that the suit had been filed after the statute of limitations had run. The district court granted the motion after full briefing. Ms. Shepherd has appealed that decision to the Montana Supreme Court and the matter is now fully briefed.

Cascade County v. State of Montana, Montana and Department of Corrections (Department) (Cause # CDV-2019-1181) is a case filed by Cascade County, suing for breach of contract, unjust enrichment and breach of implied covenant of good faith and fair dealing, seeking over $766.0 thousand in unpaid jail reimbursement costs plus interest at 10.0% per annum. This case involves interpretation of contract and statutory language. This matter has been referred to the Department of Justice Agency Legal Services for representation of the Department. The likelihood of success is reasonably probable.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on 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. MSF Policyholders filed this 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 (SB) 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 Montana Supreme Court dismissed the appeal on justiciability grounds because SB4 had terminated by its own terms, thereby sustaining the District Court's decision dismissing the underlying case. While plaintiffs have indicated they may attempt to continue litigating the case, no new complaint or other pleading has been filed.

LL Liquor v. State of Montana (District of Montana, D.C. No. 6:15-cv-00071-SEH) 912 F.3d 533 is a case in which LL Liquor sued the Department of Revenue (Department) for breach of contract for changes to the Montana agency liquor stores' commission rates. The Ninth Circuit Court held that the Department breached the agency liquor store franchise agreement. On remand for damages, the Federal District Court confirmed a settlement of $5.0 million. The Ninth Circuit Court recently held that the Department must pay 10.0% interest on the settlement amount, in accordance with section 18-1-404, MCA. That additional amount, currently at $586.3 thousand, continues to accrue. The resulting amount of $5.6 million is a set financial loss. The Department is asking the Legislature for a supplemental under House Bill No. 3 for the amount. However, the Department has since asked the Federal District Court to reconsider and that petition has not been ruled on.

The Public Employee Retirement Board (PERB) has four 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 two 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

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 $1.8 million to $5.0 million at June 30, 2020. The State's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #93.053) 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 2020, the State distributed $1.2 million of food commodities under CFDA #10.567 to other states.

The State distributed $12.2 million in commodities in fiscal year 2020. The value at June 30, 2020, of commodities stored at the State's warehouse, is $4.7 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, 2020, 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 $179.0 million. The BOI's exposure to bond issues of the Municipal Finance Programs was $90.7 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority were $88.3 million. The BOI has not been held responsible for 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, 2020, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General Fund
Corporate Tax	$ 6,693

The 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, 2020. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2020, these include $11.2 million of General Fund corporate tax refunds. It is estimated that most of these corporation 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, 2020. As of June 30, 2020, these include $16.3 thousand of protested property taxes recorded in the General Fund and $18.4 thousand recorded in the State Special Revenue Fund.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues
Since June 30, 2020, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of $8.1 million.

Since June 30, 2020, BOI has committed $228.5 million within the Real Estate Pension Asset Class of Consolidated Asset Pension Pool (CAPP).

Since June 30, 2020, BOI has committed and funded another $1.5 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program and committed, but not yet funded, an additional $1.8 million. On top of these commitments, lenders have also reserved $6.5 million in new loans. Of the reservations in effect as of June 30, 2020, $7.0 million have expired. Additional reservations in the amount of $2.4 million were made for the Veteran's Home Loan Mortgage Program residential mortgage purchases.

In August 2020, BOI approved an additional loan guarantee from the Coal Severance Tax Permanent Fund to Facility Finance Authority totaling $20.0 million.

Other Subsequent Events
In August 2020, Department of Natural Resources & Conservation (DNRC) received $10.1 million from Department of Fish, Wildlife & Parks in payment for the permanent recreation easement at Big Arm State Park.

On August 26, 2020, the Board of Examiners authorized a $1.5 million Non-Point Source Renewable Resource 2020F bond, which was issued on October 15, 2020.

On September 11, 2020, DNRC issued Series 2020E bonds, in the amount of $2.8 million, for the St. Mary's Project.

On September 29, 2020, the Department of Administration issued a total of $50.9 million in three new general obligation bond series. Bond Series 2020G, authorized by 2019 HB652, was issued at par value of $32.5 million. Bond Series 2020H, for the Long-Range Building Montana Historical Society project, was issued at par value of $5.9 million. Bond Series 2020I was issued at $12.5 million for the refunding of outstanding Potomac Trust Lands general obligation bond Series 2010F.

On October 20, 2020, DNRC issued Series 2020J bonds for the Water Pollution Control State Revolving Fund, in the amount of $24.9 million. The bond proceeds will be used to refund the outstanding balance of Series 2015C bonds of $19.3 million and the remaining will be used for new loans within the program.

On November 16, 2020, the Department of Justice reached a settlement of $49.0 million to be recovered from tobacco companies as a result of wrongly withheld taxes from a 1998 settlement.

On November 16, 2020, The Board of Examiners authorized the following:

- $1.0 million Series 2020K general obligation bonds, which were issued on December 3, 2020,
- $14.0 million Coal Severance Tax Series 2020L bonds, whose proceeds will be used to refund the outstanding balance on existing Coal Severance Tax bonds, which were issued on December 23, 2020,
- $1.7 million Coal Severance Tax Series 2020M bonds, which were issued on December 23, 2020, and
- $8.0 million general obligation bond anticipated note, $4.0 million for the Water Pollution Control and $4.0 million for the Drinking Water State Revolving Fund Programs, neither of which have been issued.

On December 23, 2020, DNRC issued taxable Series 2020N general obligation bond anticipation note for the Drinking Water State Revolving Fund Program, in the amount of $3.2 million.

Though nearly $100.0 million was spent during fiscal year 2020, the total amount of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding granted to Montana by the federal government, $1.25 billion, is expected to be expended during fiscal year 2021 for COVID-19 related grants and expenditures incurred. The allocation of these funds is estimated to be distributed, most notably, as follows:

- 22% through the Business Stabilization, Adaptability, and Innovation programs,

- 22% through local government and state agency reimbursements,
- 20% through additional Unemployment Insurance benefits,
- 7% through public and private school programs,
- 6% through working capital loans and loan deferments,
- 5% through child care programs, and
- 4% through social services grants to nonprofits.

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, 2020 (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	$ 706,291	$ 8,564	$ 1,690,107	$ 661,740	$ 610,922	$ 3,677,624
Due from primary government	—	—	—	277	1,048	1,325
Due from component units	—	—	—	—	176	176
Capital assets (net) (Note 18C)	17	1	38,190	561,777	390,663	990,648
Total assets	706,308	8,565	1,728,297	1,223,794	1,002,809	4,669,773
Deferred Outflows of Resources	555	58	3,317	43,611	30,020	77,561
Liabilities:						
Accounts payable and other liabilities	11,873	22	108,644	77,448	72,638	270,625
Due to primary government	—	—	—	2,025	60	2,085
Due to component units	—	—	—	176	—	176
Advances from primary government (2) (3)	—	—	—	16,993	2,991	19,984
Long-term liabilities (Note 18I)	534,714	271	1,041,217	349,542	293,856	2,219,600
Total liabilities	546,587	293	1,149,861	446,184	369,545	2,512,470
Deferred Inflows of Resources	362	45	3,661	22,512	29,642	56,222
Net Position:						
Net investment in capital assets	3	1	38,190	365,329	279,070	682,593
Restricted	159,911	—	—	343,094	335,639	838,644
Unrestricted	—	8,284	539,902	90,286	18,933	657,405
Total net position	$ 159,914	$ 8,285	$ 578,092	$ 798,709	$ 633,642	$ 2,178,642

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2019.

(2) Loans from the Coal Severance Tax Permanent Fund make up $4.5 million and $3.0 million of these balances for Montana State University and University of Montana, respectively.

(3) Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversation loan programs make up $9.9 million and $2.6 million, respectively, of the balance for Montana State University.

Condensed Statement of Activities

Component Units

	Montana Board of Housing	Facility Finance Authority	Montana State Fund [1]	Montana State University	University of Montana	Total Component Units
Expenses	$ 24,455	$ 705	$ 201,034	$ 630,487	$ 452,417	$ 1,309,098
Program Revenues:						
Charges for services	1,742	741	156,871	287,201	169,686	616,241
Operating grants and contributions	25,151	155	—	213,150	126,758	365,214
Capital grants and contributions	—	—	—	5,972	1,875	7,847
Total program revenues	26,893	896	156,871	506,323	298,319	989,302
Net (expense) program revenues	2,438	191	(44,163)	(124,164)	(154,098)	(319,796)
General Revenues:						
Unrestricted investment earnings	—	—	136,145	3,397	3,559	143,101
Transfer from primary government [2]	—	—	—	140,660	104,003	244,663
Gain (loss) on sale of capital assets	—	—	(88)	244	—	156
Miscellaneous	—	—	1,036	—	—	1,036
Contributions to term and permanent endowments	—	—	—	14	37,043	37,057
Total general revenues and contributions	—	—	137,093	144,315	144,605	426,013
Change in net position	2,438	191	92,930	20,151	(9,493)	106,217
Total net position – July 1 – as previously reported	157,476	8,043	483,186	779,022	643,135	2,070,862
Adjustments to beginning net position	—	51	1,976	(464)	—	1,563
Total net position – July 1 – as restated	157,476	8,094	485,162	778,558	643,135	2,072,425
Total net position – June 30	$ 159,914	$ 8,285	$ 578,092	$ 798,709	$ 633,642	$ 2,178,642

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2019.

(2) Transfers to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

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. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

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	$ 8,202	$ 8,306	$ 1,140	$ 17,648
Construction work in progress	72,292	10,420	12,130	94,842
Capitalized collections	9,910	28,098	—	38,008
Livestock for educational purposes	4,198	—	—	4,198
Total capital assets not being depreciated	94,602	46,824	13,270	154,696
Capital assets being depreciated:				
Infrastructure	44,994	9,904	—	54,898
Land improvements	31,700	16,408	—	48,108
Buildings/Improvements	749,697	660,181	27,941	1,437,819
Equipment	167,970	104,266	7,507	279,743
Livestock	—	255	—	255
Library books	67,680	62,583	—	130,263
Leasehold improvements	8,784	—	—	8,784
Total capital assets being depreciated	1,070,825	853,597	35,448	1,959,870
Total accumulated depreciation	(621,188)	(513,996)	(10,645)	(1,145,829)
Total capital assets being depreciated, net	449,637	339,601	24,803	814,041
Intangible assets	1,205	1,783	135	3,123
MSU Component Unit capital assets, net	16,333	—	—	16,333
UM Component Unit capital assets, net	—	2,455	—	2,455
Discretely Presented Component Units capital assets, net	$ 561,777	$ 390,663	$ 38,208	$ 990,648

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, 2019, approximately 23,300 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, 2019, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used 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, 2019, $956.6 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 ensure 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, 2019, 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 a maximum of $5.0 million on any one life.

The term of the current aggregate stop-loss contract is January 1, 2017 through January 1, 2020. 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 $9.6 million during the year ended December 31, 2019.

Estimated claim reserves were reduced by $387.0 thousand as of December 31, 2019, 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, 2019	Year Ended December 31, 2018
Unpaid claims and claim adjustments expenses at beginning of year	$ 941,638	$ 919,690
Incurred claims and claim adjustment expenses:		
Provision for insured event of the current year	129,455	137,066
Increase (decrease) in provision for insured events of prior years	(9,466)	(15,141)
Total incurred claims and claim adjustment expenses	119,989	121,925
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(24,965)	(22,903)
Claims and claim adjustment expenses attributable to insured events of prior years	(80,068)	(77,074)
Total payments	(105,033)	(99,977)
Total unpaid claims and claim adjustment expenses at end of year	$ 956,594	$ 941,638

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2020, were as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2021	$ 185
2022	127
2023	84
2024	43
2025	22
Thereafter	4
Total minimum payments	465
Less: interest	(39)
Present value of minimum payments	$ 426

G. Operating Leases

Future rental payments under operating leases at June 30, 2020, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2021	$ 5,238
2022	4,297
2023	3,978
2024	3,165
2025	3,922
Thereafter	15,806
Total future rental payments	$ 36,406

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2020, were as follows (in thousands):

	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
Ended June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	18,735	17,380	10,530	7,330	421	454	2,415	5,562
2022	19,385	16,923	10,598	6,955	433	442	3,010	5,467
2023	19,850	16,440	6,275	6,621	446	429	3,130	5,348
2024	20,315	15,904	6,580	6,340	459	416	3,255	5,224
2025	20,495	15,334	31,360	6,039	2,505	402	3,380	5,096
2026 - 2030	113,935	66,277	30,635	25,025	2,896	1,794	19,285	23,101
2031 - 2035	112,590	46,826	25,700	17,684	3,347	1,392	24,090	18,287
2036 - 2040	91,223	28,245	26,975	10,603	3,869	927	28,440	13,958
2041 - 2045	71,495	12,814	10,940	4,487	1,274	390	33,310	9,066
2046 - 2050	33,215	2,891	—	454	—	6	39,140	3,237
2051 - 2055	220	4	—	—	—	—	—	—
Total	$ 521,458	$ 239,038	$ 159,593	$ 91,538	$ 15,650	$ 6,652	$ 159,455	$ 94,346

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2020, was as follows (in thousands):

	Beginning Balance [2]	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	493,225	112,309	74,252	531,282	18,735	512,547
Montana State University (MSU)	178,345	576	11,566	167,355	10,530	156,825
MSU Direct Placement	16,058	—	409	15,649	421	15,228
University of Montana (UM)	87,636	169,463	88,864	168,235	2,415	165,820
Total bonds/notes payable [1]	775,264	282,348	175,091	882,521	32,101	850,420
Other liabilities						
Lease/installment purchase payable	496	35	105	426	162	264
Compensated absences payable	65,191	31,431	26,982	69,640	33,102	36,538
Arbitrage rebate tax payable	1,124	390	393	1,121	559	562
Estimated insurance claims	941,638	139,078	124,122	956,594	106,402	850,192
Due to federal government	32,536	112	5,391	27,257	—	27,257
Derivative instrument liability	4,227	1,272	—	5,499	—	5,499
Reinsurance funds withheld	48,386	8,368	—	56,754	—	56,754
Unearned compensation	391	—	—	391	—	391
Net pension liability	193,190	17,977	24,772	186,395	—	186,395
Total OPEB liability	39,694	9,604	21,838	27,460	—	27,460
Total other liabilities	1,326,873	208,267	203,603	1,331,537	140,225	1,191,312
	2,102,137	490,615	378,694	2,214,058	172,326	2,041,732
Long-term liabilities of Montana University System component units [3]					1,270	4,272
Total discretely presented component units' long-term liabilities					$ 173,596	$ 2,046,004

[1] When applicable, this amount includes unamortized discounts and unamortized premiums.
[2] Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.
[3] Inter-entity 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 June 16, 2020, Montana Board of Housing (MBOH) issued Single Family Mortgage Bond Series A-1 in the amount of $39.1 million to refund 2009 Series E bond and Series A-2 in the amount of $3.3 million to refund 2011 Series A bond.

Defeased Debt Outstanding
The University of Montana has defeased certain bond issues by placing the 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.The debt service cash flows for the refunding portion are less than that for the advance refunded debt by $8.8 million. The economic gain from the advanced refunding was $7.4 million. As of June 30, 2020, $139.5 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, 2020, 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, 2020, bonds outstanding aggregated $81.3 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 $88.3 million as of June 30, 2020. 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, 2020 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 88,941	$ 4,000	$ 4,595	$ 88,346

M. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2020. 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

As of June 30, 2020, 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 from 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, 2020, 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, 2020 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, 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, 2020 (in thousands):

		Activity During 2020		Fair Values at June 30, 2020	
Cash flow hedges:	**Notional**	**Classification**	**Amount**	**Classification**	**Amount**
Cash flow hedge –					
Pay fixed interest rate swap	18,225	Interest expense	18	Loan receivable	194
		Investment income	—	Derivative liability	5,499
		Deferred outflow	1,272		
Investment derivative –					
Basis swap	18,225	Investment loss	273	Investment (excluding interest accrued)	(18)

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2020, 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 F 2018 Bonds	$ 18,255	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, 2020, 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 the 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, 2020, 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 to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with UM. For the year ended June 30, 2020, $300.8 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 $1.9 million during 2020, and Friends of KEMC Public Radio provided $1.2 million during 2020 in support of MSU's television and radio stations.

O. Litigation Contingencies

Susan Hensley v. Montana State Fund involves a constitutional challenge to one of the revisions to the Workers' Compensation Act passed in 2011. At issue is the constitutionality of the changes to section 39-71-703 (2), MCA, which state that a Class I impairment is not payable unless that occurred on or after that date. The Workers' Compensation Court issued its decision on August 22, 2019, upholding the statute and granting the State Fund's motion for summary judgment. The petitioner's attorney filed a notice of appeal on September 12, 2019, and the matter is currently before the Montana Supreme Court. Should the statute be held unconstitutional and apply to other claims retroactively, the potential liability is estimated to be at least $2.2 million per year, 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.

Steven Hanson v. Montana State Fund is a companion case to Susan Hensley v. Montana State Fund and has been held in abeyance pending a decision in Hensley.

P. Subsequent Events

On July 1, 2020, two Montana Board of Housing (MBOH) Multifamily Housing Revenue private placement conduit bonds were issued. The Butte Affordable Owner 1 Project, Series 2020 was issued in the amount of $13.2 million. The Butte Affordable Owner 11 Project, Series 2020 was issued in the amount of $29.3 million.

On August 3, 2020, a Master Loan Program Bond of $13.5 million was made from the Facilities Finance Authority (FFA) to Powell County Medical Center for the purpose of refunding its existing Series 2010A Bond.

On August 20, 2020, MBOH approved a Habit for Humanity set-aside for fiscal year 2021 of $3.0 million with an expiration date of June 30, 2021.

On September 11, 2020, Montana State Fund's board declared a dividend of $20.0 million to be distributed to approximately 22,500 employers.

In September 2020, Montana State University received authorization from the Board of Regents to expend up to $60.0 million to design and construct a comprehensive Student Wellness Center. The project will be financed with insurance proceeds of $36.0 million, revenue bonds proceeds of $22.0 million, and existing student fee balances of $2.0 million.

On October 15, 2020, the 2020 Series C Single Family Mortgage Bonds, were closed by MBOH in the amount of $30.0 million.

On October 29, 2020, a Master Loan Program Bond of $20.0 million and a Stand Alone Program Bond of $32.7 million was made from the FFA to Shodair Children's Hospital for the purpose of constructing a new children's hospital.

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 2020 and require total expenditures estimated at $33.4 million. The total project cost through December 31, 2019, was $23.0 million. The last phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2020. 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, 2020, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately $17.2 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, 2020, 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 did 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, 2020.

State of Montana

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 132,987	$ 132,987	$ 132,654	$ (333)
Taxes:				
Natural resource	77,397	77,397	69,726	(7,671)
Individual income	1,410,943	1,410,943	1,421,934	10,991
Corporate income	165,893	165,893	186,680	20,787
Property	304,113	304,113	308,093	3,980
Fuel	—	—	—	—
Other	235,043	235,043	237,274	2,231
Charges for services/fines/forfeits/settlements	35,224	35,224	33,453	(1,771)
Investment earnings	—	—	20,243	20,243
Sale of documents/merchandise/property	273	273	273	—
Rentals/leases/royalties	7	7	8	1
Contributions/premiums	—	—	—	—
Grants/contracts/donations	21	21	11,315	11,294
Federal	21,475	21,475	18,889	(2,586)
Federal indirect cost recoveries	58	58	178	120
Other revenues	4,304	4,304	2,414	(1,890)
Total revenues	2,387,738	2,387,738	2,443,134	55,396
EXPENDITURES				
Current:				
General government	357,750	357,750	372,209	(14,459)
Public safety	329,888	329,888	321,661	8,227
Transportation	180	180	—	180
Health and human services	548,817	548,817	480,752	68,065
Education	879,431	879,431	1,082,324	(202,893)
Natural resources	40,683	40,683	36,263	4,420
Debt service (Note RSI-1):				
Principal retirement	—	—	208	(208)
Interest/fiscal charges	—	—	256	(256)
Capital outlay (Note RSI-1)	—	—	11,681	(11,681)
Total expenditures	2,156,749	2,156,749	2,305,354	(148,605)
Excess of revenue over (under) expenditures	230,989	230,989	137,780	(93,209)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	48	48
General capital asset sale proceeds	94	94	75	(19)
Bond premium	—	—	—	—
Bond proceeds	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	81,924	81,924	86,773	4,849
Transfers out (Note 12)	(263,727)	(263,727)	(76,948)	186,779
Total other financing sources (uses)	(181,709)	(181,709)	9,948	191,657
Net change in fund balances (Budgetary basis)	49,280	49,280	147,728	98,448
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	—	—
2. Securities lending costs	—	—	—	—
3. Inception of lease/installment contract	—	—	433	433
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	49,280	49,280	148,161	98,881
Fund balance - July 1	—	—	443,409	443,409
Prior period adjustments	—	—	1,445	1,445
Increase (decrease) in inventories	—	—	(203)	(203)
Fund balances - June 30	$ 49,280	$ 49,280	$ 592,812	$ 543,532

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
$ 287,274	$ 287,274	$ 285,630	$ (1,644)	$ —	$ —	$ —	$ —
86,867	86,867	64,110	(22,757)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
19,829	19,829	19,912	83	—	—	—	—
262,318	262,318	260,322	(1,996)	—	—	—	—
165,620	165,620	151,174	(14,446)	2	2	1	(1)
103,656	103,656	102,677	(979)	7,366	7,366	7,357	(9)
—	—	17,032	17,032	—	—	668	668
12,002	12,002	12,425	423	2	2	—	(2)
1,640	1,640	1,189	(451)	—	—	—	—
34,086	34,086	34,659	573	—	—	—	—
8,763	8,763	7,570	(1,193)	251	251	72	(179)
7,301	7,301	6,622	(679)	4,338,570	4,338,570	3,180,500	(1,158,070)
9,397	9,397	57,466	48,069	93,625	93,625	93,287	(338)
3,841	3,841	3,403	(438)	1,794	1,794	1,289	(505)
1,002,594	1,002,594	1,024,191	21,597	4,441,610	4,441,610	3,283,174	(1,158,436)
302,517	302,517	192,416	110,101	550,622	550,622	172,137	378,485
94,199	94,199	81,630	12,569	48,249	48,249	25,892	22,357
338,505	338,505	248,617	89,888	548,322	548,322	106,199	442,123
243,890	243,890	223,455	20,435	2,495,174	2,495,174	2,181,889	313,285
57,570	57,570	75,757	(18,187)	270,161	270,161	193,684	76,477
334,025	334,025	179,930	154,095	163,662	163,662	90,770	72,892
—	—	3,600	(3,600)	—	—	103	(103)
—	—	645	(645)	—	—	11	(11)
—	—	90,035	(90,035)	—	—	460,057	(460,057)
1,370,706	1,370,706	1,096,085	274,621	4,076,190	4,076,190	3,230,742	845,448
(368,112)	(368,112)	(71,894)	296,218	365,420	365,420	52,432	(312,988)
—	—	34,366	34,366	—	—	—	—
540	540	893	353	7	7	—	(7)
—	—	4,361	4,361	—	—	—	—
(34,361)	(34,361)	28,900	63,261	—	—	—	—
—	—	632	632	—	—	—	—
243,809	243,809	156,094	(87,715)	167,246	167,246	1,485	(165,761)
(140,279)	(140,279)	(43,862)	96,417	(1,368,157)	(1,368,157)	(48,632)	1,319,525
69,709	69,709	181,384	111,675	(1,200,904)	(1,200,904)	(47,147)	1,153,757
(298,403)	(298,403)	109,490	407,893	(835,484)	(835,484)	5,285	840,769
—	—	76	76	—	—	37	37
—	—	(46)	(46)	—	—	(7)	(7)
—	—	15,289	15,289	—	—	256	256
—	—	(3,699)	(3,699)	—	—	—	—
(298,403)	(298,403)	121,110	419,513	(835,484)	(835,484)	5,571	841,055
—	—	1,713,834	1,713,834	—	—	(12,615)	(12,615)
—	—	1,378	1,378	—	—	244	244
—	—	(207)	(207)	—	—	—	—
$ (298,403)	$ (298,403)	$ 1,836,115	$ 2,134,518	$ (835,484)	$ (835,484)	$ (6,800)	$ 828,684

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 2020, reverted governmental fund appropriations were as follows: $64.9 million in the General Fund, $136.5 million in the State Special Revenue Fund, and $239.9 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 n on-budgeted 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)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 1,772	$ 1,664	$ 1,628	$ 1,578	$ 1,653	$ 1,594
Interest	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	—	—	3,865	—	—	—
Refunds of contributions	—	(149)	—	—	—	—
Benefit payments	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	$ 65,319	$ 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	517	575	488	729	534	481
Net investment income	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	(149)	—	—	—	—
Benefit payments	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(123)	(264)	(254)	(197)	(136)	(100)
Other	—	7	—	(3)	—	—
Net change in plan fiduciary net position	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	$ 104,886	$ 102,651	$ 96,653	$ 87,805	$ 87,107	$ 84,223
Net Pension (Asset) – Beginning	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)	$ (23,556)
Net Pension (Asset) – Ending	$ (39,567)	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)
Plan fiduciary net position as a percentage of TPL	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525	$ 6,355
Net pension (asset) as a percentage of covered payroll	(535.99)%	(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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 1,988	$ —	$ 1,085	$ 1,800	$ 1,786	$ 1,684
Contributions made in relation to the contractually required contributions	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 8,001	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525
Contributions as a percentage of covered payroll	24.85%	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, 2020

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, 2019, determined as of June 30, 2019.

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	0.17%

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

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)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 3,453	$ 3,643	$ 3,665	$ 3,799	$ 3,598	$ 3,464
Interest	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	1,856	—
Difference between expected and actual experience	2,413	590	2,774	18	267	—
Changes of assumptions	—	—	7,892	—	—	—
Benefit payments	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	$ 237,728	$ 227,581	$ 218,922	$ 200,752	$ 192,966	$ 183,133
Plan Fiduciary Net Position						
Contributions – employer	$ 5,845	$ 5,858	$ 5,782	$ 5,916	$ 5,840	$ 5,736
Contributions – non-employer	233	250	263	243	—	—
Contributions – member	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(582)	(322)	(245)	(94)	—	—
Other	2	8	—	(2)	—	—
Net change in plan fiduciary net position	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	$ 152,778	$ 149,199	$ 140,537	$ 128,973	$ 129,067	$ 126,010
Net Pension Liability – Beginning	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123	$ 65,903
Net Pension Liability – Ending	$ 84,950	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123
Plan fiduciary net position as a percentage of TPL	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549	$ 14,149
Net pension liability as a percentage of covered payroll	559.69%	513.95%	530.38%	469.88%	439.00%	404.00%

[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
(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 6,209	$ 6,051	$ 5,843	$ 5,706	$ 6,161	$ 5,782
Contributions in relation to the contractually required contributions	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 15,608	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549
Contributions as a percentage of covered payroll	39.78%	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, 2020

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, 2019, determined as of June 30, 2019.

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	0.27%

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)

	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)						
Service costs	$ 8,004	$ 8,098	$ 8,623	$ 8,403	$ 8,008	$ 7,850
Interest	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	—	—	5,878	—	—	—
Benefit payments	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	$ 247,013	$ 234,470	$ 213,201	$ 187,534	$ 169,649	$ 153,864
Plan Fiduciary Net Position						
Contributions - employer	$ 4,686	$ 4,613	$ 4,464	$ 4,278	$ 4,088	$ 3,762
Contributions - member	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	$ 206,348	$ 193,523	$ 175,841	$ 154,685	$ 148,638	$ 138,743
Net Pension Liability – Beginning	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121	$ 24,144
Net Pension Liability – Ending	$ 40,665	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121
Plan fiduciary net position as a percentage of TPL	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885	$ 41,637
Net pension liability as a percentage of covered payroll	78.69%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 4,837	$ 4,644	$ 4,574	$ 4,447	$ 4,240	$ 4,040
Contributions in relation to the contractually required contributions	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 53,825	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885
Contributions as a percentage of covered payroll	8.99%	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, 2020

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, 2019, determined as of June 30, 2019.

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	0.23%

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 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)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	$ 818,162	$ 825,387	$ 1,033,200	$ 906,880	$ 749,414	$ 663,174
Employer's covered payroll	$ 638,674	$ 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	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 58,504	$ 56,183	$ 54,844	$ 56,256	$ 59,073	$ 58,575
Contributions in relation to the contractually required contributions	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 654,193	$ 638,674	$ 640,177	$ 648,671	$ 621,755	$ 620,286
Contributions as a percentage of covered payroll	8.94%	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, 2020

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, 2019, determined as of June 30, 2019.

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)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	$ 510,277	$ 520,058	$ 19,622	$ 16,287	$ 13,365	$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	73.85%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 35,008	$ 34,642	$ 34,706	$ 28,763	$ 30,800	$ 32,397
Contributions in relation to the contractually required contributions	35,008	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, 2020

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, 2019, 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)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	$ 4,067	$ 3,663	$ 3,696	$ 9,582	$ 5,434	$ 2,304
Employer's covered payroll	$ 3,915	$ 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	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	81.89%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 530	$ 513	$ 496	$ 368	$ 389	$ 388
Contributions in relation to the contractually required contributions	530	513	496	368	389	388
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 4,041	$ 3,915	$ 3,781	$ 3,634	$ 3,850	$ 3,836
Contributions as a percentage of covered payroll	13.12%	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, 2020

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, 2019, determined as of June 30, 2019. 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	0.23%

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

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	$ 133,487	$ 114,956	$ 119,354	$ 119,708	$ 110,756	$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	68.84%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,677	$ 15,941	$ 15,283	$ 13,215	$ 13,752	$ 13,433
Contributions in relation to the contractually required contributions	16,677	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, 2020

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, 2019, 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)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	$ 2,309	$ 2,650	$ 2,525	$ 2,583	$ 2,454	$ 1,806
Employer's covered payroll	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986	$ 735
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	80.08%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 599	$ 494	$ 518	$ 472	$ 475	$ 142
Contributions in relation to the contractually required contributions	599	494	518	472	475	142
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 1,276	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986
Contributions as a percentage of covered payroll	46.94%	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, 2020

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, 2019, determined as of June 30, 2019. 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	0.25%

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)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	$ 79,524	$ 78,285	$ 76,724	$ 77,448	$ 68,892	$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	80.08%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 17,147	$ 16,209	$ 15,272	$ 14,042	$ 13,635	$ 13,573
Contributions in relation to the contractually required contributions	17,147	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, 2020

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, 2019, 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)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	$ 6,907	$ 7,667	$ 10,087	$ 10,599	$ 10,504	$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	85.23%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 2,475	$ 2,361	$ 2,207	$ 2,054	$ 2,024	$ 1,913
Contributions in relation to the contractually required contributions	2,475	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, 2020

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, 2019, 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)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	$ 46,493	$ 47,407	$ 48,227	$ 57,016	$ 56,230	$ 72,168
Employer's covered payroll	$ 23,250	$ 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	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,686	$ 16,538	$ 17,298	$ 17,396	$ 16,946	$ 16,234
Contributions in relation to the contractually required contributions	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 22,384	$ 23,250	$ 24,275	$ 26,944	$ 28,915	$ 31,252
Contributions as a percentage of covered payroll	74.54%	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, 2020

Changes of assumptions: The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by TRS. Since an increase in the amount of the GABA is not automatic and must be approved by TRS, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

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, 2019, determined as of June 30, 2019. 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	31 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)

	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	$ 715,637	$ 700,417	$ 642,958	$ 707,527	$ 647,092	$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	68.64%	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)

	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 44,841	$ 44,333	$ 43,718	$ 43,028	$ 42,400	$ 42,806
Contributions in relation to the contractually required contributions	44,841	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, 2020

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, 2019, 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: The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by TRS. Since an increase in the amount of the GABA is not automatic and must be approved by TRS, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

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	2020	2019	2018
Service cost	$ 1,946	$ 2,062	$ 1,889
Interest	1,586	1,990	2,014
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(9,409)	—	(4,723)
Changes of assumptions or other inputs	(1,877)	2,895	(295)
Benefit payments	(601)	(1,709)	1,705
Net change in Total OPEB Liability	(8,355)	5,238	590
Total OPEB Liability - Beginning	55,697	50,459	49,869
Total OPEB Liability - Ending	$ 47,342	$ 55,697	$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %
Covered employee payroll	$ 690,563	$ 702,688	$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	6.86 %	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	2020	2019	2018
Service cost	$ 1,736	$ 1,952	$ 1,954
Interest	1,130	1,495	1,410
Changes of benefit terms	—	—	—
Difference between expected and actual experience	(15,015)	—	(1,323)
Changes of assumptions or other inputs	(1,791)	1,351	(182)
Benefit payments	1,441	(888)	(679)
Net change in Total OPEB Liability	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	39,348	35,438	34,258
Total OPEB Liability - Ending	$ 26,849	$ 39,348	$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	94.92 %	95.59 %	95.62 %
Covered employee payroll [2]	$ 418,193	$ 451,613	$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	6.42 %	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 for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

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, Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1. Premiums and investment revenue										
Earned	$ 3,701	$ 4,836	$ 4,320	$ 5,918	$ 7,446	$ 8,309	$ 8,029	$ 7,101	$ 7,034	$ 6,710
Ceded	3,170	3,605	3,255	4,771	6,346	2,049	—	—	—	—
Net earned	531	1,231	1,065	1,147	1,100	6,260	8,029	7,101	7,034	6,710
2. Unallocated expenses including overhead	$ 384	$ 412	$ 448	$ 455	$ 424	$ 1,124	$ 1,033	$ 3,562	$ 2,308	$ 1,545
3. Estimated losses and expenses end of accident year	$ 793	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309
4. Net paid (cumulative) as of:										
End of policy year	$ 782	$ 405	$ 85	$ 817	$ 189	$ 6,643	$ 13,285	$ 1,881	$ 3,857	$ 6,144
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	$ 793	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309
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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1. Premiums and investment Revenue	$ 98,599	$ 98,885	$ 99,369	$ 100,693	$ 84,297	$ 80,764	$ 79,257	$ 76,505	$ 75,911	$ 73,078
2. Unallocated expenses including overhead	$ 4,691	$ 5,150	$ 5,111	$ 5,196	$ 5,129	$ 5,198	$ 4,787	$ 3,938	$ 4,063	$ 4,663
3. Estimated losses and expenses end of accident year	$ 96,326	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919
4. Net paid (cumulative) as of:										
End of policy year	$ 83,896	$ 82,211	$ 80,393	$ 75,601	$ 76,400	$ 79,388	$ 63,317	$ 61,964	$ 56,981	$ 57,018
One year later		91,306	89,050	84,575	85,796	88,943	69,073	67,988	62,937	63,495
Two years later			89,140	84,729	85,894	89,261	69,074	68,024	62,968	63,538
Three years later				84,738	86,002	89,264	69,076	68,024	62,974	63,539
Four years later					86,038	89,271	69,076	68,024	62,974	63,539
Five years later						89,283	69,076	68,024	62,974	63,539
Six years later							69,076	68,024	62,974	63,539
Seven years later								68,024	62,974	63,539
Eight years later									62,974	63,539
Nine years later										63,539
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 96,326	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919
One year later		93,028	89,036	84,567	86,148	88,824	71,700	68,349	63,446	63,941
Two years later			89,140	84,729	85,894	89,261	69,074	68,024	62,968	63,538
Three years later				84,738	86,002	89,264	69,076	68,024	62,974	63,539
Four years later					86,038	89,271	69,076	68,024	62,974	63,539
Five years later						89,283	69,076	68,024	62,974	63,539
Six years later							69,076	68,024	62,974	63,539
Seven years later								68,024	62,974	63,539
Eight years later									62,974	63,539
Nine years later										63,539
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ (365)	$ (1,287)	$ (1,064)	$ (1,194)	$ 1,930	$ (2,800)	$ (1,302)	$ (1,357)	$ (1,380)

State of Montana

Supplementary Information

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2020
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
ASSETS				
Cash/cash equivalents	$ 10,768	$ 44,928	$ 4,641	$ 60,337
Receivables (net)	4,208	3,951	842	9,001
Interfund loan receivable	—	5	—	5
Due from other funds	—	1,447	—	1,447
Due from component units	120	—	—	120
Equity in pooled investments	—	—	399,033	399,033
Long-term loans/notes receivable	20,581	—	—	20,581
Advances to other funds	6,065	—	—	6,065
Advances to component units	318	—	—	318
Securities lending collateral	—	—	7,262	7,262
Total assets	$ 42,060	$ 50,331	$ 411,778	$ 504,169
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ —	$ 9,693	$ 6	$ 9,699
Interfund loans payable	—	200	257	457
Due to other funds	1,422	—	524	1,946
Advances from other funds	7,325	—	—	7,325
Amounts held in custody for others	—	25	—	25
Securities lending liability	—	—	7,262	7,262
Total liabilities	8,747	9,918	8,049	26,714
DEFERRED INFLOWS OF RESOURCES	351	1,202	—	1,553
Fund balances:				
Nonspendable	—	—	384,871	384,871
Restricted	5,753	11,128	18,856	35,737
Committed	27,208	27,748	—	54,956
Assigned	—	1,044	—	1,044
Unassigned	—	(709)	—	(709)
Total fund balances	32,961	39,211	403,727	475,899
Total liabilities, deferred inflows of resources, and fund balances	$ 42,059	$ 50,331	$ 411,776	$ 504,166

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
REVENUES				
Taxes:				
Natural resource	$ 2,192	$ 5,414	$ —	$ 7,606
Other	—	3,997	—	3,997
Charges for services/fines/forfeits/settlements	97	77	9,652	9,826
Investment earnings	11,444	385	28,397	40,226
Securities lending income	—	—	74	74
Total revenues	13,733	9,873	38,123	61,729
EXPENDITURES				
Current:				
General government	—	32	—	32
Public safety	—	96	—	96
Health and human services	—	678	—	678
Education	—	—	13	13
Natural resources	—	469	—	469
Debt service:				
Principal retirement	30,835	—	—	30,835
Interest/fiscal charges	4,853	—	—	4,853
Capital outlay	—	49,070	26	49,096
Securities lending	—	—	46	46
Total expenditures	35,688	50,345	85	86,118
Excess of revenue over (under) expenditures	(21,955)	(40,472)	38,038	(24,389)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	638	—	638
General capital asset sale proceeds	—	—	6	6
Transfers in	29,908	38,448	308	68,664
Transfers out	(11,576)	(2,825)	(10,536)	(24,937)
Total other financing sources (uses)	18,332	36,261	(10,222)	44,371
Net change in fund balances	(3,623)	(4,211)	27,816	19,982
Fund balances - July 1 - as previously reported	36,586	43,558	375,911	456,055
Adjustments to beginning fund balances	—	(136)	—	(136)
Fund balances - July 1 - as adjusted	36,586	43,422	375,911	455,919
Fund balances - June 30	$ 32,963	$ 39,211	$ 403,727	$ 475,901

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, 2020
(amounts expressed in thousands)

	COAL TAX	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
ASSETS			
Cash/cash equivalents	$ 2,665	$ 6,659	$ 680
Receivables (net)	229	3,235	—
Due from component unit	—	—	—
Long-term loans/notes receivable	11,806	8,775	—
Advances to other funds	6,065	—	—
Advances to component units	—	—	—
Total assets	$ 20,765	$ 18,669	$ 680
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Due to other funds	$ 8	$ 1,414	$ —
Advances from other funds	2,507	4,818	—
Total liabilities	2,515	6,232	—
DEFERRED INFLOWS OF RESOURCES	180	172	—
Fund balances:			
Restricted	—	5,073	680
Committed	18,071	7,191	—
Total fund balances	18,071	12,264	680
Total liabilities, deferred inflows of resources and fund balances	$ 20,766	$ 18,668	$ 680

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	TOTAL
$ 620	$ 145	$ 10,769
—	743	4,207
120	—	120
—	—	20,581
—	—	6,065
318	—	318
$ 1,058	$ 888	$ 42,060
$ —	$ —	$ 1,422
—	—	7,325
—	—	8,747
—	—	352
—	—	5,753
1,058	888	27,208
1,058	888	32,961
$ 1,058	$ 888	$ 42,060

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
REVENUES				
Taxes:				
Natural resource	$ —	$ —	$ 429	$ —
Charges for services/fines/forfeits/settlements	—	—	3	—
Investment earnings	717	—	10,707	13
Total revenues	717	—	11,139	13
EXPENDITURES				
Debt service:				
Principal retirement	3,735	5,510	4,675	1,095
Interest/fiscal charges	482	1,126	1,307	108
Total expenditures	4,217	6,636	5,982	1,203
Excess of revenue over (under) expenditures	(3,500)	(6,636)	5,157	(1,190)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,188	6,597	1,762	1,190
Transfers out	(2,685)	—	(7,606)	—
Total other financing sources (uses)	503	6,597	(5,844)	1,190
Net change in fund balances	(2,997)	(39)	(687)	—
Fund balances - July 1 - as previously reported	19,622	39	14,399	680
Prior period adjustments	1,445	—	(1,445)	—
Fund balances - July 1 - as adjusted	21,067	39	12,954	680
Fund balances - June 30	$ 18,070	$ —	$ 12,267	$ 680

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
$ —	$ 1,763	$ —	$ —	$ 2,192
93	—	—	—	96
8	—	—	—	11,445
101	1,763	—	—	13,733
305	280	14,265	970	30,835
35	65	1,147	583	4,853
340	345	15,412	1,553	35,688
(239)	1,418	(15,412)	(1,553)	(21,955)
207	—	15,412	1,553	29,909
—	(1,286)	—	—	(11,577)
207	(1,286)	15,412	1,553	18,332
(32)	132	—	—	(3,623)
1,090	756	—	—	36,586
—	—	—	—	—
1,090	756	—	—	36,586
$ 1,058	$ 888	$ —	$ —	$ 32,963

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.

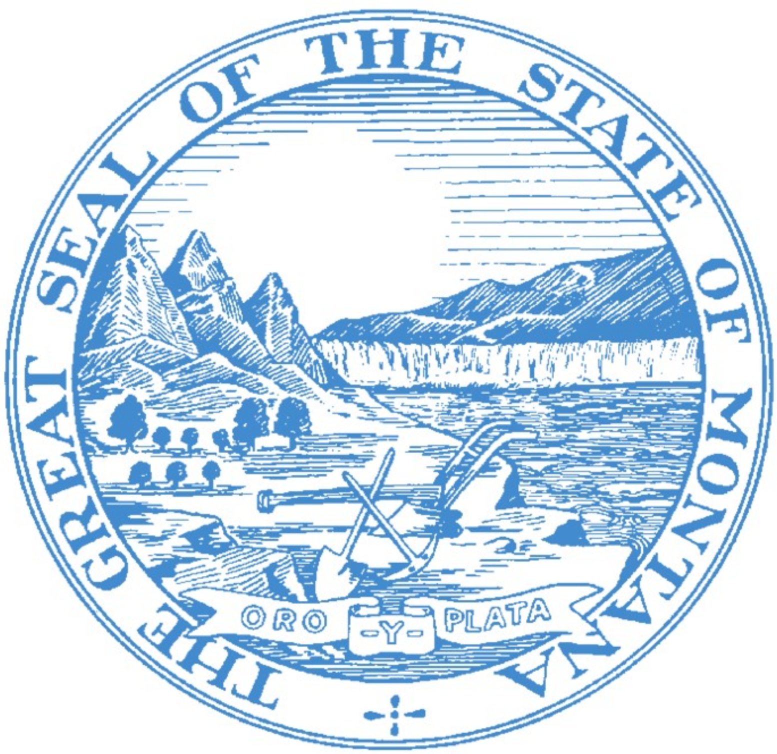
Capital Land Grant Fund — accounts for revenues and expenditures from the Capital Land Grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a debt service fund for the payment of principal and interest on bonds issued for capital building construction.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
ASSETS					
Cash/cash equivalents	$ 34,040	$ 5,126	$ —	$ 5,762	$ 44,928
Receivables (net)	3,951	—	—	—	3,951
Interfund loans receivable	5	—	—	—	5
Due from other funds	1,447	—	—	—	1,447
Total assets	$ 39,443	$ 5,126	$ —	$ 5,762	$ 50,331
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 8,730	$ 1	$ 709	$ 253	$ 9,693
Interfund loans payable	200	—	—	—	200
Amounts held in custody for others	25	—	—	—	25
Total liabilities	8,955	1	709	253	9,918
DEFERRED INFLOWS OF RESOURCES	1,202	—	—	—	1,202
Fund balances:					
Restricted	5,619	—	—	5,509	11,128
Committed	22,831	4,917	—	—	27,748
Assigned	836	208	—	—	1,044
Unassigned	—	—	(709)	—	(709)
Total fund balances	29,286	5,125	(709)	5,509	39,211
Total liabilities, deferred inflows of resources, and fund balances	$ 39,443	$ 5,126	$ —	$ 5,762	$ 50,331

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
REVENUES					
Taxes:					
Natural resource	$ 5,414	$ —	$ —	$ —	$ 5,414
Other	3,997	—	—	—	3,997
Charges for services/fines/forfeits/settlements	77	—	—	—	77
Investment earnings	385	—	—	—	385
Total revenues	9,873	—	—	—	9,873
EXPENDITURES					
Current:					
General government	—	—	—	32	32
Public safety	—	96	—	—	96
Health and human services	638	40	—	—	678
Natural resources	5	464	—	—	469
Capital outlay	36,760	34	10,916	1,360	49,070
Total expenditures	37,403	634	10,916	1,392	50,345
Excess of revenue over (under) expenditures	(27,530)	(634)	(10,916)	(1,392)	(40,472)
OTHER FINANCING SOURCES (USES)					
Insurance proceeds	638	—	—	—	638
Transfers in	26,026	—	10,234	2,187	38,447
Transfers out	(2,665)	—	—	(160)	(2,825)
Total other financing sources (uses)	23,999	—	10,234	2,027	36,260
Net change in fund balances	(3,531)	(634)	(682)	635	(4,212)
Fund balances - July 1 - as previously reported	32,953	5,759	(28)	4,874	43,558
Adjustments to beginning fund balances	(136)	—	—	—	(136)
Fund balances - July 1 - as adjusted	32,817	5,759	(28)	4,874	43,422
Fund balances - June 30	$ 29,286	$ 5,125	$ (710)	$ 5,509	$ 39,210


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, 2020
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
ASSETS			
Cash/cash equivalents	$ 23	$ 69	$ 1,960
Receivables (net)	257	—	1
Equity in pooled investments	118,826	—	11,576
Securities lending collateral	2,162	—	211
Total assets	$ 121,268	$ 69	$ 13,748
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ —	$ —	$ —
Interfund loans payable	257	—	—
Due to other funds	—	—	2
Securities lending liability	2,162	—	211
Total liabilities	2,419	—	213
Fund balances:			
Nonspendable	100,000	66	13,535
Restricted	18,849	3	—
Total fund balances	118,849	69	13,535
Total liabilities and fund balances	$ 121,268	$ 69	$ 13,748

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	TOTAL
$ 26	$ 2,563	$ 4,641
3	580	841
1,461	267,170	399,033
27	4,862	7,262
$ 1,517	$ 275,175	$ 411,777
$ 6	$ —	$ 6
—	—	257
—	522	524
27	4,862	7,262
33	5,384	8,049
1,479	269,791	384,871
4	—	18,856
1,483	269,791	403,727
$ 1,516	$ 275,175	$ 411,776

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
REVENUES			
Charges for services/fines/forfeits/settlements	$ —	$ —	$ —
Investment earnings	8,762	1	539
Securities lending income	23	—	—
Total revenues	8,785	1	539
EXPENDITURES			
Current:			
Education	—	3	—
Capital outlay	—	—	—
Securities lending	14	—	—
Total expenditures	14	3	—
Excess of revenue over (under) expenditures	8,771	(2)	539
OTHER FINANCING SOURCES (USES)			
General capital asset sale proceeds	—	—	—
Transfers in	—	—	307
Transfers out	(3,557)	—	(25)
Total other financing sources (uses)	(3,557)	—	282
Net change in fund balances	5,214	(2)	821
Fund balances - July 1 - as previously reported	113,635	71	12,714
Fund balances - June 30	$ 118,849	$ 69	$ 13,535

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	TOTAL
$ —	$ 9,652	$ 9,652
107	18,987	28,396
—	51	74
107	28,690	38,122
10	—	13
26	—	26
—	31	45
36	31	84
71	28,659	38,038
6	—	6
—	—	307
—	(6,953)	(10,535)
6	(6,953)	(10,222)
77	21,706	27,816
1,406	248,085	375,911
$ 1,483	$ 269,791	$ 403,727

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, 2020
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
ASSETS				
Current assets:				
Cash/cash equivalents	$ 7,358	$ 2,818	$ 1,555	$ 2,025
Receivables (net)	26,894	2,134	3,514	244
Interfund loans receivable	—	—	—	—
Inventories	390	—	405	2,317
Securities lending collateral	—	—	—	—
Other current assets	21	—	27	7
Total current assets	34,663	4,952	5,501	4,593
Noncurrent assets:				
Long-term investments	—	—	—	—
Other long-term assets	—	—	1,103	292
Capital assets:				
Land	—	—	—	690
Land improvements	—	—	—	731
Buildings/improvements	2,190	—	99	6,264
Equipment	1,079	—	631	6,310
Infrastructure	—	—	—	1,175
Construction in progress	—	—	—	—
Intangible assets	—	—	—	—
Other capital assets	—	—	—	3,770
Less accumulated depreciation	(2,729)	—	(546)	(10,511)
Total capital assets	540	—	184	8,429
Total noncurrent assets	540	—	1,287	8,721
Total assets	35,203	4,952	6,788	13,314
DEFERRED OUTFLOWS OF RESOURCES	568	31	347	302
LIABILITIES				
Current liabilities:				
Accounts payable	9,786	2,522	1,010	923
Lottery prizes payable	—	—	2,173	—
Interfund loans payable	—	—	80	—
Due to other governments	—	—	—	—
Due to other funds	14,245	—	2,079	—
Unearned revenue	1,295	572	201	137
Current lease liability	4	—	—	—
Amounts held in custody for others	20	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	11	—	—
Compensated absences payable	193	6	110	140
Total current liabilities	25,543	3,111	5,653	1,200
Noncurrent liabilities:				
Lottery prizes payable	—	—	979	—
Long term lease liability	5	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	229	—	155	267
Net pension liability	2,218	159	1,772	1,245
Total OPEB liability	162	10	118	136
Total noncurrent liabilities	2,614	169	3,024	1,648
Total liabilities	28,157	3,280	8,677	2,848
DEFERRED INFLOWS OF RESOURCES	728	43	354	314
NET POSITION				
Net investment in capital assets	531	—	184	8,430
Restricted for:				
Other purposes	—	1,662	—	—
Unrestricted	6,355	—	(2,082)	2,024
Total net position	$ 6,886	$ 1,662	$ (1,898)	$ 10,454

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ 89,745	$ 12,176	$ 953	$ 4,838	$ 654
2,411	21	110	71	27
—	—	—	61	—
—	—	—	—	378
258	81	—	—	1
6	—	—	—	2
92,420	12,278	1,063	4,970	1,062
16,175	4,434	—	—	50
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	208	—
—	—	—	—	—
—	—	—	2,149	—
—	—	—	1,521	—
—	—	—	—	—
—	—	—	(192)	—
—	—	—	3,686	—
16,175	4,434	—	3,686	50
108,595	16,712	1,063	8,656	1,112
115	2	—	441	37
5,185	28	—	361	38
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
400	—	—	1	97
—	—	—	1	2
—	—	—	10	—
258	81	—	—	1
10,300	1,410	1,221	—	—
34	4	—	150	8
16,177	1,523	1,221	523	146
—	—	—	—	—
—	—	—	2	3
—	3,425	1,156	—	—
80	7	—	259	18
571	—	—	2,373	189
40	6	—	134	14
691	3,438	1,156	2,768	224
16,868	4,961	2,377	3,291	370
302	5	—	1,201	48
—	—	—	3,683	—
91,540	11,747	353	—	—
—	—	(1,667)	922	733
$ 91,540	$ 11,747	$ (1,314)	$ 4,605	$ 733

CONTINUES

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
ASSETS				
Current assets:				
Cash/cash equivalents	$ 174	$ 1,672	$ 378	$ 4,093
Receivables (net)	15	38	41	1
Interfund loans receivable	—	—	—	—
Inventories	734	—	—	—
Securities lending collateral	—	—	—	—
Other current assets	—	—	—	222
Total current assets	923	1,710	419	4,316
Noncurrent assets:				
Long-term investments	—	—	—	—
Other long-term assets	—	—	—	—
Capital assets:				
Land	—	110	—	—
Land improvements	—	3,099	—	—
Buildings/improvements	118	7,668	—	—
Equipment	208	939	—	—
Infrastructure	—	—	—	—
Construction in progress	—	212	—	—
Intangible assets	—	—	—	—
Other capital assets	—	—	—	—
Less accumulated depreciation	(233)	(3,141)	—	—
Total capital assets	93	8,887	—	—
Total noncurrent assets	93	8,887	—	—
Total assets	1,016	10,597	419	4,316
DEFERRED OUTFLOWS OF RESOURCES	61	22	86	—
LIABILITIES				
Current liabilities:				
Accounts payable	31	21	40	273
Lottery prizes payable	—	—	—	—
Interfund loans payable	—	—	—	—
Due to other governments	—	—	—	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Current lease liability	1	—	—	—
Amounts held in custody for others	—	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	18	7	21	—
Total current liabilities	50	28	61	273
Noncurrent liabilities:				
Lottery prizes payable	—	—	—	—
Long term lease liability	1	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	44	21	43	—
Net pension Liability	308	119	451	—
Total OPEB liability	22	6	23	—
Total noncurrent liabilities	375	146	517	—
Total liabilities	425	174	578	273
DEFERRED INFLOWS OF RESOURCES	62	27	86	—
NET POSITION				
Net investment in capital assets	91	8,888	—	—
Restricted for:				
Other purposes	—	—	—	4,043
Unrestricted	500	1,533	(160)	—
Total net position	$ 591	$ 10,421	$ (160)	$ 4,043

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 9,406	$ 3,119	$ 140,964
27	222	35,770
—	—	61
—	200	4,424
—	—	340
85	1	371
9,518	3,542	181,930
—	—	20,659
—	—	1,395
—	—	800
—	—	3,830
—	40	16,379
15	416	9,806
—	—	1,175
—	—	2,361
—	—	1,521
—	—	3,770
(10)	(229)	(17,591)
5	227	22,051
5	227	44,105
9,523	3,769	226,035
225	136	2,373
153	244	20,615
—	—	2,173
—	—	80
248	—	248
—	—	16,324
—	57	2,760
2	1	11
—	—	30
—	—	340
—	—	12,942
74	62	827
477	364	56,350
—	—	979
2	1	14
—	—	4,581
122	89	1,334
1,153	684	11,242
76	58	805
1,353	832	18,955
1,830	1,196	75,305
255	162	3,587
1	227	22,035
2,257	3	111,605
5,405	2,319	15,882
$ 7,663	$ 2,549	$ 149,522

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Operating revenues:				
Charges for services	$ 115,805	$ —	$ 59,892	$ 7,532
Investment earnings	—	33	27	—
Securities lending income	—	—	—	—
Contributions/premiums	—	1,180	—	—
Grants/contracts/donations	—	—	—	—
Other operating revenues	827	2	1	20
Total operating revenues	116,632	1,215	59,920	7,552
Operating expenses:				
Personal services	3,903	292	2,523	3,203
Contractual services	129	21	9,603	233
Supplies/materials	93,431	13	1,318	2,854
Benefits/claims	—	780	—	—
Depreciation	109	—	56	403
Amortization	—	—	—	—
Utilities/rent	248	10	240	173
Communications	68	5	641	15
Travel	10	21	26	14
Repair/maintenance	377	—	18	572
Lottery prize payments	—	—	36,766	—
Securities lending expense	—	—	—	—
Interest expense	8	—	—	—
Other operating expenses	39	12	194	611
Total operating expenses	98,322	1,154	51,385	8,078
Operating income (loss)	18,310	61	8,535	(526)
Nonoperating revenues (expenses):				
Tax revenues	32,576	—	—	—
Gain (loss) on sale of capital assets	8	—	—	49
Federal indirect cost recoveries	—	—	—	—
Increase (decrease) value of livestock	—	—	—	(353)
Total nonoperating revenues (expenses)	32,584	—	—	(304)
Income (loss) before contributions and transfers	50,894	61	8,535	(830)
Capital contributions	—	—	—	—
Transfers in	—	—	—	—
Transfers out	(50,767)	(13)	(8,573)	—
Change in net position	127	48	(38)	(830)
Total net position - July 1 - as previously reported	6,771	1,599	(1,855)	11,283
Adjustments to beginning net position	(12)	14	(5)	(1)
Total net position - July 1 - as adjusted	6,759	1,613	(1,860)	11,282
Total net position - June 30	$ 6,886	$ 1,661	$ (1,898)	$ 10,452

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ —	$ —	$ —	$ 6,972	$ 873
2,383	503	19	59	4
3	1	—	—	—
108,624	3,625	886	—	—
—	—	—	—	—
7,710	—	—	132	10
118,720	4,129	905	7,163	887
574	108	—	2,939	199
7,148	735	—	1,554	91
6	1	—	116	274
92,324	(500)	1,379	—	—
—	—	—	7	—
—	—	—	521	—
59	9	—	86	27
22	1	—	73	31
37	1	—	34	12
—	—	—	196	9
—	—	—	—	—
2	1	—	—	—
—	—	—	—	—
787	303	—	190	60
100,959	659	1,379	5,716	703
17,761	3,470	(474)	1,447	184
—	—	—	—	—
—	—	—	(13)	—
—	—	—	225	—
—	—	—	—	—
—	—	—	212	—
17,761	3,470	(474)	1,659	184
—	—	—	—	—
—	—	—	—	1
—	—	(28)	—	(14)
17,761	3,470	(502)	1,659	171
73,762	8,275	(811)	2,908	557
16	1	—	39	5
73,778	8,276	(811)	2,947	562
$ 91,539	$ 11,746	$ (1,313)	$ 4,606	$ 733

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Operating revenues:				
Charges for services	$ 755	$ 120	$ 654	$ 122
Investment earnings	—	—	—	21
Securities lending income	—	—	—	—
Contributions/premiums	—	—	—	11,506
Grants/contracts/donations	—	—	—	—
Other operating revenues	—	299	76	—
Total operating revenues	755	419	730	11,649
Operating expenses:				
Personal services	425	55	711	—
Contractual services	26	36	135	298
Supplies/materials	968	7	16	—
Benefits/claims	—	—	—	10,658
Depreciation	22	257	—	—
Amortization	—	—	20	—
Utilities/rent	44	18	13	—
Communications	22	2	9	—
Travel	3	2	8	—
Repair/maintenance	10	13	—	—
Lottery prize payments	—	—	—	—
Securities lending expense	—	—	—	—
Interest expense	—	—	—	—
Other operating expenses	37	1	74	8
Total operating expenses	1,557	391	986	10,964
Operating income (loss)	(802)	28	(256)	685
Nonoperating revenues (expenses):				
Tax revenues	—	—	—	—
Gain (loss) on sale of capital assets	—	—	—	—
Federal indirect cost recoveries	—	—	—	—
Increase (decrease) value of livestock	—	—	—	—
Total nonoperating revenues (expenses)	—	—	—	—
Income (loss) before contributions and transfers	(802)	28	(256)	685
Capital contributions	927	226	—	—
Transfers in	—	456	—	—
Transfers out	—	—	—	—
Change in net position	125	710	(256)	685
Total net position - July 1 - as previously reported	467	9,708	99	3,357
Adjustments to beginning net position	(3)	2	(6)	—
Total net position - July 1 - as adjusted	464	9,710	93	3,357
Total net position - June 30	$ 589	$ 10,420	$ (163)	$ 4,042

	HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
	$ —	$ 3,893	$ 196,618
	143	19	3,211
	—	—	4
	—	—	125,821
	49,213	8	49,221
	—	10	9,087
	49,356	3,930	383,962
	1,673	1,049	17,654
	1,828	1,000	22,837
	37	832	99,873
	44,819	—	149,460
	1	20	875
	—	—	541
	118	76	1,121
	72	11	972
	33	46	247
	148	95	1,438
	—	—	36,766
	—	—	3
	—	—	8
	298	465	3,079
	49,027	3,594	334,874
	329	336	49,088
	—	—	32,576
	—	—	44
	—	—	225
	—	—	(353)
	—	—	32,492
	329	336	81,580
	—	31	1,184
	—	—	457
	—	—	(59,395)
	329	367	23,826
	7,326	2,179	125,625
	7	—	57
	7,333	2,179	125,682
	$ 7,662	$ 2,546	$ 149,508

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	$ 113,440	$ 1,516	$ 58,382	$ 7,955
Payments to suppliers for goods and services	(89,803)	(431)	(11,573)	(3,421)
Payments to employees	(3,744)	(336)	(2,436)	(3,071)
Grant receipts (expenses)	—	—	—	—
Cash payments for claims	—	(770)	—	—
Cash payments for prizes	—	—	(37,048)	—
Other operating revenues	827	2	—	20
Other operating payments	(39)	(12)	—	(611)
Net cash provided by (used for) operating activities	20,681	(31)	7,325	872
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	32,576	—	—	—
Transfer to other funds	(50,767)	(13)	(11,417)	—
Transfer from other funds	—	—	—	—
Proceeds from interfund loans/advances	—	—	80	—
Payment of interfund loans and advances	—	—	—	—
Payment of principal and interest on bonds and notes	(8)	—	—	—
Net cash provided by (used for) noncapital financing activities	(18,199)	(13)	(11,337)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(113)	—	(25)	(567)
Proceeds from sale of capital assets	—	—	—	—
Net cash provided by (used for) capital and related financing activities	(113)	—	(25)	(567)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	(44)	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	33	27	—
Payment of securities lending costs	—	—	—	—
Net cash provided by (used for) investing activities	—	33	(17)	—
Net increase (decrease) in cash and cash equivalents	2,369	(11)	(4,054)	305
Cash and cash equivalents, July 1	4,989	2,829	5,607	1,721
Cash and cash equivalents, June 30	$ 7,358	$ 2,818	$ 1,553	$ 2,026

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ 106,508	$ 2,172	$ 950	$ 6,915	$ 877
(6,850)	(361)	—	(2,084)	(433)
(683)	(104)	—	(2,970)	(236)
—	—	—	—	—
(92,037)	(404)	(1,265)	—	—
—	—	—	—	—
7,710	—	—	357	10
(787)	(312)	—	(190)	(60)
13,861	991	(315)	2,028	158
—	—	—	—	—
—	—	(28)	—	(14)
—	—	—	—	1
—	—	—	—	14
—	—	—	(61)	—
—	—	—	—	—
—	—	(28)	(61)	1
—	—	—	(1,416)	—
—	—	—	—	—
—	—	—	(1,416)	—
2,331	296	—	—	(2)
3	1	—	—	—
2,383	522	19	59	4
(2)	(1)	—	—	—
4,715	818	19	59	2
18,576	1,809	(324)	610	161
71,171	10,366	1,278	4,233	493
$ 89,747	$ 12,175	$ 954	$ 4,843	$ 654

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	$ 786	$ 144	$ 677	$ 11,629
Payments to suppliers for goods and services	(1,237)	(91)	(182)	(325)
Payments to employees	(423)	(94)	(480)	—
Grant receipts (expenses)	—	—	—	—
Cash payments for claims	—	—	—	(10,658)
Cash payments for prizes	—	—	—	—
Other operating revenues	—	299	76	—
Other operating payments	(37)	(1)	(74)	(8)
Net cash provided by (used for) operating activities	(911)	257	17	638
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	—	—	—	—
Transfer to other funds	—	—	—	—
Transfer from other funds	—	456	—	—
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	—	456	—	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	—	(11)	—	—
Proceeds from sale of capital assets	927	—	—	—
Net cash used for capital and related financing activities	927	(11)	—	—
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	—	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	—	—	21
Payment of securities lending costs	—	—	—	—
Net cash provided by (used for) investing activities	—	—	—	21
Net increase (decrease) in cash and cash equivalents	16	702	17	659
Cash and cash equivalents, July 1	163	969	359	3,433
Cash and cash equivalents, June 30	$ 179	$ 1,671	$ 376	$ 4,092

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 44	$ 3,937	$ 315,932
(2,107)	(2,068)	(120,966)
(1,684)	(1,124)	(17,385)
49,373	8	49,381
(44,692)	—	(149,826)
—	—	(37,048)
—	10	9,311
(298)	(465)	(2,894)
636	298	46,505
—	—	32,576
—	—	(62,239)
—	—	457
8	—	102
—	—	(61)
—	—	(8)
8	—	(29,173)
(6)	(100)	(2,238)
—	—	927
(6)	(100)	(1,311)
—	—	2,581
—	—	4
143	19	3,230
—	—	(3)
143	19	5,812
781	217	21,833
8,617	2,905	119,133
$ 9,398	$ 3,122	$ 140,966

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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)	$ 18,310	$ 61	$ 8,535	$ (526)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	109	—	56	403
Amortization	—	—	—	—
Securities lending expense	—	—	—	—
Investment earnings	—	(33)	—	—
Securities lending income	—	—	—	—
Interest expense	8	—	—	—
Other revenue	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows :				
Decr (Incr) in accounts receivable	(2,364)	336	(1,611)	419
Decr (Incr) in due from other funds	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	169	—	90	489
Decr (Incr) in other assets	(1)	—	(9)	3
Incr (Decr) in accounts payable	2,748	(451)	384	(109)
Incr (Decr) in due to other funds	1,476	—	—	—
Incr (Decr) in due to other governments	—	—	—	—
Incr (Decr) in lottery prizes payable	—	—	(281)	—
Incr (Decr) in unearned revenue	91	69	105	105
Incr (Decr) in compensated absences payable	44	(31)	48	(35)
Incr (Decr) in total OPEB liability	(15)	(6)	9	(20)
Incr (Decr) in estimated claims	—	(6)	—	—
Incr (Decr) in other payables	9	—	—	(17)
Incr (Decr) in net pension liability and related accounts	97	30	(1)	159
Net cash provided by (used for) operating activities	$ 20,681	$ (31)	$ 7,325	$ 871
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
$ 17,761	$ 3,470	$ (474)	$ 1,447	$ 184
—	—	—	7	—
—	—	—	521	—
2	1	—	—	—
(2,383)	(503)	(19)	(59)	(4)
(3)	(1)	—	—	—
—	—	—	—	—
—	—	—	225	—
(2,110)	—	64	(57)	6
—	—	—	—	—
—	—	—	—	—
—	—	—	—	18
(6)	—	—	—	(2)
207	(28)	—	—	(6)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
220	—	—	1	(12)
19	3	—	67	3
(35)	2	—	(56)	(7)
300	(1,954)	114	—	—
—	—	—	3	6
(113)	—	—	(74)	(28)
$ 13,859	$ 990	$ (315)	$ 2,025	$ 158
$ —	$ —	$ —	$ —	$ —
(698)	(200)	—	(1)	(2)
$ (698)	$ (200)	$ —	$ (1)	$ (2)

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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)	$ (802)	$ 28	$ (256)	$ 685
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	22	257	—	—
Amortization	—	—	20	—
Securities lending expense	—	—	—	—
Investment earnings	—	—	—	(21)
Securities lending income	—	—	—	—
Interest expense	—	—	—	—
Other revenue	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:				
Decr (Incr) in accounts receivable	31	24	24	1
Decr (Incr) in due from other funds	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	(165)	—	—	—
Decr (Incr) in other assets	—	—	—	—
Incr (Decr) in accounts payable	(5)	(18)	33	(27)
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	—	—	—	—
Incr (Decr) in compensated absences payable	(7)	(3)	9	—
Incr (Decr) in total OPEB liability	—	(3)	2	—
Incr (Decr) in estimated claims	—	—	—	—
Incr (Decr) in other payables	1	—	1	—
Incr (Decr) in net pension liability and related accounts	8	(28)	184	—
Net cash provided by (used for) operating activities	$ (917)	$ 257	$ 17	$ 638
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	$ 927	$ 226	$ —	$ —
Incr (Decr) in fair value of investments	—	—	—	(1)
Total noncash transactions	$ 927	$ 226	$ —	$ (1)

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 329	$ 346	$ 49,098
1	20	875
—	—	541
—	—	3
(143)	(19)	(3,184)
—	—	(4)
—	—	8
—	—	225
31	41	(5,165)
—	2	2
166	—	166
—	(2)	599
13	—	(2)
29	50	2,807
—	—	1,476
135	—	135
—	—	(281)
—	(24)	555
43	50	210
(18)	(8)	(155)
—	—	(1,546)
4	—	7
55	(154)	135
$ 645	$ 302	$ 46,505
$ —	$ 31	$ 1,184
(3)	—	(905)
$ (3)	$ 31	$ 279

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, 2020
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
ASSETS					
Current assets:					
Cash/cash equivalents	$ 786	$ 6,085	$ 131,274	$ 3,029	$ 60,642
Receivables (net)	—	70	11,293	112	43
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	42	—
Due from component units	—	—	—	9	—
Inventories	—	3,640	—	—	—
Securities lending collateral	—	—	386	—	—
Other current assets	—	—	2	—	—
Total current assets	786	9,795	142,955	3,192	60,685
Noncurrent assets:					
Long-term investments	—	—	23,715	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	18,047	184,524	—	27,967	13
Construction in progress	—	3,868	—	—	—
Intangible assets	—	—	9	—	411
Less accumulated depreciation	(9,423)	(116,895)	—	(20,652)	(8)
Total capital assets	8,624	71,497	9	7,315	416
Total noncurrent assets	8,624	71,497	23,724	7,315	416
Total assets	9,410	81,292	166,679	10,507	61,101
DEFERRED OUTFLOWS OF RESOURCES	37	1,342	233	2,650	257
LIABILITIES					
Current liabilities:					
Accounts payable	86	961	7,424	3,048	423
Interfund loans payable	—	—	—	—	—
Due to other funds	117	—	—	—	—
Unearned revenue	—	—	1,244	—	—
Lease/installment purchase payable	—	—	3	2,691	2
Bonds/notes payable	—	—	—	167	—
Amounts held in custody for others	—	—	—	—	—
Securities lending liability	—	—	386	—	—
Estimated insurance claims	—	—	18,791	—	20,418
Compensated absences payable	16	513	79	984	113
Total current liabilities	219	1,474	27,927	6,890	20,956
Noncurrent liabilities:					
Advances from other funds	756	—	—	—	—
Lease/installment purchase payable	—	—	3	3,892	2
Bonds/notes payable	—	—	—	243	—
Estimated insurance claims	—	—	190	—	33,419
Compensated absences payable	16	578	40	1,132	254
Net pension liability	178	7,003	1,224	14,065	1,362
Total OPEB liability	17	437	62	639	64
Total noncurrent liabilities	967	8,018	1,519	19,971	35,101
Total liabilities	1,186	9,492	29,446	26,861	56,057
DEFERRED INFLOWS OF RESOURCES	37	1,612	233	2,631	256
NET POSITION					
Net investment in capital assets	7,753	71,498	3	732	412
Unrestricted	469	34	137,231	(17,066)	4,633
Total net position	$ 8,222	$ 71,532	$ 137,234	$ (16,334)	$ 5,045

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 2,210	$ 2,182	$ 1,501	$ 666	$ 4,356	$ 618	$ 179
—	10	6	—	—	—	—
—	—	—	—	—	—	—
—	26	—	—	—	—	—
—	—	—	—	—	—	—
5	131	—	—	—	—	—
—	—	—	—	—	—	—
—	458	2	5	21	9	—
2,215	2,807	1,509	671	4,377	627	179
—	—	—	—	—	—	—
—	—	95	—	—	—	—
—	—	1,091	—	—	—	—
24,307	2,683	895	—	188	6	—
—	—	—	—	295	—	—
—	—	—	—	—	—	—
(13,872)	(2,042)	(1,572)	—	(157)	(1)	—
10,435	641	509	—	326	5	—
10,435	641	509	—	326	5	—
12,650	3,448	2,018	671	4,703	632	179
58	280	430	357	1,348	287	304
46	353	562	163	1,823	129	165
—	—	—	—	—	—	250
1,807	—	—	—	—	—	—
—	—	—	—	—	—	—
—	83	5	2	38	1	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
22	82	140	111	531	73	136
1,875	518	707	276	2,392	203	551
4,651	—	—	—	—	—	—
—	153	4	2	56	6	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
26	148	131	232	512	175	25
296	1,394	2,187	1,887	7,102	1,527	1,544
22	113	150	91	354	67	100
4,995	1,808	2,472	2,212	8,024	1,775	1,669
6,870	2,326	3,179	2,488	10,416	1,978	2,220
70	290	440	356	1,597	318	489
3,984	405	500	—	232	—	—
1,784	706	(1,671)	(1,816)	(6,194)	(1,376)	(2,227)
$ 5,768	$ 1,111	$ (1,171)	$ (1,816)	$ (5,962)	$ (1,376)	$ (2,227)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
ASSETS					
Current assets:					
Cash/cash equivalents	$ 886	$ 680	$ 203	$ 1,888	$ 637
Receivables (net)	—	—	—	—	—
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	40	—
Due from component units	—	—	—	—	—
Inventories	—	—	—	—	—
Securities lending collateral	—	—	—	—	—
Other current assets	—	6	4	21	—
Total current assets	886	686	207	1,949	637
Noncurrent assets:					
Long-term investments	—	—	—	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	560	—	149	7	218
Construction in progress	—	—	—	—	—
Intangible assets	—	—	—	—	—
Less accumulated depreciation	(473)	—	(145)	(3)	(138)
Total capital assets	87	—	4	4	80
Total noncurrent assets	87	—	4	4	80
Total assets	973	686	211	1,953	717
DEFERRED OUTFLOWS OF RESOURCES	618	327	34	561	193
LIABILITIES					
Current liabilities:					
Accounts payable	318	263	18	446	143
Interfund loans payable	—	—	—	—	—
Due to other funds	—	—	—	—	—
Unearned revenue	—	—	—	—	—
Lease/installment purchase payable	34	1	1	5	—
Bonds/notes payable	—	—	—	—	—
Amounts held in custody for others	—	—	—	—	—
Securities lending liability	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	221	115	12	227	49
Total current liabilities	573	379	31	678	192
Noncurrent liabilities:					
Advances from other funds	—	—	—	—	—
Lease/installment purchase payable	47	1	1	1	—
Bonds/notes payable	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	239	131	—	365	100
Net pension liability	3,309	1,740	172	3,057	998
Total OPEB liability	172	77	14	99	61
Total noncurrent liabilities	3,767	1,949	187	3,522	1,159
Total liabilities	4,340	2,328	218	4,200	1,351
DEFERRED INFLOWS OF RESOURCES	873	324	36	613	239
NET POSITION					
Net investment in capital assets	5	—	2	—	79
Unrestricted	(3,628)	(1,639)	(10)	(2,300)	(759)
Total net position	$ (3,623)	$ (1,639)	$ (8)	$ (2,300)	$ (680)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ —	$ 104	$ 787	$ 2,447	$ 233	$ 1,654	$ 223,047
3	1	—	154	—	—	11,692
7	3	—	—	—	—	10
—	2	—	—	—	—	110
—	—	—	—	—	—	9
—	—	—	1,049	107	—	4,932
—	—	—	—	—	—	386
—	2	—	20	—	16	566
10	112	787	3,670	340	1,670	240,752
—	—	—	—	—	—	23,715
—	—	—	—	—	—	95
—	—	—	4,978	—	—	6,069
17	—	—	4,999	19	71	264,670
—	—	—	234	—	—	4,397
—	—	—	—	—	132	552
(9)	—	—	(4,794)	(18)	(63)	(170,265)
8	—	—	5,417	1	140	105,518
8	—	—	5,417	1	140	129,233
18	112	787	9,087	341	1,810	369,985
75	37	24	153	88	282	9,975
117	23	16	257	48	167	16,999
8	—	—	—	19	—	277
—	—	—	—	—	—	1,924
—	—	—	20	—	—	1,264
—	—	—	—	—	1	2,867
—	—	—	—	—	—	167
—	—	494	—	—	—	494
—	—	—	—	—	—	386
—	—	—	—	—	—	39,209
64	13	2	89	33	107	3,732
189	36	512	366	100	275	67,319
—	—	—	—	—	—	5,407
—	—	—	—	—	1	4,169
—	—	—	—	—	—	243
—	—	—	—	—	—	33,609
159	32	4	32	64	224	4,619
323	194	117	605	440	1,498	52,222
54	9	10	82	33	67	2,794
536	235	131	719	537	1,790	103,063
725	271	643	1,085	637	2,065	170,382
77	36	33	162	138	280	11,140
7	—	—	5,416	1	138	91,167
(717)	(158)	135	2,577	(346)	(391)	107,271
$ (710)	$ (158)	$ 135	$ 7,993	$ (345)	$ (253)	$ 198,438

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Operating revenues:					
Charges for services	$ 3,443	$ 31,965	$ 2,591	$ 48,124	$ —
Investment earnings	—	—	2,785	—	636
Securities lending income	—	—	6	—	—
Contributions/premiums	—	—	204,564	—	22,486
Grants/contracts/donations	—	—	5,501	—	—
Other operating revenues	—	12	9,919	147	—
Total operating revenues	3,443	31,977	225,366	48,271	23,122
Operating expenses:					
Personal services	337	9,557	1,572	18,230	1,799
Contractual services	86	487	12,963	1,568	8,674
Supplies/materials	1,300	6,019	44	2,388	49
Benefits/claims	—	—	171,959	—	50,579
Depreciation	1,327	7,197	—	3,504	1
Amortization	—	—	103	—	274
Utilities/rent	129	125	414	1,170	90
Communications	4	5	78	5,055	24
Travel	9	16	8	176	16
Repair/maintenance	534	6,839	—	16,004	2
Grants	—	—	—	—	230
Securities lending expense	—	—	3	—	—
Interest expense	3	—	—	236	—
Other operating expenses	12	270	453	1,068	158
Total operating expenses	3,741	30,515	187,597	49,399	61,896
Operating income (loss)	(298)	1,462	37,769	(1,128)	(38,774)
Nonoperating revenues (expenses):					
Insurance proceeds	—	—	2	—	151
Gain (loss) on sale of capital assets	(163)	59	—	—	—
Federal indirect cost recoveries	—	—	—	—	—
Total nonoperating revenues (expenses)	(163)	59	2	—	151
Income (loss) before contributions and transfers	(461)	1,521	37,771	(1,128)	(38,623)
Capital contributions	3	100	—	—	—
Transfers in	—	—	—	—	34,087
Transfers out	—	—	—	(14)	(479)
Changes in net position	(458)	1,621	37,771	(1,142)	(5,015)
Total net position - July 1 - as previously reported	8,686	69,922	99,959	(15,162)	9,965
Adjustments to beginning net position	(7)	(12)	(495)	(30)	95
Total net position - July 1 - as adjusted	8,679	69,910	99,464	(15,192)	10,060
Total net position - June 30	$ 8,221	$ 71,531	$ 137,235	$ (16,334)	$ 5,045

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 4,658	$ 10,664	$ 11,125	$ 2,722	$ 13,287	$ —	$ 1,154
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	3	—	—
—	—	1	3	—	1,870	7
4,658	10,664	11,126	2,725	13,290	1,870	1,161
429	1,952	3,013	2,488	9,707	2,065	2,288
399	194	4,089	219	5,880	66	541
1,113	2,883	342	60	1,024	42	22
—	—	—	—	—	(50)	—
1,841	221	77	—	2	1	—
—	—	—	—	—	—	—
74	277	2,013	83	461	124	322
—	4,351	120	43	836	27	155
—	9	10	8	65	8	7
524	404	884	2	25	5	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
134	15	38	—	5	—	—
51	188	520	41	1,440	20	101
4,565	10,494	11,106	2,944	19,445	2,308	3,436
93	170	20	(219)	(6,155)	(438)	(2,275)
98	—	11	—	—	—	—
33	5	19	—	(1)	—	—
—	—	—	—	5,650	323	1,991
131	5	30	—	5,649	323	1,991
224	175	50	(219)	(506)	(115)	(284)
—	—	—	—	—	—	—
—	—	353	—	—	—	—
—	—	(451)	—	—	—	—
224	175	(48)	(219)	(506)	(115)	(284)
5,545	949	(1,112)	(1,594)	(5,433)	(1,256)	(1,948)
(1)	(13)	(11)	(4)	(23)	(6)	5
5,544	936	(1,123)	(1,598)	(5,456)	(1,262)	(1,943)
$ 5,768	$ 1,111	$ (1,171)	$ (1,817)	$ (5,962)	$ (1,377)	$ (2,227)

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Operating revenues:					
Charges for services	$ 2,573	$ 3,388	$ 749	$ 7,254	$ 553
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Contributions/premiums	—	—	—	—	—
Grants/contracts/donations	—	—	—	—	—
Other operating revenues	6	—	—	—	—
Total operating revenues	2,579	3,388	749	7,254	553
Operating expenses:					
Personal services	4,444	2,139	235	3,840	1,402
Contractual services	950	442	190	1,868	68
Supplies/materials	157	36	11	33	201
Benefits/claims	—	—	—	—	—
Depreciation	20	—	—	—	10
Amortization	5	—	—	—	—
Utilities/rent	1,598	63	9	183	158
Communications	214	27	289	42	17
Travel	16	3	3	82	3
Repair/maintenance	43	592	—	1	388
Grants	—	—	—	—	—
Securities lending expense	—	—	—	—	—
Interest expense	1	—	—	—	—
Other operating expenses	291	101	23	565	23
Total operating expenses	7,739	3,403	760	6,614	2,270
Operating income (loss)	(5,160)	(15)	(11)	640	(1,717)
Nonoperating revenues (expenses):					
Insurance proceeds	—	—	—	—	—
Gain (loss) on sale of capital assets	—	—	—	—	—
Federal indirect cost recoveries	4,955	—	—	—	—
Total nonoperating revenues (expenses)	4,955	—	—	—	—
Income (loss) before contributions and transfers	(205)	(15)	(11)	640	(1,717)
Capital contributions	—	—	—	—	—
Transfers in	—	—	—	—	1,665
Transfers out	—	—	—	—	—
Changes in net position	(205)	(15)	(11)	640	(52)
Total net position - July 1 - as previously reported	(3,460)	(1,626)	1	(2,941)	(616)
Adjustments to beginning net position	42	3	2	3	(10)
Total net position - July 1 - as adjusted	(3,418)	(1,623)	3	(2,938)	(626)
Total net position - June 30	$ (3,623)	$ (1,638)	$ (8)	$ (2,298)	$ (678)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,536	$ 362	$ 290	$ 8,636	$ 558	$ 4,374	$ 160,006
—	—	—	—	—	—	3,421
—	—	—	—	—	—	6
—	—	—	—	—	—	227,050
—	—	—	—	—	—	5,504
—	41	—	10	—	7	12,023
1,536	403	290	8,646	558	4,381	408,010
1,548	216	152	1,749	733	1,929	71,824
60	64	41	87	69	420	39,425
18	83	1	5,249	117	107	21,299
—	—	—	—	—	—	222,488
3	—	—	467	—	1	14,672
—	—	—	—	—	159	541
81	28	2	114	51	39	7,608
16	3	34	—	8	28	11,376
6	16	—	3	—	3	467
—	3	—	209	1	1,442	27,902
—	—	—	—	—	—	230
—	—	—	—	—	—	3
—	—	—	—	—	—	432
24	13	—	317	41	110	5,830
1,756	426	230	8,195	1,020	4,238	424,097
(220)	(23)	60	451	(462)	143	(16,087)
—	—	—	—	—	—	262
—	—	—	—	—	—	(48)
—	—	—	—	557	—	13,476
—	—	—	—	557	—	13,690
(220)	(23)	60	451	95	143	(2,397)
—	—	—	5	—	—	108
—	32	—	—	—	—	36,137
—	—	—	—	—	—	(944)
(220)	9	60	456	95	143	32,904
(491)	(170)	74	7,534	(445)	(404)	165,977
2	2	1	4	5	9	(439)
(489)	(168)	75	7,538	(440)	(395)	165,538
$ (709)	$ (159)	$ 135	$ 7,994	$ (345)	$ (252)	$ 198,442

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	$ 3,443	$ 31,989	$ 204,114	$ 48,222	$ 22,482
Payments to suppliers for goods and services	(1,883)	(13,953)	(14,043)	(29,772)	(8,960)
Payments to employees	(308)	(9,071)	(2,238)	(17,458)	(1,759)
Grant receipts (expenses)	—	—	5,501	—	(230)
Cash payments for claims	—	—	(171,728)	—	(12,739)
Other operating revenues	—	12	9,919	147	—
Other operating payments	(12)	(270)	(453)	(1,068)	(158)
Net cash provided by (used for) operating activities	1,240	8,707	31,072	71	(1,364)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	—	(14)	(479)
Transfer from other funds	—	—	—	—	34,090
Proceeds from interfund loans/advances	756	—	—	44	—
Payment of principal and interest on bonds and notes	(3)	—	—	(532)	—
Net cash provided by (used for) noncapital financing activities	753	—	—	(502)	33,611
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	2	—	151
Acquisition of capital assets	(2,443)	(6,556)	—	—	(5)
Proceeds from sale of capital assets	—	—	—	916	—
Net cash used for capital and related financing activities	(2,443)	(6,556)	2	916	146
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	—	10,998	—	—
Proceeds (loss) from securities lending transactions	—	—	6	—	—
Interest and dividends on investments	—	—	2,785	—	636
Payment of securities lending costs	—	—	(3)	—	—
Net cash provided by (used for) investing activities	—	—	13,786	—	636
Net increase (decrease) in cash and cash equivalents	(450)	2,151	44,860	485	33,029
Cash and cash equivalents, July 1	1,239	3,933	86,413	2,546	27,614
Cash and cash equivalents, June 30	$ 789	$ 6,084	$ 131,273	$ 3,031	$ 60,643

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 4,658	$ 10,661	$ 11,134	$ 2,718	$ 13,286	$ 24	$ 1,193
(2,150)	(8,085)	(7,505)	(402)	(7,207)	(266)	(1,033)
(422)	(1,921)	(2,966)	(2,346)	(9,165)	(1,843)	(2,272)
—	—	—	—	3	—	—
—	—	—	—	—	—	—
—	—	1	3	5,650	2,193	1,998
(51)	(188)	(520)	(41)	(1,440)	(20)	(101)
2,035	467	144	(68)	1,127	88	(215)
—	—	(451)	—	—	—	—
—	—	353	—	—	—	2
1,280	—	—	—	—	—	250
(134)	(15)	(38)	—	(5)	—	—
1,146	(15)	(136)	—	(5)	—	252
98	—	11	—	—	—	—
(2,898)	(219)	(34)	—	(19)	(6)	—
—	—	—	—	—	—	—
(2,800)	(219)	(23)	—	(19)	(6)	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
381	233	(15)	(68)	1,103	82	37
1,828	1,949	1,519	732	3,258	536	141
$ 2,209	$ 2,182	$ 1,504	$ 664	$ 4,361	$ 618	$ 178

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	$ 2,626	$ 3,388	$ 749	$ 7,265	$ 554
Payments to suppliers for goods and services	(2,870)	(1,129)	(501)	(2,095)	(812)
Payments to employees	(4,356)	(2,146)	(241)	(3,723)	(1,492)
Grant receipts (expenses)	—	—	—	—	—
Cash payments for claims	—	—	—	—	—
Other operating revenues	4,961	—	—	—	—
Other operating payments	(291)	(101)	(23)	(565)	(23)
Net cash provided by (used for) operating activities	70	12	(16)	882	(1,773)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	—	—	—
Transfer from other funds	—	—	—	—	1,665
Proceeds from interfund loans/advances	—	—	—	—	—
Payment of principal and interest on bonds and notes	(1)	—	—	—	—
Net cash provided by (used for) noncapital financing activities	(1)	—	—	—	1,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	—
Acquisition of capital assets	(40)	—	—	(4)	(9)
Proceeds from sale of capital assets	—	—	—	—	—
Net cash used for capital and related financing activities	(40)	—	—	(4)	(9)
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	29	12	(16)	878	(117)
Cash and cash equivalents, July 1	855	666	217	1,011	755
Cash and cash equivalents, June 30	$ 884	$ 678	$ 201	$ 1,889	$ 638

JUSTICE LEGAL SERVICES	PERSONAL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,533	$ 358	$ 800	$ 9,031	$ 558	$ 4,481	$ 385,267
(183)	(227)	(83)	(5,694)	(226)	(2,014)	(111,093)
(1,492)	(212)	(171)	(1,708)	(889)	(1,841)	(70,040)
(7)	(6)	—	—	—	—	5,261
—	—	—	—	—	—	(184,467)
—	41	—	10	557	7	25,499
(24)	(13)	—	(317)	(41)	(110)	(5,830)
(173)	(59)	546	1,322	(41)	523	44,597
—	—	—	—	—	—	(944)
—	32	—	—	—	—	36,142
8	—	—	—	4	—	2,342
—	—	—	—	—	—	(728)
8	32	—	—	4	—	36,812
—	—	—	—	—	—	262
—	—	—	(423)	—	—	(12,656)
—	—	—	—	—	—	916
—	—	—	(423)	—	—	(11,478)
—	—	—	—	—	—	10,998
—	—	—	—	—	—	6
—	—	—	—	—	—	3,421
—	—	—	—	—	—	(3)
—	—	—	—	—	—	14,422
(165)	(27)	546	899	(37)	523	84,353
165	127	239	1,551	273	1,127	138,694
$ —	$ 100	$ 785	$ 2,450	$ 236	$ 1,650	$ 223,047

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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)	$ (297)	$ 1,463	$ 37,768	$ (1,128)	$ (38,774)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	1,327	7,197	—	3,504	1
Amortization	—	—	103	—	274
Securities lending expense	—	—	3	—	—
Investment earnings	—	—	(2,785)	—	(636)
Securities lending income	—	—	(6)	—	—
Interest expense	3	—	—	236	—
Federal indirect cost recoveries	—	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	—	25	(3,039)	(32)	(4)
Decr (Incr) in due from other funds	—	—	—	(3)	—
Decr (Incr) in due from component units	—	—	—	30	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	(592)	—	—	—
Decr (Incr) in other assets	—	—	(2)	141	—
Incr (Decr) in accounts payable	69	199	(453)	1,340	(92)
Incr (Decr) in due to other funds	117	—	—	—	—
Incr (Decr) in unearned revenue	—	—	(87)	—	—
Incr (Decr) in amounts held in custody for others	—	—	—	—	—
Incr (Decr) in compensated absences payable	(4)	61	(64)	195	30
Incr (Decr) in total OPEB liability	3	(56)	(11)	(70)	(1)
Incr (Decr) in estimated claims	—	—	85	—	37,675
Incr (Decr) in other payables	—	—	6	(4,579)	5
Incr (Decr) in net pension liability and related accounts	18	412	(445)	434	157
Net cash provided by (used for) operating activities	$ 1,236	$ 8,709	$ 31,073	$ 68	$ (1,365)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ 3	$ 100	$ —	$ —	$ —
Incr (Decr) in value of investments	—	—	(1,029)	—	(21)
Total noncash transactions	$ 3	$ 100	$ (1,029)	$ —	$ (21)

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 93	$ 170	$ 19	$ (219)	$ (6,155)	$ (438)	$ (2,274)
1,841	221	77	—	2	1	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
134	15	38	—	5	—	—
—	—	—	—	5,650	323	1,991
—	(1)	8	—	—	—	40
—	(19)	—	—	—	—	—
—	—	—	—	—	24	—
—	—	—	—	—	—	—
(1)	15	—	—	—	—	—
—	17	—	(4)	(1)	(1)	—
(1)	(2)	(29)	30	1,167	15	58
(35)	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
1	(9)	19	40	168	16	24
(3)	(5)	(14)	(10)	(34)	(5)	(20)
—	—	—	—	—	—	—
—	21	8	5	14	6	—
7	43	14	93	307	147	(31)
$ 2,036	$ 466	$ 140	$ (65)	$ 1,123	$ 88	$ (212)
$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —	$ —

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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)	$ (5,160)	$ (16)	$ (12)	$ 639	$ (1,718)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	20	—	—	—	10
Amortization	5	—	—	—	—
Securities lending expense	—	—	—	—	—
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Interest expense	1	—	—	—	—
Federal indirect cost recoveries	4,955	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	1	—	—	—	2
Decr (Incr) in due from other funds	—	—	—	(7)	—
Decr (Incr) in due from component units	—	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	—	—	—	—
Decr (Incr) in other assets	52	—	—	18	—
Incr (Decr) in accounts payable	14	41	3	156	20
Incr (Decr) in due to other funds	—	—	—	—	—
Incr (Decr) in unearned revenue	—	—	—	—	—
Incr (Decr) in amounts held in custody for others	—	—	—	—	—
Incr (Decr) in compensated absences payable	(18)	12	5	60	(27)
Incr (Decr) in total OPEB liability	(64)	(15)	(4)	(18)	—
Incr (Decr) in estimated claims	—	—	—	—	—
Incr (Decr) in other payables	83	2	1	6	—
Incr (Decr) in net pension liability and related accounts	185	(10)	(7)	27	(60)
Net cash provided by (used for) operating activities	$ 74	$ 14	$ (14)	$ 881	$ (1,773)
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
$ (220)	$ (22)	$ 60	$ 450	$ (462)	$ 141	$ (16,092)
3	—	—	467	—	1	14,672
—	—	—	—	—	159	541
—	—	—	—	—	—	3
—	—	—	—	—	—	(3,421)
—	—	—	—	—	—	(6)
—	—	—	—	—	—	432
—	—	—	—	557	—	13,476
(3)	(1)	—	367	—	—	(2,637)
—		—	—	—	—	(29)
—	—	—	—	—	—	54
(7)	—	—	—	—	—	(7)
—	—	—	(39)	15	—	(602)
—	(1)	—	28	—	108	355
23	(30)	6	62	(1)	56	2,651
—	—	—	—	—	—	82
—	—	—	(28)	—	—	(115)
—	—	494	—	—	—	494
20	(8)	1	10	(12)	60	580
(10)	(3)	(2)	(17)	(16)	(19)	(394)
—	—	—	—	—	—	37,760
—	1	—	—	—	2	(4,419)
22	8	(11)	17	(126)	18	1,219
$ (172)	$ (56)	$ 548	$ 1,317	$ (45)	$ 526	$ 44,597
$ —	$ —	$ —	$ 5	$ —	$ —	$ 108
—	—	—	—	—	—	(1,050)
$ —	$ —	$ —	$ 5	$ —	$ —	$ (942)

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, 2020
(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	$ 68,163	$ 475	$ 1,216	$ 2,320	$ 4,478	$ 2,613
Receivables (net):						
Accounts receivable	3,284	6	7	4	388	44
Interest	30	—	1	1	2	1
Due from primary government	—	—	—	—	—	—
Due from other PERB plans	780	—	—	—	—	—
Long-term notes/loans receivable	9	—	—	—	—	—
Total receivables	4,103	6	8	5	390	45
Investments at fair value:						
Equity in pooled investments	5,775,148	—	104,563	149,444	379,310	210,059
Other investments	—	5,271	—	—	—	—
Total investments	5,775,148	5,271	104,563	149,444	379,310	210,059
Securities lending collateral	30,813	—	558	798	2,024	1,121
Capital assets:						
Land	—	—	—	—	—	—
Buildings/improvements	23	—	—	—	—	—
Equipment	43	—	4	3	4	4
Accumulated depreciation	(54)	—	(3)	(3)	(3)	(3)
Intangible assets	1,030	—	302	257	302	302
Total capital assets	1,042	—	303	257	303	303
Total assets	5,879,269	5,752	106,648	152,824	386,505	214,141
DEFERRED OUTFLOWS OF RESOURCES	63	—	—	—	—	—
LIABILITIES						
Accounts payable	403	—	14	17	37	14
Due to other PERB plans	17	—	9	38	147	92
Unearned revenue	224	—	1	3	2	4
Securities lending liability	30,813	—	558	798	2,024	1,121
Compensated absences payable	371	—	—	—	—	—
Net pension liability (Note 6)	—	—	—	—	—	—
Total OPEB liability	108	—	—	—	—	—
Total liabilities	31,936	—	582	856	2,210	1,231
DEFERRED INFLOWS OF RESOURCES	53	—	—	—	—	—
NET POSITION						
Restricted for:						
Pensions	5,847,343	(1)	106,066	151,968	384,295	212,910
Postemployment benefits other than pensions	—	5,753	—	—	—	—
Total net position	$ 5,847,343	$ 5,752	$ 106,066	$ 151,968	$ 384,295	$ 212,910

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
$ 4,727	$ 4,979	$ 865	$ 2,410	$ 523	$ 33,379	$ 4,454	$ 130,602
423	337	3	248	401	17,091	—	22,236
2	2	—	1	—	25	—	65
16,636	17,721	—	—	—	—	—	34,357
—	—	—	17	—	—	—	797
—	—	—	—	—	—	—	9
17,061	18,060	3	266	401	17,116	—	57,464
429,318	454,769	39,098	—	—	4,116,677	—	11,658,386
—	—	—	294,648	560,706	—	8,226	868,851
429,318	454,769	39,098	294,648	560,706	4,116,677	8,226	12,527,237
2,290	2,427	208	—	—	21,965	—	62,204
—	—	—	—	—	35	—	35
—	—	—	3	2	945	—	973
3	3	3	7	6	16	—	96
(3)	(3)	(3)	(8)	(7)	(190)	—	(280)
271	267	246	246	292	1,792	—	5,307
271	267	246	248	293	2,598	—	6,131
453,667	480,502	40,420	297,572	561,923	4,191,735	12,680	12,783,638
—	—	—	6	3	282	6	360
16	14	12	225	277	166	51	1,246
108	93	293	—	—	—	—	797
103	32	—	—	—	—	—	369
2,290	2,427	208	—	—	21,965	—	62,204
—	—	—	45	23	195	2	636
—	—	—	—	—	1,458	31	1,489
—	—	—	10	4	89	2	213
2,517	2,566	513	280	304	23,873	86	66,954
—	—	—	5	2	304	6	370
451,150	477,936	39,907	297,293	2	4,167,840	(1)	12,136,708
—	—	—	—	561,618	—	12,595	579,966
$ 451,150	$ 477,936	$ 39,907	$ 297,293	$ 561,620	$ 4,167,840	$ 12,594	$ 12,716,674

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	$ 112,449	$ 511	$ 1,988	$ 6,002	$ 11,166	$ 4,868
Employee	104,673	—	560	2,169	9,102	5,797
Other contributions	35,396	—	—	228	22	7
Investment earnings:						
Net increase in fair value of investments	187,097	212	3,350	4,851	12,064	6,620
Interest, dividends, and other	1,942	8	33	51	128	70
Securities lending income	670	—	12	17	43	24
Total investment earnings	189,709	220	3,395	4,919	12,235	6,714
Less investment costs:						
Administrative investment expenses	31,339	13	561	809	2,030	1,117
Securities lending expense	357	—	6	9	23	13
Net investment earnings	158,013	207	2,828	4,101	10,182	5,584
Charges for services	—	—	—	—	—	—
Other additions and miscellaneous	—	—	—	—	—	—
Total additions	410,531	718	5,376	12,500	30,472	16,256
DEDUCTIONS						
Benefits	449,602	101	4,038	12,684	21,481	8,247
Refunds	12,097	—	—	361	1,631	1,205
Administrative expenses	5,032	—	157	163	295	240
Local assistance	—	—	—	—	—	—
Transfer to MUS-RP	268	—	—	—	—	—
Transfer to PERS-DCRP	1,984	—	—	—	—	—
Total deductions	468,983	101	4,195	13,208	23,407	9,692
Changes in net position	(58,452)	617	1,181	(708)	7,065	6,564
Net position- July 1- as previously reported	5,905,584	5,137	104,886	152,778	377,223	206,347
Adjustments to beginning net position	211	—	—	(102)	7	1
Net position - July 1- as adjusted	5,905,795	5,137	104,886	152,676	377,230	206,348
Net position - June 30	$ 5,847,343	$ 5,754	$ 106,067	$ 151,968	$ 384,295	$ 212,912

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
$ 8,275	$ 7,885	$ —	$ 14,416	$ 101	$ 102,420	$ 3,851	$ 273,932
5,211	5,938	—	14,208	32,414	80,195	—	260,267
16,687	17,811	2,487	95	—	45,949	—	118,682
13,809	14,514	1,238	8,434	19,416	133,249	346	405,200
141	151	12	7,011	13,891	1,399	—	24,837
49	52	4	—	—	476	—	1,347
13,999	14,717	1,254	15,445	33,307	135,124	346	431,384
2,316	2,443	206	72	881	22,282	—	64,069
26	28	2	—	—	254	—	718
11,657	12,246	1,046	15,373	32,426	112,588	346	366,597
—	—	—	—	604	—	182	786
—	—	—	852	—	52	1	905
41,830	43,880	3,533	44,944	65,545	341,204	4,380	1,021,169
27,866	26,839	3,065	9,859	35,590	384,397	3,165	986,934
2,351	62	—	—	—	5,172	—	22,879
241	224	414	1,009	1,332	3,972	207	13,286
—	—	12	—	—	—	—	12
—	—	—	—	—	—	—	268
—	—	—	—	—	—	—	1,984
30,458	27,125	3,491	10,868	36,922	393,541	3,372	1,025,363
11,372	16,755	42	34,076	28,623	(52,337)	1,008	(4,194)
439,778	461,189	39,866	263,208	532,989	4,220,286	11,588	12,720,859
1	(7)	1	7	7	(109)	—	17
439,779	461,182	39,867	263,215	532,996	4,220,177	11,588	12,720,876
$ 451,151	$ 477,937	$ 39,909	$ 297,291	$ 561,619	$ 4,167,840	$ 12,596	$ 12,716,682

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.

Criminal Offender Restitution Fund – accounts for monies held by the Department of Corrections in a trust capacity. The monies are received from prisoners and disbursed to their victims.

Inmate Trust Fund – accounts for monies held by the Department of Corrections in a trust capacity. The monies are received from inmates and disbursed on behalf of the inmates.

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.

Regulatory Deposits Fund – accounts for deposits held by the State, pending compliance with laws and regulations. This includes, deposits from insurers, deposits from pesticide applicator and commodity dealers, and professional employer organizations or groups.

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.

Other Private-Purpose Trust Fund – accounts for monies held by the State in a trustee capacity that are not included in the above private-purpose trust funds. The includes the student accounts held by the Montana School for the Deaf and Blind and the self-sufficiency trust account held by the Department of Public Health and Human Services.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	CRIMINAL OFFENDER RESTITUTION	INMATE TRUST ACCOUNT	PLAN SECURITIES
ASSETS				
Cash/cash equivalents	$ 42,704	$ 1,328	$ 1,300	$ —
Investments at fair value:				
Other investments	156,859	—	—	—
Total investments	156,859	—	—	—
Other assets	—	—	—	34,162
Total assets	199,563	1,328	1,300	34,162
LIABILITIES				
Accounts payable	—	17	4	—
Total liabilities	—	17	4	—
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	199,563	1,311	1,296	34,162
Total net position	$ 199,563	$ 1,311	$ 1,296	$ 34,162

REGULATORY DEPOSITS		WOODVILLE HIGHWAY RELACEMENT		OTHER PRIVATE-PURPOSE TRUSTS		TOTAL
$	320	$	51	$	38	$ 45,741
	10,699		—		—	167,558
	10,699		—		—	167,558
	674		—		—	34,836
	11,693		51		38	248,135
	—		—		—	21
	—		—		—	21
	11,693		51		38	248,114
$	11,693	$	51	$	38	$ 248,114

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	CRIMINAL OFFENDER RESTITUTION	INMATE TRUST ACCOUNT	PLAN SECURITIES
ADDITIONS				
Other contributions	$ 18,278	$ —	$ —	$ —
Investment earnings:				
Net increase in fair value of investments	(926)	—	—	—
Interest, dividends, and other	—	—	—	—
Total investment earnings	(926)	—	—	—
Net investment earnings	(926)	—	—	—
Other additions and miscellaneous	—	4,429	4,073	—
Total additions	17,352	4,429	4,073	—
DEDUCTIONS				
Distributions	28,418	4,219	4,052	584
Administrative expenses	758	—	—	—
Total deductions	29,176	4,219	4,052	584
Change in net position	(11,824)	210	21	(584)
Net position - July 1 - as previously reported	211,388	—	—	34,746
Adjustments to beginning net position	—	1,101	1,276	—
Net position - July 1 - as adjusted	211,388	1,101	1,276	34,746
Net position - June 30	$ 199,564	$ 1,311	$ 1,297	$ 34,162

REGULATORY DEPOSITS	WOODVILLE HIGHWAY REPLACEMENT	OTHER PRIVATE-PURPOSE TRUSTS	ESCHEATED PROPERTY	PERFORMANCE DEPOSITS	TOTAL
$ —	$ —	$ —	$ —	$ —	$ 18,278
—	—	—	—	—	(926)
—	1	—	—	—	1
—	1	—	—	—	(925)
—	1	—	—	—	(925)
537	—	121	—	—	9,160
537	1	121	—	—	26,513
938	—	125	—	—	38,336
—	—	—	—	—	758
938	—	125	—	—	39,094
(401)	1	(4)	—	—	(12,581)
—	51	—	747	40,357	287,289
12,093	—	41	(747)	(40,357)	(26,593)
12,093	51	41	—	—	260,696
$ 11,692	$ 52	$ 37	$ —	$ —	$ 248,115

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, 2020
(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICIPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ASSETS			
Cash/cash equivalents	$ 1,704,179	$ 1,554	$ 1,705,733
Receivables (net):			
Interest	780	29	809
Total receivables	780	29	809
Investments at fair value:			
Equity in pooled investments	—	13,139	13,139
Total investments	—	13,139	13,139
Securities lending collateral	—	239	239
Total assets	1,704,959	14,961	1,719,920
LIABILITIES			
Accounts payable	780	—	780
Securities lending liabilities	—	239	239
Total liabilities	780	239	1,019
NET POSITION			
Restricted for:			
Pool participants	1,704,179	14,722	1,718,901
Total net position	$ 1,704,179	$ 14,722	$ 1,718,901

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ADDITIONS			
Contributions/premiums:			
Other contributions	1,615,814	—	1,615,814
Investment earnings:			
Net increase in fair value of investments	727	577	1,304
Interest, dividends, and other	23,266	420	23,686
Securities lending income	—	3	3
Total investment earnings	23,993	1,000	24,993
Less investment costs:			
Securities lending expense	—	2	2
Net investment earnings	23,993	998	24,991
Total additions	1,639,807	998	1,640,805
DEDUCTIONS			
Distributions	1,309,834	450	1,310,284
Total deductions	1,309,834	450	1,310,284
Change in net position	329,973	548	330,521
Net position - July 1 - as previously reported	1,374,207	14,174	1,388,381
Net position - July 1 - as adjusted	1,374,207	14,174	1,388,381
Net position - June 30	$ 1,704,180	$ 14,722	$ 1,718,902

Custodial Funds

Custodial funds are used to account for assets held by the State as an agent that is not in a trust or equivalent arrangement, for individuals, private organizations, and other governments. A brief description of each agency fund follows:

Child Support Collections Fund — accounts for payments from parents under the Child Support Enforcement Program.

Criminal Offender Restitution Fund – accounts for monies held by the State that is not in a trust or equivalent arrangement. The restitution payments are received from prisoners and disbursed to their victims.

Escheated Property Fund – accounts for property that is held by the State due to the absence of legal claimants or heirs and to be distributed to these heirs when identified.

Inter-governmental Fund – accounts for resources that flow through State agencies to federal, other states, local, and tribal governments.

Custodial Accounts Fund – accounts for monies held by the State that are not in trusts or equivalent arrangements. The monies belong to individuals and other organizations that not are not included in the above custodial funds.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	CHILD SUPPORT COLLECTIONS	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	ESCHEATED PROPERTY	INTER-GOVERNMENTAL	TOTAL
ASSETS						
Cash/cash equivalents	$ 1,624	$ 2	$ 1,007	$ 1,212	$ 2,435	$ 6,280
Receivables (net):						
Accounts receivable	668	—	—	—	—	668
Total receivables	668	—	—	—	—	668
Other assets	—	—	—	—	2,540	2,540
Total assets	2,292	2	1,007	1,212	4,975	9,488
LIABILITIES						
Accounts payable	488	—	4	25	155	672
Total liabilities	488	—	4	25	155	672
NET POSITION						
Restricted for:						
Individuals, organizations, and other governments	1,804	2	1,003	1,187	4,820	8,816
Total net position	$ 1,804	$ 2	$ 1,003	$ 1,187	$ 4,820	$ 8,816

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	CHILD SUPPORT COLLECTIONS	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	ESCHEATED PROPERTY	INTER-GOVERNMENTAL	TOTAL
ADDITIONS						
Investment earnings:						
Interest, dividends, and other	$ —	$ —	$ —	$ 13	$ 3	$ 16
Total investment earnings	—	—	—	13	3	16
Net investment earnings	—	—	—	13	3	16
Other additions and miscellaneous	19,598	211	6,861	4,439	20,835	51,944
Total additions	19,598	211	6,861	4,452	20,838	51,960
DEDUCTIONS						
Distributions	18,932	216	6,514	4,012	18,174	47,848
Total deductions	18,932	216	6,514	4,012	18,174	47,848
Changes in net position	666	(5)	347	440	2,664	4,112
Net position- July 1- as previously reported	—	—	—	—	—	—
Adjustments to beginning net position	1,139	8	656	747	2,156	4,706
Net position - July 1- as adjusted	1,139	8	656	747	2,156	4,706
Net position - June 30	$ 1,805	$ 3	$ 1,003	$ 1,187	$ 4,820	$ 8,818

State of Montana

Statistical Section

SCHEDULE A-1 - NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	$ 6,743,003	$ 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
Restricted	3,452,344	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
Unrestricted	(364,374)	(423,017)	(642,952)	(971,795)	(780,527)	(642,296)	896,270	912,882	824,809	877,017
Total governmental activities net position	$ 9,830,973	$ 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
Business-type activities										
Net investment in capital assets	$ 22,035	$ 21,266	$ 21,395	$ 19,986	$ 15,760	$ 14,616	$ 16,285	$ 14,862	$ 15,011	$ 15,581
Restricted	350,309	442,306	397,587	367,734	347,819	333,536	295,006	253,382	206,896	158,735
Unrestricted	20,976	18,996	12,503	8,289	8,394	8,124	18,912	16,415	15,905	12,349
Total business-type activities net position	$ 393,320	$ 482,568	$ 431,485	$ 396,009	$ 371,973	$ 356,276	$ 330,203	$ 284,659	$ 237,812	$ 186,665
Primary government										
Net investment in capital assets	$ 6,765,038	$ 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
Restricted	3,802,653	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
Unrestricted	(343,398)	(404,021)	(630,449)	(963,506)	(772,133)	(634,172)	915,182	929,296	840,714	889,366
Total primary government net position	$10,224,293	$ 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

SCHEDULE A-2 - CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
Expenses	**2020**	**2019**	**2018**	**2017**	**2016**
Governmental activities:					
General government	$ 957,534	$ 829,657	$ 674,329	$ 688,798	$ 696,984
Public safety	458,526	428,514	429,760	454,194	420,532
Transportation	557,290	547,907	527,927	484,214	464,092
Health and human services	2,896,774	2,680,251	2,681,151	2,668,273	2,174,506
Education	1,352,323	1,314,785	1,299,423	1,344,121	1,324,299
Natural resources	338,957	302,680	379,525	295,853	295,332
Principal on long-term debt	—	—	—	—	(1)
Interest on long-term debt	5,365	5,454	6,743	7,484	9,373
Total governmental activities expenses	6,566,769	6,109,248	5,998,858	5,942,937	5,385,117
Business-type activities:					
Unemployment Insurance	746,508	108,507	113,843	117,788	119,088
Liquor Stores	98,324	89,971	86,118	83,313	81,556
State Lottery	51,385	48,061	45,896	43,377	47,202
Municipal Finance Programs	2,542	2,937	2,648	1,851	1,198
Hail Insurance	1,154	933	576	1,696	817
General Government Services	74,323	70,154	73,539	72,489	71,343
Prison Funds	8,506	9,307	9,130	8,140	9,099
MUS Group Insurance	100,958	88,330	88,912	81,051	87,535
MUS Workers Compensation	657	3,887	2,738	2,786	2,430
Total business-type activities expenses	1,084,357	422,087	423,400	412,491	420,268
Total primary government expenses	$ 7,651,126	$ 6,531,335	$ 6,422,258	$ 6,355,428	$ 5,805,385
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 249,885	$ 185,120	$ 170,447	$ 143,681	$ 145,725
Public safety/corrections	182,773	180,998	175,999	161,380	160,783
Transportation	32,555	31,019	27,319	28,447	30,321
Health/social services	39,945	44,517	41,916	40,260	42,376
Education/cultural	2,531	2,106	13,972	32,750	30,205
Resource/recreation/environment	178,646	179,972	165,161	165,409	168,269
Operating grants and contributions	2,930,307	2,611,941	2,555,898	2,506,711	2,093,817
Capital grants and contributions	564,431	527,900	447,018	434,860	456,588
Total governmental activities program revenues	4,181,073	3,763,573	3,597,730	3,513,498	3,128,084
Business-type activities:					
Charges for services:					
Unemployment Insurance	119,523	129,394	114,678	103,928	121,740
Liquor Stores	116,583	104,456	99,059	96,475	93,958
State Lottery	59,892	60,269	56,400	52,459	59,717
Municipal Finance Programs	7	41	37	37	34
Hail Insurance	1,182	1,032	1,065	1,156	1,103
General Government Services	26,080	25,871	25,386	24,290	25,342
Prison Funds	7,532	7,864	7,733	7,648	8,499
MUS Group Insurance	108,624	97,774	100,532	99,448	83,136
MUS Workers Compensation	3,625	—	—	3,838	4,264
Operating grants and contributions	71,422	68,243	65,885	60,219	56,565
Capital grants and contributions	950	512	685	604	857
Total business-type activities program revenues	515,420	495,456	471,460	450,102	455,215
Total primary government program revenues	$ 4,696,493	$ 4,259,029	$ 4,069,190	$ 3,963,600	$ 3,583,299

Fiscal Year				
2015	2014	2013	2012	2011
$ 655,878	$ 1,009,121	$ 647,975	$ 660,561	$ 752,565
403,407	156,256	380,309	387,213	308,593
483,943	461,358	189,207	468,977	390,523
1,936,701	1,880,505	1,808,386	1,745,284	1,765,871
1,306,740	1,262,069	1,205,955	1,192,205	1,209,969
316,834	254,414	332,942	337,462	318,954
—	—	—	7,593	6
9,124	10,760	12,249	15,725	16,314
5,112,627	5,034,483	4,577,023	4,815,020	4,762,795
112,952	136,174	179,826	217,829	278,086
78,700	74,917	71,013	67,863	63,573
41,088	41,310	44,049	39,808	35,481
988	2,564	930	1,149	1,126
8,304	15,163	7,339	7,052	8,379
68,678	63,787	63,354	62,094	63,003
6,464	7,223	6,995	6,480	6,149
86,539	80,639	67,250	59,577	63,501
4,128	3,199	328	4,530	4,232
407,841	424,976	441,084	466,382	523,530
$ 5,520,468	$ 5,459,459	$ 5,018,107	$ 5,281,402	$ 5,286,325
$ 143,616	$ 142,818	$ 134,756	$ 143,815	$ 138,059
160,339	150,212	148,147	147,070	145,754
36,122	33,047	30,792	29,256	25,143
35,795	37,843	37,291	34,191	37,166
32,176	42,140	37,328	36,335	40,720
174,799	172,759	176,400	166,466	164,880
1,885,537	1,823,987	1,780,611	1,824,334	1,962,876
470,860	460,327	455,310	512,649	537,194
2,939,244	2,863,133	2,800,635	2,894,116	3,051,792
151,806	163,745	166,523	164,353	137,439
89,286	85,316	82,125	78,384	73,298
52,341	53,106	56,820	52,615	46,047
30	19	13	17	18
6,278	8,040	7,114	7,055	6,710
29,197	25,985	21,988	22,303	23,044
7,953	7,618	6,945	7,284	6,276
72,904	80,472	68,216	69,025	65,228
4,603	2,170	4,280	4,167	4,716
50,751	64,982	96,590	134,120	168,222
942	623	445	398	281
466,091	492,076	511,059	539,721	531,279
$ 3,405,335	$ 3,355,209	$ 3,311,694	$ 3,433,837	$ 3,583,071

SCHEDULE A-2 - CHANGE IN NET POSITION - Continued
Last Ten Fiscal Years
(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year 2020	2019	2018	2017	2016
Net (expense)/revenue					
Governmental activities	$ (2,385,696)	$ (2,345,675)	$ (2,401,128)	$ (2,429,439)	$ (2,257,033)
Business-type activities	(568,937)	73,369	48,060	37,611	34,947
Total primary government net expense	$ (2,954,633)	$ (2,272,306)	$ (2,353,068)	$ (2,391,828)	$ (2,222,086)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 327,629	$ 305,126	$ 293,530	$ 277,254	$ 276,367
Fuel	260,553	261,687	259,162	231,305	225,419
Natural resource	171,055	210,004	209,776	171,629	163,707
Individual income	1,455,150	1,416,716	1,304,715	1,160,431	1,173,281
Corporate Income	185,358	186,172	170,607	132,538	117,758
Other	393,466	383,267	387,287	378,976	361,899
Unrestricted grants and contributions	740	471	12,595	13,596	15,321
Payment from State of Montana	—	—	—	—	—
Settlements	27,906	27,713	19,794	33,824	29,379
Unrestricted investment earnings	138,435	201,926	29,241	25,125	92,404
Gain on sale of capital assets	11,070	7,320	2,595	15,640	3,014
Miscellaneous	8,043	10,640	4,876	4,895	6,596
Transfers	58,703	55,786	48,854	46,141	49,812
Total governmental activities	3,038,108	3,066,828	2,743,032	2,491,354	2,514,957
Business-type activities:					
Taxes					
Other	32,576	30,094	28,846	27,958	27,078
Unrestricted grants and contributions	496,499	—	233	2,845	1,852
Settlements	—	—	—	236	—
Unrestricted investment earnings	106	142	66	31	17
Gain (loss) on sale of capital assets	134	7	11	(274)	318
Miscellaneous	8,012	2,249	3,709	871	514
Transfers	(58,703)	(55,786)	(48,854)	(46,140)	(49,813)
Total business-type activities	478,624	(23,294)	(15,989)	(14,473)	(20,034)
Total primary government	$ 3,516,732	$ 3,043,534	$ 2,727,043	$ 2,476,881	$ 2,494,923
Change in Net Position					
Governmental activities	$ 652,412	$ 721,153	$ 341,904	$ 61,915	$ 257,924
Business-type activities	(90,313)	50,075	32,071	23,138	14,913
Total primary government	$ 562,099	$ 771,228	$ 373,975	$ 85,053	$ 272,837

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2015	2014	2013	2012	2011
$ (2,173,383)	$ (2,389,119)	$ (1,776,387)	$ (1,920,904)	$ (1,711,003)
58,250	67,114	69,975	73,339	7,749
$ (2,115,133)	$ (2,322,005)	$ (1,706,412)	$ (1,847,565)	$ (1,703,254)
$ 261,532	$ 267,029	$ 256,613	$ 257,631	$ 241,961
226,892	216,615	216,065	211,933	209,348
257,634	334,210	310,344	309,427	305,471
1,151,329	1,044,828	1,041,767	892,560	810,108
174,112	145,040	174,510	129,668	121,801
358,676	340,123	324,811	308,927	308,703
15,101	403	11	181	—
—	487	—	—	—
29,109	31,534	35,763	40,426	38,747
44,028	108,754	30,296	87,083	155,419
2,067	2,125	7,158	2,179	3,209
4,348	4,708	4,355	2,728	2,919
50,017	46,377	48,199	46,361	40,547
2,574,845	2,542,233	2,449,892	2,289,104	2,238,233
26,440	25,148	24,186	23,233	21,797
1,777	2	—	—	—
—	52	—	—	27
520	12	20	54	4,642
142	696	41	270	—
718	674	570	542	637
(50,017)	(47,864)	(48,199)	(46,361)	(40,547)
(20,420)	(21,280)	(23,382)	(22,262)	(13,444)
$ 2,554,425	$ 2,520,953	$ 2,426,510	$ 2,266,842	$ 2,224,789
$ 401,462	$ 153,114	$ 673,410	$ 368,200	$ 527,230
37,830	45,834	46,593	51,077	(5,695)
$ 439,292	$ 198,948	$ 720,003	$ 419,277	$ 521,535

SCHEDULE A-3 - FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Nonspendable:					
Inventory	$ 23,822	$ 23,411	$ 24,828	$ 23,260	$ 24,385
Permanent fund principle	1,886,384	1,759,594	1,607,011	1,590,023	1,548,689
Long-term notes/receivable	355	363	489	525	641
Prepaid expenses	1,788	848	730	4,534	1,259
Total nonspendable	$ 1,912,349	$ 1,784,216	$ 1,633,058	$ 1,618,342	$ 1,574,974
Restricted:					
General government	51,766	18,815	24,215	6,449	6,339
Transportation	127,891	111,164	85,046	52,673	41,892
Health and human services	9,700	6,150	9,767	16,780	21,372
Natural resources	779,430	753,320	712,879	702,399	710,010
Public safety	198,845	204,135	219,316	235,760	236,139
Education	14,509	14,458	13,060	19,282	15,146
Total restricted	$ 1,182,141	$ 1,108,042	$ 1,064,283	$ 1,033,343	$ 1,030,898
Committed:					
General government	852,996	778,894	691,225	717,671	749,341
Transportation	16,837	16,781	16,583	6,201	4,070
Health and human services	40,453	44,461	40,628	34,173	29,086
Natural resources	416,206	341,212	324,539	385,724	387,121
Public safety	61,203	73,059	48,094	46,352	31,776
Education	19,946	17,413	16,094	16,306	16,180
Total committed	$ 1,407,641	$ 1,271,820	$ 1,137,163	$ 1,206,427	$ 1,217,574
Assigned:					
General government	836	467	23	1,292	8,450
Transportation	—	—	—	—	—
Health and human services	—	—	—	—	—
Natural resources	—	—	—	—	—
Public safety	208	338	592	892	404
Education	—	—	—	—	—
FY 2011 appropriation	—	—	—	—	—
General Fund Spend Down	72,700	—	—	—	130,000
Encumbrances	16,769	17,178	7,998	11,355	10,333
Total assigned	$ 90,513	$ 17,983	$ 8,613	$ 13,539	$ 149,187
Unassigned	372,907	348,552	176,581	47,933	126,478
Total fund balances	$ 4,965,551	$ 4,530,613	$ 4,019,698	$ 3,919,584	$ 4,099,111

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2015	2014	2013	2012	2011
$ 25,137	$ 22,611	$ 24,483	$ 25,046	$ 23,007
1,493,893	1,452,290	1,388,829	1,365,218	1,300,871
817	971	2,470	2,146	65
1,806	1,045	1,273	1,538	1,254
$ 1,521,653	$ 1,476,917	$ 1,417,055	$ 1,393,948	$ 1,325,197
6,586	8,563	1,966	10,474	13,146
47,750	60,851	76,659	75,518	116,353
22,814	24,494	23,049	16,739	22,025
716,294	669,220	646,026	653,179	634,957
252,006	265,966	268,616	294,520	290,768
17,896	20,458	21,397	27,140	29,054
$ 1,063,346	$ 1,049,552	$ 1,037,713	$ 1,077,570	$ 1,106,303
712,767	694,508	612,969	625,432	588,292
3,856	4,823	6,644	4,304	4,445
28,226	27,131	30,665	43,952	72,102
346,550	320,560	258,650	266,254	312,467
30,207	34,037	29,428	18,162	15,393
8,249	26,631	34,723	12,434	12,162
$ 1,129,855	$ 1,107,690	$ 973,079	$ 970,538	$ 1,004,861
5,361	13,232	23,057	21,413	25,805
—	—	—	26	—
—	—	—	—	—
—	—	56	60	41
599	1,210	1,465	1,756	1,853
—	—	—	—	—
—	—	—	—	—
75,000	80,000	—	—	—
11,230	10,366	18,033	22,670	24,591
$ 92,190	$ 104,808	$ 42,611	$ 45,925	$ 52,290
380,436	344,406	537,609	451,656	339,898
$ 4,083,374	$ 4,008,066	$ 4,008,067	$ 3,939,637	$ 3,828,549

SCHEDULE A-4 - CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues					
Licenses/permits	$ 420,011	$ 362,389	$ 348,991	$ 327,275	$ 321,882
Taxes	2,753,009	2,766,544	2,597,788	2,353,081	2,317,024
Charges for services/fines/forfeits/settlements	157,278	175,715	174,762	206,505	185,112
Investment earnings	237,284	235,429	44,758	48,919	171,980
Sale of documents/merchandise/property	22,746	22,420	21,927	20,505	19,963
Rentals/leases/royalties	56,180	60,226	51,945	49,592	60,743
Contributions/Premiums	33,809	34,578	32,721	31,133	26,616
Grants/contracts/donations	31,028	58,542	35,274	33,678	31,237
Federal	3,206,031	2,877,013	2,799,149	2,718,875	2,304,394
Federal Indirect cost Recoveries	150,974	136,619	116,610	125,801	113,157
Other revenues	8,181	11,351	4,610	5,780	6,637
Total revenues	7,076,531	6,740,826	6,228,535	5,921,144	5,558,745
Expenditures					
General government	737,581	647,432	643,802	653,362	624,157
Public safety	444,483	427,185	416,829	426,994	419,813
Transportation	354,819	359,744	331,569	329,262	319,940
Health and human services	2,894,951	2,703,908	2,675,173	2,652,851	2,177,895
Education	1,352,665	1,315,407	1,293,647	1,345,216	1,325,927
Natural resources	327,243	313,012	363,303	324,081	306,470
Economic development/assistance	—	—	—	—	—
Debt service:					
Principal retirement	34,749	27,868	31,968	33,889	39,631
Interest/fiscal charges	5,765	6,520	8,088	9,520	10,506
Capital outlay	611,539	493,067	425,183	406,949	477,990
Securities lending	308	414	269	343	218
Total expenditures	6,764,103	6,294,557	6,189,831	6,182,467	5,702,547
Excess of revenue over (under) expenditures	312,428	446,269	38,704	(261,323)	(143,802)
Other financing sources (uses)					
Bond proceeds	28,900	—	—	—	—
Bonds issued	—	—	—	—	—
Refunding bonds issued	—	4,575	—	—	22,540
Bond premium	4,361	—	—	—	3,256
Payment to refunding bond escrow agent	—	(6,844)	—	—	(25,557)
Inception of lease/installment contract	15,980	808	312	184	368
Insurance proceeds	35,052	13,785	309	43	106
General capital asset sale proceeds	11,997	8,016	4,202	15,815	3,430
Energy conservation loans	632	271	1,589	1,770	677
Transfers in	333,141	340,824	369,536	283,004	323,250
Transfers out	(310,071)	(298,401)	(319,353)	(235,435)	(274,206)
Total other financing sources (uses)	119,992	63,034	56,595	65,381	53,864
Net change in fund balances	$ 432,420	$ 509,303	$ 95,299	$ (195,942)	$ (89,938)
Debt service as a percentage of noncapital expenditures	0.7 %	0.6 %	0.7 %	0.8 %	1.0 %

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2015	2014	2013	2012	2011
$ 319,726	$ 302,824	$ 297,148	$ 290,183	$ 287,580
2,435,282	2,344,456	2,314,815	2,096,733	1,986,722
183,257	202,912	181,760	193,874	191,142
90,565	141,733	59,092	181,484	143,198
26,177	21,836	23,393	16,221	17,208
66,754	76,824	75,490	77,946	70,322
24,105	23,206	22,397	21,666	20,685
30,048	30,324	24,267	24,812	23,439
2,151,163	2,086,310	2,043,912	2,102,964	2,338,090
112,914	110,981	112,364	107,446	101,152
4,770	5,410	5,349	4,718	5,069
5,444,761	5,346,816	5,159,987	5,118,047	5,184,607
676,832	699,219	613,186	633,336	643,623
395,561	373,132	363,378	353,344	346,670
340,443	324,074	287,218	345,796	271,387
1,925,968	1,883,909	1,810,312	1,734,471	1,757,633
1,301,116	1,261,012	1,204,060	1,183,056	1,208,538
288,791	286,320	341,686	287,636	272,895
—	—	—	—	—
33,988	33,617	32,627	34,865	33,974
11,346	12,810	13,907	16,314	16,362
444,940	457,306	454,463	488,958	565,943
204	142	302	383	600
5,419,189	5,331,541	5,121,139	5,078,159	5,117,625
25,572	15,275	38,848	39,888	66,982
24,365	11,680	—	—	—
—	—	—	—	31,000
38,150	6,780	—	56,670	10,180
7,130	662	—	8,264	767
(42,603)	(7,190)	—	(64,421)	(11,062)
344	324	504	49	36
2,586	1,302	381	3,565	4,326
3,689	1,840	7,340	2,343	4,130
2,120	169	291	26,171	—
324,088	428,368	307,460	277,279	351,366
(284,180)	(383,933)	(273,502)	(235,235)	(316,934)
75,689	60,002	42,474	74,685	73,809
$ 101,261	$ 75,277	$ 81,322	$ 114,573	$ 140,791
0.9 %	1.0 %	1.0 %	1.1 %	1.1 %

SCHEDULE B-1 - PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(amounts expressed in thousands)

	Calendar Year									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Farm Earnings	$ 698,313	$ 557,745	$ 293,049	$ 428,532	$ 757,623	$ 832,648	$ 817,733	$ 934,509	$ 720,138	$ 625,246
Agricultural, forestry, fishing, and other	269,403	256,830	252,135	261,677	273,020	232,980	231,268	201,925	168,285	162,669
Mining	1,056,058	1,088,431	968,972	1,106,210	1,144,404	1,235,527	1,246,822	1,235,330	820,944	664,485
Construction/utilities	3,263,287	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
Manufacturing	1,469,217	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
Transportation and public utilities	1,429,905	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
Wholesale trade	1,335,627	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
Retail trade	2,754,014	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
Finance, insurance, and real estate	1,534,090	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
Services	12,302,279	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
Federal, civilian	1,369,925	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
Military	461,645	429,177	415,147	409,941	406,402	414,108	423,180	429,985	532,199	528,570
State and local government	4,463,156	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
Other [1]	20,761,086	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
Total personal income	$53,168,005	$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
Average effective rate [2]	2.7 %	2.6 %	2.5 %	2.6 %	2.8 %	2.6 %	2.6 %	2.3 %	2.2 %	2.1 %

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 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Personal income tax revenue [1]	$ 1,412,864	$ 1,295,883	$ 1,180,344	$ 1,183,699	$ 1,175,745	$ 1,063,284	$ 1,047,790	$ 898,851	$ 816,090	$ 717,834
Personal income	$ 53,168,005	$ 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
Average effective rate [2]	2.7 %	2.6 %	2.5 %	2.6 %	2.8 %	2.6 %	2.6 %	2.3 %	2.2 %	2.1 %

	Tax Rates on the Portion of Taxable Income in Ranges [3]						
Calendar Year 2019							
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Income Bracket	$0-3.1	$3.1-5.4	$5.4-8.2	$8.2-11.1	$11.1-14.3	$14.3-18.4	$18.4+
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 +

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 2019				Calendar Year 2014			
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$9,999 and under	64,751	13.62 %	$ 615,482	0.05 %	69,568	15.28 %	$ 810,316	0.08 %
$10,000–$19,999	63,104	13.27 %	$ 7,668,192	0.60 %	69,432	15.25 %	$ 9,040,258	0.92 %
$20,000–$44,999	129,109	27.15 %	$ 91,433,165	7.16 %	120,035	26.36 %	$ 80,222,412	8.17 %
$45,000–$69,999	75,145	15.80 %	$ 138,568,505	10.84 %	69,117	15.18 %	$ 119,903,705	12.20 %
$70,000–$109,999	72,794	15.31 %	$ 240,118,344	18.79 %	75,698	16.63 %	$ 210,510,183	21.43 %
$110,000–$174,999	44,995	9.46 %	$ 264,619,330	20.71 %	33,444	7.35 %	$ 191,620,052	19.50 %
$175,000–$499,999	21,940	4.61 %	$ 288,291,313	22.56 %	15,524	3.41 %	$ 202,580,571	20.62 %
$500,000 and higher	3,639	0.78 %	$ 246,425,596	19.29 %	2,500	0.54 %	$ 167,807,113	17.08 %
Total	475,477	100.00 %	$ 1,277,739,927	100.00 %	455,318	100.00 %	$ 982,494,610	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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
General obligation bonds	$ 90,250	$ 73,090	$ 84,460	$ 98,625	$ 115,500	$ 134,795	$ 127,840	$ 139,595	$ 156,905	$ 174,335
Special revenue bonds	19,330	38,425	56,435	73,550	89,840	110,975	128,020	137,940	152,565	169,220
Notes payable	7,478	8,150	9,307	10,004	11,643	9,949	9,311	9,667	10,020	10,369
Lease/installment purchase payable	20,617	12,545	13,698	6,537	3,170	1,186	764	707	723	1,536
Total governmental activities	137,675	132,210	163,900	188,716	220,153	256,905	265,935	287,909	320,213	355,460
Business-type activities										
Bonds/notes payable	—	—	—	—	—	—	—	70	135	195
Lease/installment purchase payable	26	18	231	415	600	836	141	223	303	382
Total business-type activities	26	18	231	415	600	836	141	293	438	577
Total primary government	$ 137,701	$ 132,228	$ 164,131	$ 189,131	$ 220,753	$ 257,741	$ 266,076	$ 288,202	$ 320,651	$ 356,037
Debt as a percentage of personal income [(1)]	0.3 %	0.3 %	0.3 %	0.4 %	0.5 %	0.6 %	0.7 %	0.7 %	0.9 %	1.0 %
Amount of debt per capita [(2)]	$ 129	$ 125	$ 156	$ 181	$ 221	$ 259	$ 270	$ 294	$ 329	$ 367

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	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Renewable Resource Program Bond										
Revenue										
Loan repayment (principal and interest)	$ 3,335	$ 2,255	$ 3,319	$ 1,974	$ 2,986	$ 2,774	$ 1,610	$ 1,702	$ 2,200	$ 1,746
Northwestern Energy	—	—	1,074	4,241	3,945	4,445	3,670	3,340	4,095	3,676
STIP interest earnings	42	55	65	53	25	8	8	14	17	17
Debt service fund interest	676	748	924	904	784	809	599	619	644	444
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	4,053	3,058	5,382	7,172	7,740	8,036	5,887	5,675	6,956	5,883
Debt service										
Principal	$ 4,453	$ 2,875	$ 6,051	$ 4,994	$ 5,080	$ 4,815	$ 4,345	$ 3,765	$ 4,200	$ 3,620
Interest	482	586	678	808	775	808	821	801	899	848
Coverage (1)	0.8	0.9	0.8	1.2	1.3	1.4	1.1	1.2	1.4	1.3

	Fiscal Year									
Governmental Activities	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
US Highway 93 GARVEES Bond										
Revenue										
Federal Highway Administration	$ 542,855	$ 495,667	$ 419,915	$ 401,121	$ 424,636	$ 447,541	$ 429,398	$ 410,641	$ 471,079	$ 457,372
Less: Operating expenses	(527,443)	(480,253)	(404,499)	(385,705)	(409,039)	(432,041)	(413,897)	(395,056)	(455,102)	(441,395)
Net available revenue	$ 15,412	$ 15,414	$ 15,416	$ 15,416	$ 15,597	$ 15,500	$ 15,501	$ 15,585	$ 15,977	$ 15,977
Debt service										
Principal	$ 14,265	$ 13,660	$ 13,080	$ 12,400	$ 12,270	$ 11,625	$ 11,110	$ 10,630	$ 10,175	$ 9,740
Interest	1,147	1,753	2,336	3,016	3,327	3,875	4,391	4,955	5,802	6,237
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	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Middle Creek Dam Project Note Payable										
Revenue										
Middle Creek Water Users Assoc loan payments	$ 114	$ 114	$ 120	$ 111	$ 116	$ 95	$ 105	$ 94	$ 74	$ 72
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ 114	$ 114	$ 120	$ 111	$ 116	$ 95	$ 105	$ 94	$ 74	$ 72
Debt service										
Principal	$ 87	$ 84	$ 80	$ 77	$ 74	$ 71	$ 58	$ 56	$ 54	$ 51
Interest	27	31	40	34	43	24	47	38	20	21
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	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
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)

Governmental Activities	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water Conservation Note Payable										
(Little Dry Project)										
Revenue										
Little Dry Water Users Assoc loan payments	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 3
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 3
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ 2
Interest	—	—	—	—	—	—	—	—	—	1
Coverage [(1)]	—	—	—	—	—	—	—	—	1.0	1.0

Governmental Activities	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water Conservation Note Payable										
(Petrolia Project)										
Revenue										
Petrolia Irrigation District loan payments	$ —	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 3	$ 3	$ 3
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 3	$ 3	$ 3
Debt service										
Principal	$ —	$ —	$ —	$ —	$ 2	$ 3	$ 3	$ 2	$ 2	$ 2
Interest	—	—	—	—	—	—	—	1	1	1
Coverage [(1)]	—	—	—	—	—	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 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Municipal Finance Programs										
(Municipal Finance Consolidation Irrigation Dist)										
Revenue										
Principal and interest repayments	$ —	$ —	$ —	$ —	$ —	$ —	$ 70	$ 66	$ 62	$ 58
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ 70	$ 66	$ 62	$ 58
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ —	$ 70	$ 65	$ 60	$ 55
Interest	—	—	—	—	—	—	3	8	13	17
Coverage [1]	—	—	—	—	—	—	1.0	0.9	0.9	0.8

Business-type Activities	Fiscal Year 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Municipal Finance Programs										
(Conservation Reserve Enhancement Program)										
Revenue										
Principal and interest repayments	$ 4	$ 12	$ 35	$ 29	$ 33	$ 81	$ 71	$ 151	$ 162	$ 454
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	$ 4	$ 12	$ 35	$ 29	$ 33	$ 81	$ 71	$ 151	$ 162	$ 454
Debt service										
Principal	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 120
Interest	—	—	—	—	—	—	—	—	3	3
Coverage [1]	—	—	—	—	—	—	—	—	49.7	3.7

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)
2020	$ 90,250	$ 14,210	$ 76,040	0.14%	$ 71
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

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population										
Montana (in thousands)	1,069	1,062	1,050	1,043	999	994	988	982	975	969
Percentage change	0.7 %	1.1 %	0.7 %	4.4 %	0.5 %	0.6 %	0.6 %	0.7 %	0.6 %	0.7 %
National (in thousands)	328,240	327,167	325,719	323.128	322,366	319,668	316,971	314,281	311,601	308,936
Percentage change	0.3 %	0.4 %	0.8 %	0.2 %	0.8 %	0.9 %	0.9 %	0.9 %	0.9 %	0.9 %
Total Personal Income										
Montana (in millions)	$53,168	$50,055	$47,677	$44,773	$42,726	$40,844	$39,963	$38,753	$36,507	$34,748
Percentage change	6.2 %	5.0 %	6.5 %	4.8 %	4.6 %	2.2 %	3.1 %	6.2 %	5.1 %	2.4 %
National (in billions)	$18,542	$17,573	$16,820	$15,913	$15,582	$14,683	$14,151	$13,729	$12,950	$12,357
Percentage change	5.5 %	4.5 %	5.7 %	2.1 %	6.1 %	3.8 %	3.0 %	6.0 %	4.6 %	1.6 %
Per Capita Personal Income										
Montana	$49,747	$47,120	$45,385	$42,947	$41,204	$39,903	$39,366	$39,474	$36,573	$35,068
Percentage change	5.6 %	3.8 %	5.7 %	4.2 %	3.3 %	1.4 %	(0.3)%	7.9 %	4.1 %	0.8 %
National	$56,490	$53,712	$51,640	$49,246	$48,322	$46,049	$44,765	$43,684	$41,560	$39,945
Percentage change	5.2 %	4.0 %	4.9 %	1.9 %	4.9 %	2.9 %	2.5 %	5.1 %	3.9 %	0.8 %
Resident Civilian Labor Force & Employment										
Civilian labor force	535,694	529,658	526,944	528,349	522,709	516,516	513,432	507,377	503,903	497,538
Employed	516,978	509,965	505,413	507,322	502,284	492,493	485,014	476,191	468,896	461,602
Unemployed	18,716	19,693	21,531	21,027	21,327	24,082	29,328	31,186	35,007	35,936
Unemployment rate	3.5 %	3.7 %	4.1 %	4.0 %	4.1 %	4.7 %	5.7 %	6.1 %	6.9 %	7.2 %
Nonfarm Wage and Salary Workers (in thousands)										
Goods-producing industries										
Natural Resources and Mining	7.4	7.4	6.9	6.8	8.2	9.1	9.5	9.3	7.9	7.5
Construction	30.6	28.5	27.8	25.7	26.5	24.8	23.9	22.9	23.0	22.7
Durable goods	12.1	11.9	11.9	11.8	11.7	11.6	11.1	10.5	9.6	9.5
Nondurable goods	8.5	8.5	8.2	8.0	7.4	7.3	7.2	7.0	7.2	7.0
Subtotal goods-producing industries	58.6	56.3	54.8	52.3	53.8	52.8	51.7	49.7	47.7	46.7
Service-producing industries										
Transp, communications, and utilities	25.5	25.1	24.9	25.5	24.8	25.1	25.0	23.6	23.3	24.1
Trade	76.1	76.7	76.4	77.3	76.1	74.3	73.3	71.6	70.2	70.3
Finance, insurance, and real estate	26.0	25.4	24.7	24.5	23.8	24.9	22.7	21.4	20.9	21.2
Service	209.7	206.9	204.2	195.7	191.9	187.6	186.3	184.3	177.2	175.5
State and local government	77.8	77.6	78.6	80.2	77.4	76.2	77.1	76.5	74.6	75.7
Federal government	13.4	13.3	13.1	12.6	13.0	12.9	13.0	13.4	13.8	14.8
Subtotal service-producing industries	428.5	425.0	421.9	415.8	407.0	401.0	397.4	390.8	380.0	381.6
Total Nonfarm Wage and Salary Employment	487.1	481.3	476.7	468.1	460.8	453.8	449.1	440.5	427.7	428.3

[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

	2019			2010		
Employer	Employees [1]	Rank	Percentage of Total State Employment [2]	Employees	Rank	Percentage of Total State Employment [2]
State of Montana	22,000-22,500	1	5.42 %	22,500-23,000	1	5.00 %
Federal Government	14,000-14,500	2	3.47 %	13,000-13,500	2	2.88 %
Wal-Mart	4,500-5,000	3	1.16 %	4,500-5,000	3	1.04 %
Billings Clinic	3,000-3,500	4	0.79 %	4,000-4,500	4	0.93 %
Town Pump	2,000-2,500	5	0.55 %	3,000-3,500	5	0.71 %
Albertson's	2,000-2,500	7	0.55 %	2,000-2,500	7	0.49 %
Benefis Healthcare	1,500-2,000	8	0.43 %	2,000-2,500	8	0.49 %
Kalispell Regional Hospital	1,500-2,000	9	0.43 %	2,500-3,000	6	0.60 %
St. Vincent Healthcare	2,000-2,500	6	0.55 %	1,500-2,000	10	0.38 %
St. Patrick Hospital	1,500-2,000	10	0.43 %	2,000-2,500	9	0.49 %
Total Statewide Employment	410,639			458,441		

Sources: Montana Department of Labor
Bureau of Labor Statistics, U.S. Department of Labor

Notes: [1] Number of employees based on 2019 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	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Governmental:										
General government	2,659	2,676	2,951	3,003	2,979	3,058	2,995	2,999	2,914	2,596
Public safety/corrections	3,091	3,050	2,673	2,667	2,656	2,668	2,668	2,639	2,558	2,786
Transportation	2,126	2,132	2,127	2,194	2,194	2,266	2,266	2,252	2,225	2,234
Health/social services	2,975	3,086	3,053	3,106	3,040	3,044	3,029	3,019	2,974	3,092
Education/cultural	466	518	510	519	501	511	526	526	478	492
Resource/recreation/environment	2,161	2,187	2,173	2,105	2,065	2,131	2,133	2,144	1,963	2,157
Total governmental	13,478	13,649	13,487	13,594	13,435	13,678	13,617	13,579	13,112	13,357
Business-type:										
Liquor Stores	33	32	33	33	33	33	33	31	29	29
State Lottery	37	32	32	32	32	32	32	32	32	32
Municipal Finance Programs	4	4	4	4	4	4	4	4	4	4
Hail Insurance	7	8	6	5	6	7	7	7	7	7
General Government Services	98	100	101	101	112	118	113	115	115	106
Prison Funds	41	40	40	40	40	41	42	43	43	32
MUS Group Insurance	7	7	7	7	6	6	6	5	5	5
MUS Workers Compensation	1	1	1	1	1	1	1	1	1	1
Total business-type	228	224	224	223	234	242	238	238	236	216
Fiduciary:										
Pension Trust	71	71	71	71	70	69	69	66	66	58
Total fiduciary	71	71	71	71	70	69	69	66	66	58
Component unit:										
Montana Board of Housing	56	56	56	55	54	52	50	53	51	47
Facility Finance Authority	3	3	3	3	3	3	3	3	3	3
State Compensation Insurance (New Fund)	307	307	307	307	307	304	304	289	287	285
Montana State University	5,341	5,023	4,930	4,960	4,945	4,737	4,649	4,475	4,443	4,285
University of Montana	3,612	3,666	3,771	3,848	3,844	3,906	3,831	3,844	3,770	3,746
Total component unit	9,319	9,055	9,067	9,173	9,153	9,002	8,837	8,664	8,554	8,366
Total full-time equivalent employees	23,096	22,999	22,849	23,061	22,892	22,991	22,761	22,547	21,968	21,997

Source: Statewide Accounting, Budgeting, and Human Resource System

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year 2020	2019	2018	2017	2016
Governmental activities:					
General government					
Department of Revenue					
Electronically-filed income tax returns	479,282	501,710	494,664	490,237	490,050
Paper-filed income tax returns	44,000	57,750	73,204	76,428	83,831
Judiciary					
Supreme Court total filings (1)	597	736	744	758	850
District Court total filings (1)	60,602	59,607	53,533	50,355	57,000
Public safety/corrections					
Department of Corrections					
Incarcerated offenders	2,545	2,785	2,865	2,719	2,605
Supervised offenders	10,425	12,122	12,451	11,626	11,106
Department of Justice					
Drivers licenses issued	143,629	164,059	173,857	174,858	180,445
Vehicles registered (2)	2,767,720	2,955,987	2,573,106	2,749,855	2,648,484
Department of Military Affairs (Army Program Facilities Office)					
Work orders received	2,388	2,773	2,684	3,102	2,907
Work orders completed	1,902	2,244	2,449	3,127	2,842
Work orders unfunded or not completed	486	529	265	158	138
Transportation					
Department of Transportation					
Paved roads (miles)	20,326	20,203	20,150	19,534	20,002
Unpaved roads (miles)	54,305	54,353	54,397	56,229	55,981
Health/social services					
Department of Public Health and Human Services					
Senior citizens receiving personal long-term care assist.	3,348	3,631	3,291	3,326	3,321
Number of households provided with energy assist.	18,754	19,893	19,908	19,617	19,312
Education/cultural					
Office of Public Instruction					
K-12 public school enrollment	149,181	147,785	146,772	146,375	144,316
Public schools	826	823	821	821	799
Commissioner of Higher Education					
Total enrollment for Montana University System 4-year Colleges	28,854	29,694	30,580	31,089	30,968
Total enrollment for Montana University System 2-year Colleges	4,155	4,457	4,597	4,794	4,895
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Revenue generated on state trust lands (millions of dollars)	$ 92.1	$ 99.2	$ 87.4	$ 86.2	$ 95.9
Oil production (millions of bbls)	20.5	19.25	19.91	21.58	21.53
Gas production (millions of mcf)	40	40.36	39.34	39.79	29
Department of Fish, Wildlife and Parks					
License and permit sales (2)	2,931,119	2,656,068	2,514,748	2,103,209	2,003,119
State park visitation (millions)	2.97	2.62	2.51	2.62	2.66

Fiscal Year				
2015	2014	2013	2012	2011
470,854	456,736	439,403	423,574	397,280
88,514	95,626	103,585	110,308	135,144
806	800	784	784	775
55,824	53,000	52,105	49,908	44,234
2,679	2,625	2,509	2,546	2,528
11,040	10,640	10,347	10,331	10,399
191,705	162,365	173,924	164,089	143,368
2,536,737	2,112,741	1,163,000	1,151,674	1,154,627
2,945	3,052	2,847	3,181	3,528
2,863	3,179	3,264	3,561	3,426
165	134	319	557	465
19,896	19,894	19,813	19,737	19,644
56,063	50,084	56,048	56,089	56,108
3,239	3,299	3,527	3,585	3,932
20,421	21,605	21,248	20,704	25,495
144,532	144,129	142,908	142,349	141,693
824	823	824	826	827
31,268	31,499	31,717	31,978	31,934
5,310	5,693	5,986	6,150	6,051
$ 109.1	$ 114.4	$ 122	$ 113.5	$ 108.7
25.61	29.3	26.4	24.1	25.3
30.59	55	66.9	79.5	93.5
1,892,894	1,858,020	1,883,435	1,939,190	1,806,326
2.39	2.19	2.17	2.07	1.79

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM - Continued
Last Ten Fiscal Years

Function/Program	Fiscal Year 2020	2019	2018	2017	2016
Governmental activities (continued):					
Resource/recreation/environment (continued)					
Department of Environmental Quality					
Environmental permits and licenses	7,249	7,568	7,386	11,311	9,162
Environmental violations	3,030	2,716	4,670	4,158	4,305
Economic development/assistance					
Department of Commerce (Community Development)					
Treasure State Endowment Project – applications	48	48	60	38	60
Treasure State Endowment Project – construction awards	—	65	—	—	—
applications	19	12	6	12	—
Community Development Block Grant – public facility awards	15	22	6	7	7
Business-type activities:					
Unemployment Insurance					
Department of Labor					
Initial claims	182,034	46,252	48,061	51,106	55,565
Average weekly benefit (dollars)	$ 347.35	$ 383.63	$ 344.73	$ 337.45	$ 324.61
Exhaustion rate (percent)	41.7 %	33.3 %	35.0 %	34 %	34.7 %
Liquor Stores					
Department of Revenue					
Liquor licenses issued	5,521	5,543	5,387	5,373	5,200
Liquor cases distributed	935,539	858,486	833,694	807,125	792,463
State Lottery					
Department of Administration					
Total dollars in ticket sales (millions of dollars)	$ 60	$ 60	$ 56	$ 52	$ 60
Transfer to the General Fund (millions of dollars)	$ 8	$ 12	$ 10	$ 9	$ 13
General Government Services					
Department of Commerce (HUD Section 8)					
Applications reviewed – homebuyers assistance (dollars) (3)	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$1,332,068
Grants awarded – homebuyers assistance (dollars) (3)	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$1,332,068

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				
2015	2014	2013	2012	2011
8,500	8,462	6,989	9,173	9,554
7,000	7,247	4,790	5,073	6,412
—	51	—	66	—
36	—	64	—	—
15	7	16	8	16
9	5	10	5	7
65,155	73,736	76,872	71,125	81,815
$ 304.76	$ 297	$ 282	$ 263.18	$ 265.36
35.8 %	39.6 %	48.1 %	49.5 %	54.9 %
5,155	5,077	5,225	4,920	5,110
746,745	742,388	734,224	722,313	682,832
$ 53	$ 54	$ 57	$ 53	$ 46
$ 12	$ 13	$ 13	$ 13	$ 11
$1,350,000	$1,750,000	N/A	N/A	N/A
$1,350,000	$1,750,000	$1,459,904	$ 620,855	$ 272,566

SCHEDULE E-3 - CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	**2020**	**2019**	**2018**	**2017**	**2016**
Governmental activities:					
General government					
Department of Administration					
Buildings	57	57	57	57	59
Data processing equipment	1,540	1,509	1,463	1,115	1,710
Judiciary					
Vehicles	21	23	15	15	14
Public safety/corrections					
Department of Corrections					
Vehicles	97	97	93	93	131
Buildings	182	182	182	182	182
Department of Justice					
Vehicles	631	649	647	641	622
Laboratory/scientific equipment	283	291	280	284	289
Transportation					
Department of Transportation					
Vehicles	2,285	2,192	2,114	2,156	2,083
Buildings	910	900	904	985	978
Health/social services					
Department of Public Health and Human Services					
Vehicles	101	104	105	140	125
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	1,119	1,048	1,001	959	942
Buildings	98	88	91	90	88
Department of Fish, Wildlife and Parks					
Vehicles	2,610	2,618	2,664	2,541	2,540
Buildings	956	950	941	871	865
Department of Environmental Quality					
Vehicles	40	40	40	46	48
Laboratory/scientific equipment	317	319	316	420	407
Economic development/assistance					
Department of Commerce					
Buildings	6	6	6	4	4
Business-type activities:					
State Lottery					
Department of Administration					
Vehicles	12	11	10	10	10
General government services					
Department of Administration					
Vehicles	80	64	60	58	61
Prison funds					
Department of Corrections					
Vehicles	98	92	91	89	89

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				
2015	2014	2013	2012	2011
59	59	59	59	52
1,700	2,087	1,434	2,057	1,954
15	16	25	25	24
128	128	128	128	124
252	251	248	247	246
531	548	567	577	555
284	278	279	271	262
2,067	2,146	2,029	2,067	2,151
975	962	906	939	965
139	136	167	175	182
154	154	153	153	153
5	5	5	5	5
928	872	814	810	777
84	83	83	83	83
2,586	2,686	2,669	2,769	2,769
859	854	856	850	830
52	53	51	75	106
377	509	722	761	715
5	5	5	5	4
11	11	11	11	12
59	53	44	59	51
84	79	78	77	70

THE GREAT SEAL OF THE STATE OF MONTANA

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