

MONTANA



ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDING JUNE 30, 2021

REPORT LAYOUT

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

<http://sfsd.mt.gov/SAB/acfr>

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

STATE OF MONTANA

Annual Comprehensive Financial Report

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[http://sfsd.mt.gov/SAB/
acfr](http://sfsd.mt.gov/SAB/acfr)

STATE OF MONTANA
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

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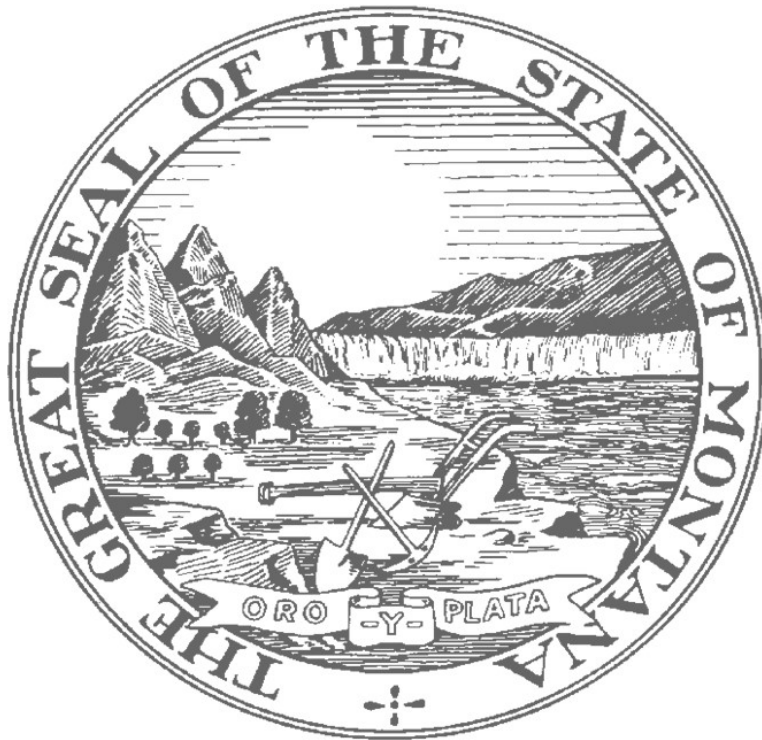
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STATE OF MONTANA

Introductory Section





**MONTANA
DEPARTMENT OF
ADMINISTRATION**

State Financial Services Division

Greg Gianforte, Governor

Misty Ann Giles, Director

March 4, 2022

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 Annual Comprehensive Financial Report (ACFR) of the State of Montana (State) for the fiscal year ended June 30, 2021. 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 ACFR

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 ACFR 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.

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 economic output, measured by real gross state product (GSP), is sourced primarily from service-providing industries (e.g., healthcare, trade/transportation/utilities, financial services, professional and business services). In 2020, service-providing industries produced 77% of the state's real economic output. Montana's four largest industries by share of real GSP are trade/transportation/utilities services, financial activity services, education and health services, and professional and business services. Other important industries for Montana include manufacturing, agriculture/forestry, and leisure/hospitality (driven by nonresident travel). These four industries each account for between 4% to 8% of real GSP.

Like GSP, Montana's employment is concentrated in the service-providing sector. Industries in this sector account for about 88% of total nonfarm (payroll) employment in the state. Montana experienced a 20,600 increase in nonfarm employment (seasonally adjusted) over the 12 months from June 2020 to June 2021. There were approximately 481.1 thousand people employed in June of 2021, as compared to 460,500 people employed in June of 2020. Payroll employment growth in Montana averaged 1.0% per year from 2010 to 2020. Over the same ten-year period, Montana's labor force expanded at an annual rate of 0.6%. The statewide unemployment rate hit a 14-year low of 3.5% in August 2021. The national unemployment rate for August was 5.2%.

Per the 2021 Labor Day Report issued by the Montana Department of Labor and Industry, Montana had real wage gains of 6.6% in 2020. Over the two years ending June 2021, hourly wages have increased by 8.7% while the price level has increased by 6.1%, resulting in a 2.6% increase in the real hourly wage. Montana's tight labor market has pushed wage growth higher over the past few years as firms compete for qualified workers. Montana ranked 8th in the nation for growth in average annual wages over the last ten years. Including more than just wages, Montana is ranked 1st among states for personal income growth in 2020, growing 8.4% to \$57.6 billion.

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 ACFR.

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.

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 ACFR 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 data from the Montana Department of Labor and Industry, employment in Montana's healthcare and social assistance industry increased by 1,100 jobs from June 2020 to June 2021. Total jobs in the industry increased 1.6% from 68,400 to 69,500. Over the previous five years, healthcare has added an average of 660 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 increased 3.6% to 95,200 jobs in June 2021 compared to 91,900 jobs in June 2020.

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, administrative/support, and waste management/remediation services. Data from the Montana Department of Labor and Industry indicate Montana's professional and business services industry increased by 2,100 jobs from June 2020 to June 2021. This was a increase of 4.9% from 43,300 to 45,400.

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 decreased to 25,800 jobs from June 2020 to June 2021. This was a decrease of 1.5% from 26,200 to 25,800.

Nonresident Travel

Nonresident travel to Montana in 2020 was approximately 11.1 million visitors, down 11.9% from 2019. This information was provided by the University of Montana, *Institute for Tourism & Recreation Research (Institute)*. The *Institute*, in their publication, *2020 Nonresident Visitation, Expenditures & Economic Impact Estimates*, indicates readers should use caution in comparing the 2020 estimates with those of previous years. Unique conditions in 2020 caused by the COVID-19 pandemic, resulted in "never-before-seen effects to the travel industry." Data collection related to travel and recreation in the state was also affected and new methods were required.

Glacier National Park was closed to visitors from March 27, 2020, to June 8, 2020, when a phased reopening was initiated. Visitor numbers for Glacier National Park were 44.3% lower in 2020 than in 2019, with an estimated 1.7 million visitors.

Yellowstone National Park was closed from March 24, 2020, with Montana entrances reopened on June 1, 2020. Visits to Yellowstone National Park were estimated at 3.8 million, 5.3% lower in 2020 than in 2019.

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 \$2.6 billion in 2020, representing a decrease of approximately \$1.2 billion or 31.6% from 2019. The estimated total (direct and indirect) economic benefit of nonresident travel in Montana decreased to \$4.4 billion in 2020, representing a decrease of \$1.0 billion or 18.5% from 2019.

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 219.2 million bushels, representing a 3.7% 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 in 2020, up from 102.1 million bushels in 2019, representing a 22.0% increase. Durum production was 26.7 million bushels in 2020, up 20.8% from 22.1 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 29.5% change from 2019 levels. Barley production is estimated at 45.7 million bushels, which is 2.0% higher than last year. Montana ranks 12th in the U.S. cattle and calf industry with an estimated 2.5 million head as of January 1, 2021. Montana's 2020 receipts from cattle sales were \$1.3 billion.

Natural Resources/Mining

Montana's mining and logging sector of the economy employed 6,700 workers in June 2021. That represented an 1.5% decrease from the 6,800 workers employed in June 2020. The major sectors included in this category are discussed in more detail below.

As of the end of calendar year 2019, an estimated 298.0 million barrels of proven oil reserves existed under Montana's land. In 2020, the state saw a decrease in production and exploration activity, with estimated crude oil production for the state at 19.0 million barrels. This represents a 17.4% decrease from the 2019 production level of 23.0 million barrels.

Montana's total coal reserves were estimated at 118.5 billion short tons, with recoverable reserves of 74.3 billion short tons in 2020. This represents 25.1% of the total U.S. reserves and 29.5% of the recoverable U.S. reserves. Of these reserves, 707.0 million short tons of coal, 5.4% of the U.S. total, are located at producing mine sites. During 2020, Montana's coal production decreased 23.5% from 34.5 to 26.4 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 2023 Biennium, the Legislature has passed legislation that continues 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 2021 Legislature completed work and adjourned in late April 2021. Upon adjournment, it was anticipated that 2023 biennium General Fund revenue collections would be approximately \$5.4 billion and General Fund expenditures would be approximately \$5.3 billion. At the end of fiscal year 2023, the estimated General Fund balance will be approximately \$380.0 million.

The following are the major financial highlights of the 2023 biennium budget:

1. The Governor signed House Bill (HB) 632, which created a structure for funding and implementation of the American Rescue Plan Act. There is appropriated \$906.4 million in State Fiscal Recovery Funds, \$81.8 million in Local Fiscal Recovery Funds, \$119.3 million in capital project funds, and \$1.1 billion in other federal programs administered by the State. Advisory Commissions were created that are made up of legislators and members appointed by the Governor. These Advisory Commissions review recommendations for funding projects in the interim and make their recommendations for the consideration of the Governor.
2. HB 3 and HB 630 appropriated \$750.0 million of federal funding from the Consolidated Appropriations Act. This Federal COVID-19 funding focused on vaccines, education, transportation infrastructure, and emergency rental assistance.
3. HB 14 and Senate Bill (SB) 191 transferred \$223.6 million from the General Fund into the capital project funds, which was created in HB 553 in the 66th legislative session in 2021. Capital projects that were appropriated in state legislation that are later determined to be ineligible for COVID-19 federal funding will be paid out of the capital development fund. Any balance remaining will be carried forward into next legislative session.
4. The base budget for the Department of Public Health and Human Services increased by \$42.3 million in the General Fund due to provider rate increases in foster care and Medicaid programs, investments in the recruitment and retention of direct care workers, and increased authority for the Children's Health Insurance Program (CHIP).
5. Funding for K-12 education increases totaled \$104.5 million in the General Fund and included inflationary increases for base amount for school equity (BASE) Aid and the Montana Digital Academy, and funding for the Advanced Opportunities and Transformational Learning Grant Program. The Montana Indian Language Preservation Program moved from the Department of Commerce to the Office of Public Instruction.

6. SBs 159 and 399 make changes to the structure of Montana's individual income tax. The sole effect of SB 159 is a reduction in Montana's top marginal income tax rate from 6.9% to 6.75% beginning in calendar year 2022. SB 399 provides for a broad restructuring of Montana's income tax. The bill consolidates the current seven marginal rates down to two (6.5% and 4.7%), eliminates numerous individual and corporate income tax credits, and changes the starting point on the Montana individual income tax return to federal taxable income. Income tax credits (except for the capital gains tax credit) are eliminated starting in calendar year 2022, but the tax rate reductions don't take effect until calendar year 2024. The estimated net effect of SBs 159 and 399 is to reduce General Fund revenue by \$6.0 million in fiscal year 2022 and \$26.4 million in fiscal year 2023.
7. HB 303 increases the market value exemption of class 8 business equipment property from \$100.0 to \$300.0 thousand. This change lowers the taxable value of class 8 property. To avoid a tax burden shift to other classes of property, local governments and school districts are reimbursed for the reduction in class 8 tax revenue via increased entitlement share transfers and guaranteed tax base payments, respectively.
8. HB 252 created a 50% non-refundable tax credit for qualified training expenses for vocational, technical, and trade professions.
9. The corporate income tax apportionment formula is changed by SB 376 to a three-factor method that uses a double weight on sales. General Fund revenue is estimated to increase from this new corporate income tax formula equal to \$2.4 million in fiscal year 2022 and \$3.4 million in fiscal year 2023.
10. Other tax bills that were passed include: HB 191 (increase in the residential property tax credit for elderly), HB 340 (increases the cap on MEDIA film tax credits by \$2.0 million), HB 661 (lowers tax rate on certain oil production from stripper wells), and HB 629 (creates a nonrefundable tax credit for employers that hire a certain number of qualifying employees).
11. Montana voters passed Initiative 191 legalizing adult-use marijuana. HB 701 created the regulatory framework for marijuana regulation inclusive of a sales tax for adult-use (20%) and a reduction to the medical marijuana tax from 4% to 2%. As part of that regulatory and tax structure an additional opt-in/opt-out local (3%) sales tax was created.

In fiscal year 2021, the General Fund unassigned ending fund balance was \$641.5 million as compared to \$380.6 million in fiscal year 2020. The increase in ending fund balance, when compared to fiscal year 2020, 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 2021, the total fund balance of the General Fund was reported at approximately \$856.3 million. Of this balance, \$5.2 million is non-spendable. The remaining \$851.1 million is spendable with \$114.2 million committed, \$95.4 million assigned, and \$641.5 million unassigned. The committed fund balance of \$114.2 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, \$20.4 million relates to outstanding encumbrances at the end of the fiscal year and \$75.0 million relates to an anticipated spend down for fiscal year 2022. The increase in ending fund balance, when compared to fiscal year 2020, was the result of higher revenue and lower expenditures. 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 2020, the total fund balance of the General Fund was reported at approximately \$592.8 million. Of this balance, \$4.9 million was non-spendable. The remaining \$587.9 million was spendable with \$89.5 million assigned and \$380.7 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/ Cheryl Grey

Cheryl Grey, CPA
Administrator
State Financial Services Division
Department of Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Montana

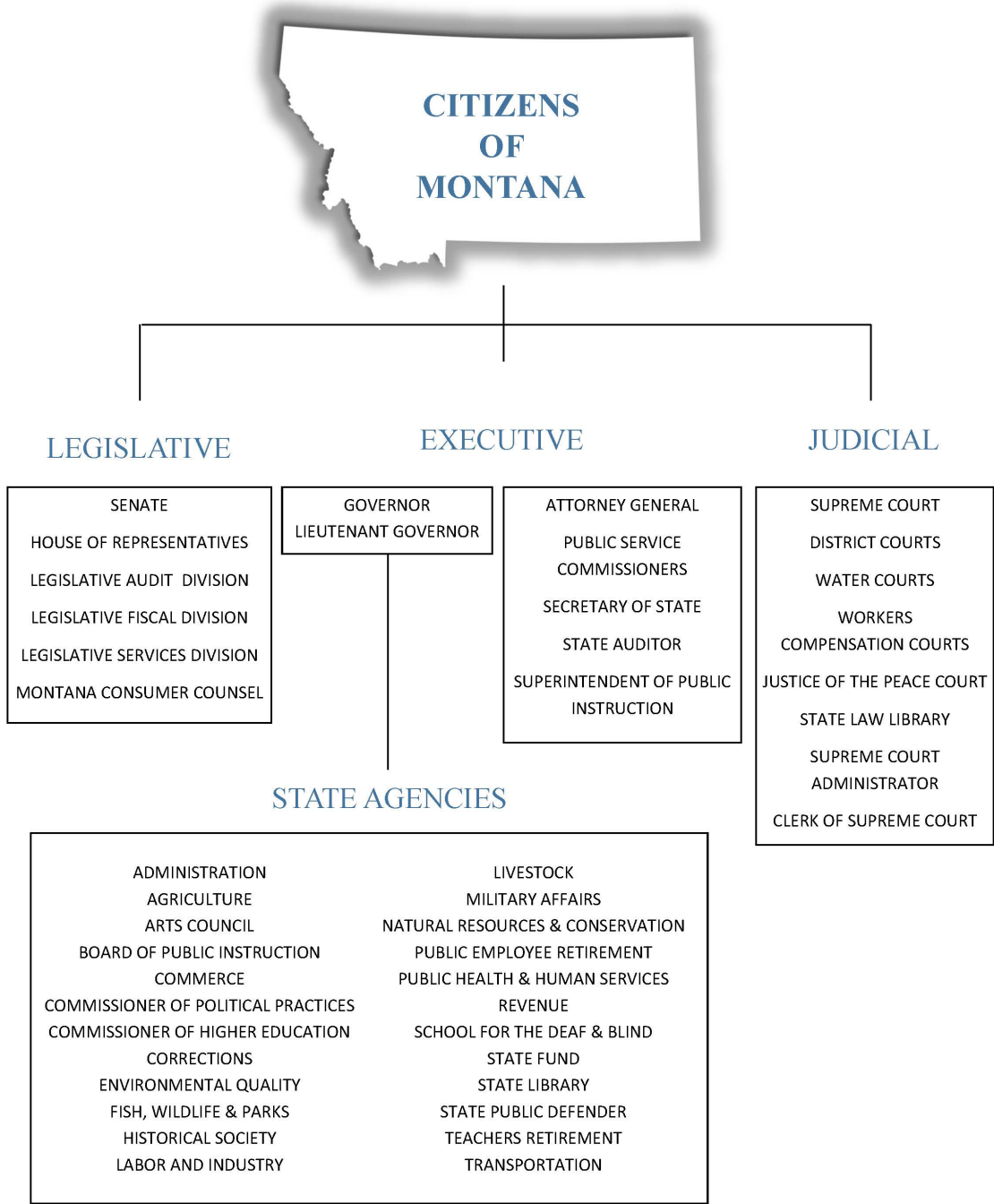
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

STATE OF MONTANA ORGANIZATION CHART



FOR THE FISCAL YEAR ENDED JUNE 30, 2021

STATE OF MONTANA

Selected State Officials

Executive Branch

Greg Gianforte, Governor

Kristen Juras, Lieutenant Governor

Judicial Branch

Mike McGrath, Chief Justice

Legislative Branch

Mark Blasdel, President of the Senate

Wylie Galt, 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, 2021, 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 University of Montana (UM) component units, which represent 17.29 percent, 32.47 percent, and 10.06 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's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. 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, 2021, 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 1C to the basic financial statements, in fiscal year 2021, the Unemployment Insurance Fund reported federal contributions to fund benefit claims related to the statewide unemployment impact of the coronavirus public health emergency. These federal contributions are reported as non-operating revenues. Additionally, the Federal Special Revenue Fund reports a significant increase in revenue and expenditure activity in fiscal year 2021, as a result of spending funds the state received from the Coronavirus Relief Fund, authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and other federal acts passed in response to the public health emergency. Lastly, the Federal Special Revenue Fund reports significant Cash & Cash Equivalent and Unearned Revenue balances, associated with funds received but not yet spent under the American Rescue Plan Act (ARPA). See Note 17 to the basic financial statements for more information on these ARPA funds. Our opinions are not modified with respect to these matters.

As discussed in Note 6 to the basic financial statements, retirement system investment rates of return were significantly higher in fiscal year 2021 than in fiscal year 2020. The Net Pension Liabilities reported in the basic financial statements at June 30, 2021, were measured as of June 30, 2020, and therefore do not reflect the strong investment performance from fiscal year 2021. The Net Pension Liabilities are expected to decrease for financial reporting in fiscal year 2022. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits (OPEB) Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The introductory section, combining statements, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 March 4, 2022, 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 (20-01B).

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 4, 2022

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 Annual Comprehensive Financial Report (ACFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2021. 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. On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law to provide additional funding for state and local governments. On June 30, 2021, Montana ended the state emergency. In the following discussion and analysis, COVID-19 refers to this pandemic, CARES refers to the CARES Act funding, and ARPA refers to the American Rescue Plan 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 2021 by \$11.0 billion compared with \$10.2 billion at the end of fiscal year 2020, representing a 7.5% increase in net position. Component units reported net position of \$2.5 billion at the end of fiscal year 2021 compared to \$2.2 billion at the end of fiscal year 2020, representing a 13.3% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2021, the State's governmental funds reported combined ending fund balances of \$5.7 billion compared with \$5.0 billion at fiscal year 2020. This represents a \$700.4 million (14.1%) increase in total fund balance. Of the 2021 balance, \$2.0 billion is not in spendable form, primarily as permanent fund principal. Thus, \$3.7 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: \$1.2 billion restricted, \$1.7 billion committed, \$97.6 million assigned, and \$629.1 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 2021 in the amount of \$566.7 million compared with fiscal year 2020 net position of \$393.3 million. Of the 2021 business-type activity net position, \$21.4 million was reported as net investment in capital assets. Net position of \$545.3 million was in spendable form with \$24.6 million unrestricted and \$520.7 million restricted to expenditure for a specific purpose. This represents a \$174.0 million (46.9%) increase in spendable net position from the fiscal year 2020 balance of \$371.3 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 \$43.9 million, from \$127.4 million in fiscal year 2020 to \$171.3 million, a 34.5% increase in fiscal year 2021.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above.

The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, and two universities.

Fund Financial Statements - Reporting the State's Major Funds

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position increased from the last fiscal year, as reflected in the \$768.5 million increase (7.5%) in net position. This improvement resulted from the continued moderate growth, despite the impacts of COVID-19, particularly in tax, tobacco settlement proceeds, and investment revenue. However, growth is not expected to persevere in fiscal year 2022, as the associated financial and economical affects of the pandemic continued to be 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 \$11.0 billion at the end of fiscal year 2021. Net position of both governmental and business-type activities increased by \$595.1 million (6.1%) and increased by \$173.4 million (44.1%), respectively. These changes are explained in detail in the Financial Analysis of the State's Major Funds section.

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	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 7,572,307	\$ 7,849,347	\$ 554,386	\$ 746,786	\$ 8,126,693	\$ 8,596,133
Capital assets	6,823,046	7,067,035	22,052	21,377	6,845,098	7,088,412
Total assets	14,395,353	14,916,382	576,438	768,163	14,971,791	15,684,545
Deferred outflows of resources	613,249	1,031,934	2,423	5,792	615,672	1,037,726
Long-term liabilities						
Due in more than one year	2,707,169	3,535,117	18,302	23,131	2,725,471	3,558,248
Other liabilities	2,251,217	1,823,324	163,594	181,844	2,414,811	2,005,168
Total liabilities	4,958,386	5,358,441	181,896	204,975	5,140,282	5,563,416
Deferred inflows of resources	219,243	163,799	3,645	2,299	222,888	166,098
Net investment in capital assets	6,743,003	6,962,944	22,035	21,360	6,765,038	6,984,304
Restricted	3,452,344	3,574,995	350,309	520,696	3,802,653	4,095,691
Unrestricted	(364,374)	(111,863)	20,976	24,625	(343,398)	(87,238)
Total net position	\$ 9,830,973	\$ 10,426,076	\$ 393,320	\$ 566,681	\$ 10,224,293	\$ 10,992,757

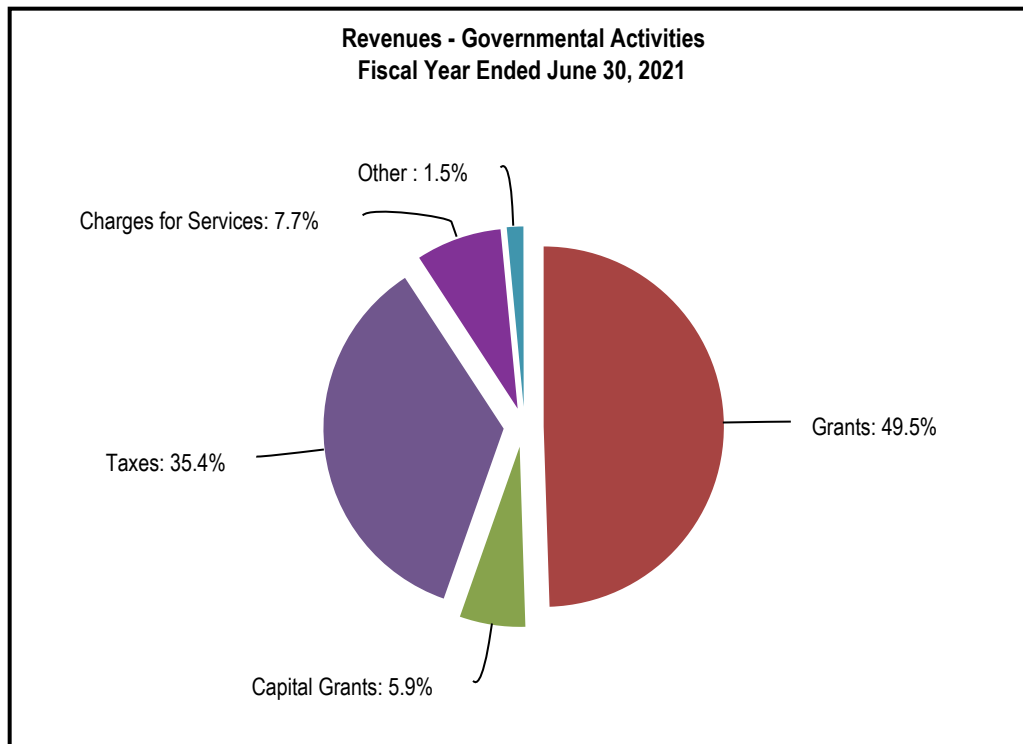
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

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

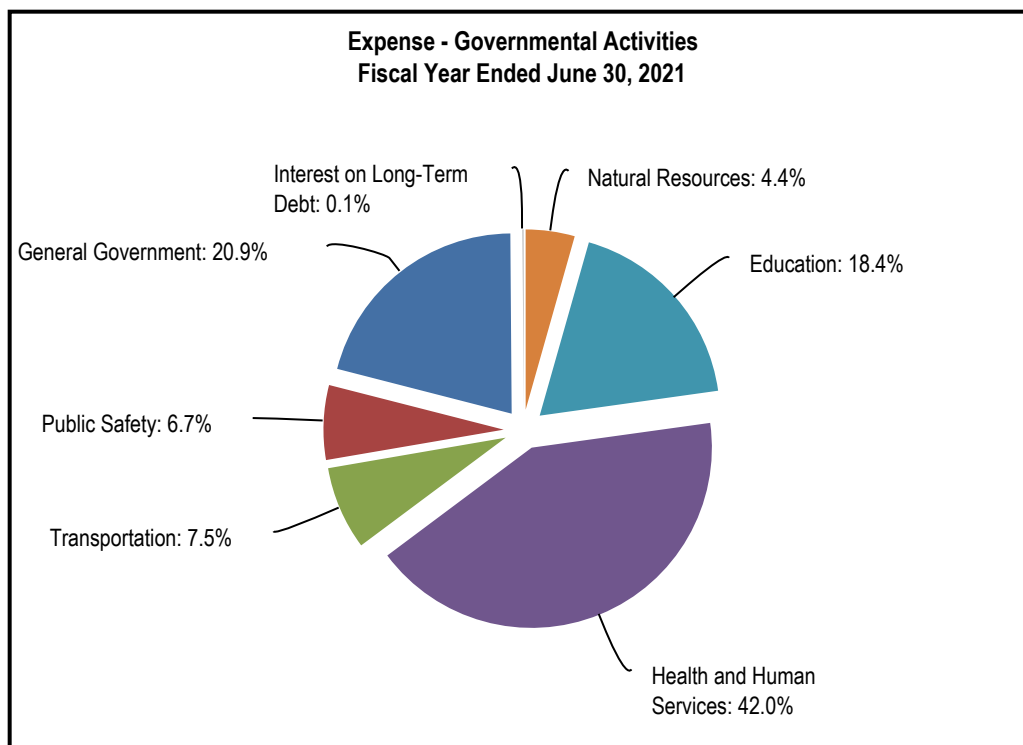
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program revenues						
Charges for services	\$ 686,335	\$ 693,875	\$ 443,048	\$ 519,186	\$ 1,129,383	\$ 1,213,061
Operating grants	2,930,307	4,441,208	71,422	68,576	3,001,729	4,509,784
Capital grants	564,431	531,666	950	883	565,381	532,549
General revenues						
Taxes	2,793,211	3,170,440	32,576	38,141	2,825,787	3,208,581
Other	186,194	130,057	504,749	555,820	690,943	685,877
Total revenues	<u>7,160,478</u>	<u>8,967,246</u>	<u>1,052,745</u>	<u>1,182,606</u>	<u>8,213,223</u>	<u>10,149,852</u>
Expenses:						
General government	957,534	1,699,213			957,534	1,699,213
Public safety	458,526	544,839			458,526	544,839
Transportation	557,290	611,537			557,290	611,537
Health and human service	2,896,774	3,418,518			2,896,774	3,418,518
Education	1,352,323	1,492,682			1,352,323	1,492,682
Natural resources	338,957	361,420			338,957	361,420
Interest on long-term debt	5,365	5,026			5,365	5,026
Unemployment Insurance			746,508	728,476	746,508	728,476
Liquor Stores			98,324	120,913	98,324	120,913
State Lottery			51,385	99,353	51,385	99,353
Municipal Finance Programs			2,542	1,602	2,542	1,602
Hail Insurance			1,154	796	1,154	796
Other Services			74,323	81,765	74,323	81,765
Prison Funds			8,506	7,042	8,506	7,042
MUS Group Insurance			100,958	106,068	100,958	106,068
MUS Workers Comp			657	2,852	657	2,852
Total expenses	<u>6,566,769</u>	<u>8,133,235</u>	<u>1,084,357</u>	<u>1,148,867</u>	<u>7,651,126</u>	<u>9,282,102</u>
Increase (decrease) in net position before transfers	593,709	834,011	(31,612)	33,739	562,097	867,750
Transfers	58,703	(138,881)	(58,703)	138,881	—	—
Change in net position	<u>652,412</u>	<u>695,130</u>	<u>(90,315)</u>	<u>172,620</u>	<u>562,097</u>	<u>867,750</u>
Net position, beg of year (as adjusted)	9,178,561	9,730,946	483,635	394,061	9,662,196	10,125,007
Net position, end of year	<u>\$ 9,830,973</u>	<u>\$ 10,426,076</u>	<u>\$ 393,320</u>	<u>\$ 566,681</u>	<u>\$ 10,224,293</u>	<u>\$ 10,992,757</u>

Governmental Activities

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

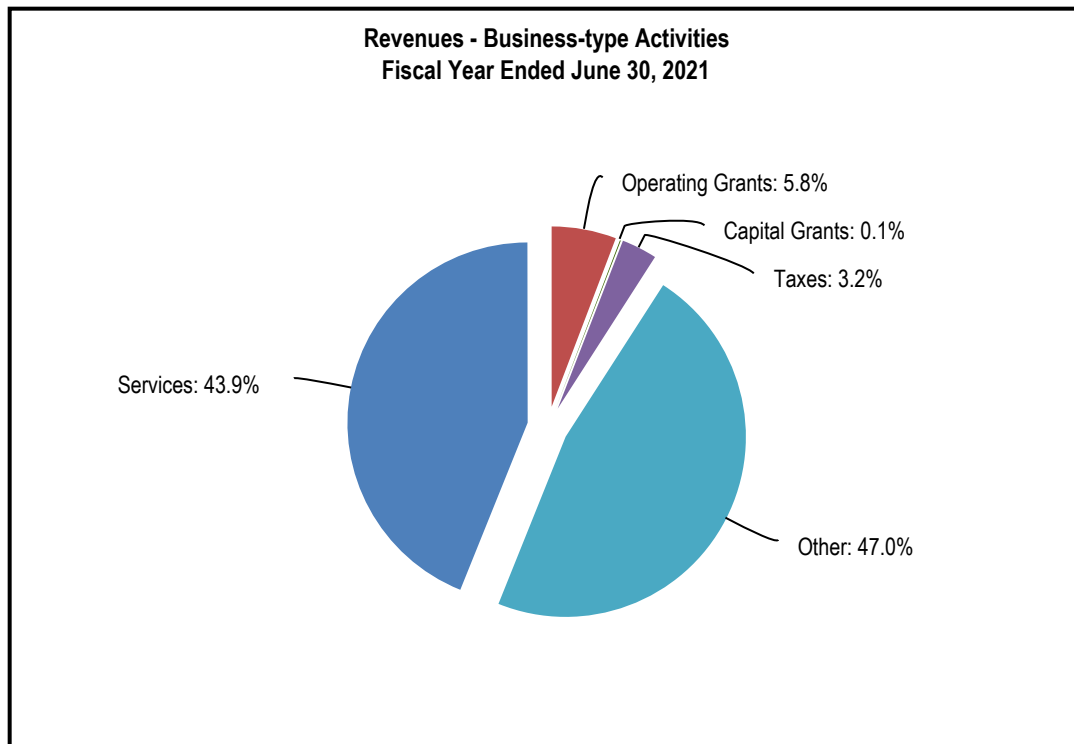


The following chart depicts expenses of the governmental activities for the fiscal year:



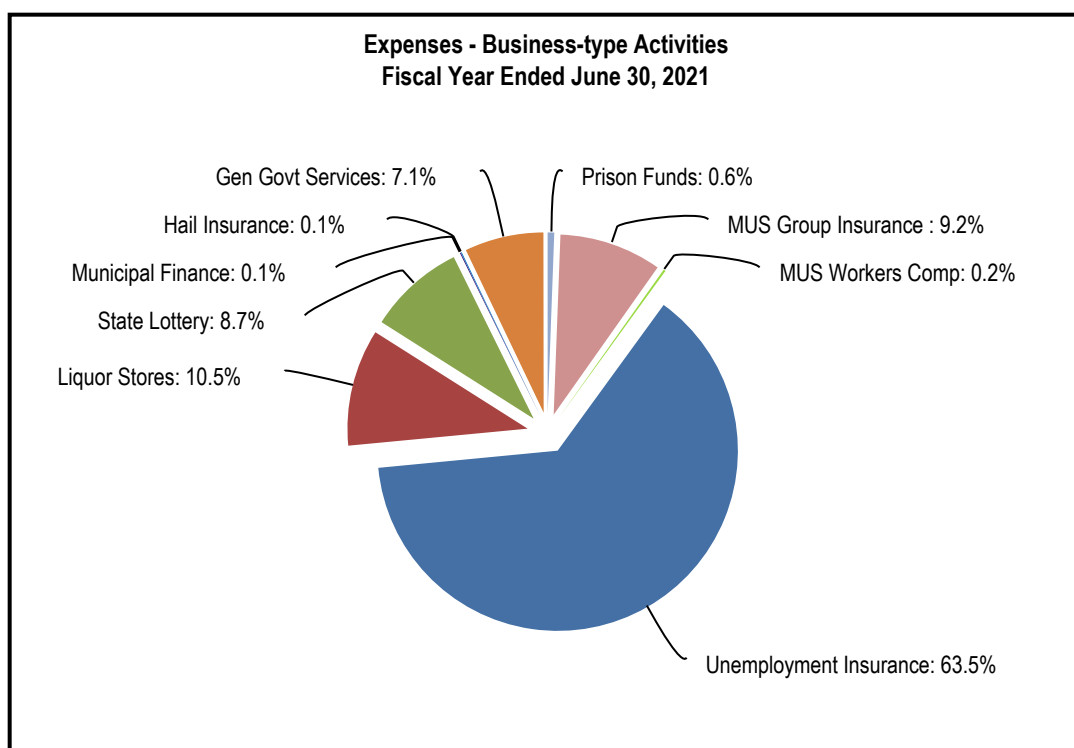
Business-type Activities

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 \$5.7 billion. Of this total, \$3.7 billion (65.1%) constitutes spendable fund balance and \$2.0 billion (34.9%) 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 2021, the total fund balance of the General Fund was reported at approximately \$856.3 million. Of this balance, \$5.2 million is non-spendable. The remaining \$851.1 million is spendable with \$114.2 million committed, \$95.4 million assigned, and \$641.5 million unassigned. This spendable fund balance of the General Fund represents 23.1% of the \$3.7 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, \$75.0 million pertains to the projected general fund spend down of fund balance in fiscal year 2022 and \$20.4 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of \$114.2 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 \$263.5 million when compared to the previously reported fund balance of \$592.8 million. Changes in both expenditures and revenues are discussed in detail below. The 2021 legislative session projected \$408.6 million of unassigned fund balance for fiscal year 2021, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance and smaller than anticipated expenditures.

General Fund Revenues – Total General Fund revenues were \$2.8 billion for fiscal year 2021 (higher than legislative estimation), a 16.6% increase from the \$2.4 billion reported in 2020 (which were lower than legislative estimation). Fiscal year 2021 tax revenue increased by 18.3% in total over 2020, with corporate income tax collections up 41.3% and individual income tax collections increased by 22.0%. The large tax revenue gains were the result of the strong economic conditions of the state coming out of the COVID-19 restrictions last year. In addition, the large federal spending provisions implemented during fiscal year 2021 were also increasing disposable incomes for individuals, state governments, and businesses. Other noted increases in revenues included charges for services/fines/forfeits/settlements and licenses/permits.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2021 increased by \$47.2 million (2.0%). This increase in expenditures occurred in the general government, transportation, health and human services, education, and natural resources functions and the decrease in expenditures occurred in the public safety function as follows:

- General government expenditures increased by \$13.4 million (3.6%)
- Transportation expenditures increased by \$174.0 thousand
- Health and human services expenditures increased by \$10.1 million (2.1%)
- Education expenditures increased by \$37.0 million (3.4%)
- Natural resources expenditure increased by \$2.0 million (5.4%)
- Public safety expenditures decreased by \$11.3 million (3.5%)

The expenditures in the public safety function decreased because some of the personal services were eligible to be paid by the Federal Special Revenue Fund for COVID-19 relief.

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 2021, General Fund appropriations that reverted to 2022 were \$96.6 million.

The Department of Public Health and Human Services had unspent appropriations of \$58.8 million related to Medicaid savings and other operational costs.

The Department of Corrections had unspent appropriations of \$14.8 million related to the costs reimbursed by federal funding associated with COVID-19.

The Office of Public Instruction had unspent appropriations of \$10.0 million related to K-12 distributions to schools and participation or eligibility in some programs.

The Judicial Branch had unspent appropriations of \$2.8 million related to vacancy savings and operational costs.

The Legislative Branch had unspent appropriations of \$2.0 million related to vacancy savings and operational costs.

The Department of Revenue had unspent appropriations of \$2.0 million related to funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes, Section 15-1-120, MCA, regarding entitlement share payments, and other operational costs.

The Office of the Governor had unspent appropriations of \$1.6 million related to personal services contingency funding held in the office for the entire state, operating cost savings, and vacancy savings.

The Department of Natural Resources and Conservation had unspent appropriations of \$1.5 million related to unspent operation costs associated with reduction in travel, training and other various expenditures due to COVID-19.

The remaining unspent appropriation of \$3.2 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund

The fund balance of the State Special Revenue Fund increased by \$143.1 million to \$2.0 billion. Revenues increased by \$59.3 million (5.6%) and expenditures increased \$50.9 million (4.5%), for fiscal year 2021. The largest increases in revenues are attributable to an increase in charges for services/fines/forfeits/settlements, taxes collections, and licenses and permits. The largest increases in expenditures are attributable to natural resources related expenditures. Other financing sources, such as refunding bond issued, increased due to the General Obligation Bonds, Series 2010F refunded with 2020I, Series 2015C refunded with 2020J, the Special Revenue Bonds, Series 2010C refunded with 2020L, in fiscal year 2021. Other financing sources, such as bond proceeds, increased due to the General Obligation Bonds, Series 2020E, 2020G, 2020H, 2020J, and 2020K, the Special Revenue Bonds, Series 2020L and 2020M, issued in fiscal year 2021. Primarily, transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

Federal Special Revenue Fund

The fund balance of the Federal Special Revenue Fund decreased by \$4.5 million (66.5%) to the balance of negative \$11.3 million. Revenues and expenditures increased by \$1.5 billion (46.2%) and \$1.3 billion (41.7%) respectively, for the fiscal year 2021. Revenue increases are attributable to increases in federal program revenue, including COVID-19 related federal funding. Expenditure increases are attributable to increases in general government and health and human services related expenditures. The general government and health and human services related expenditure increases are attributable to COVID-19.

Coal Severance Tax Permanent Fund

The fund balance of the Coal Severance Tax Permanent Fund increased by \$7.3 million (0.6%) to \$1.2 billion. Revenue decreased by \$60.1 million (60.1%) to \$39.9 million, primarily due to an decrease of investment earnings. The excess of revenue over expenditures and transfers out helped lead to the increase in fund balance.

Land Grant Permanent Fund

The fund balance of the Land Grant Permanent Fund increased by \$25.9 million (3.1%) to \$871.7 million. Revenue decreased by \$33.0 million to a total of \$93.6 million, and the investment earnings were attributable to the decrease. Primarily, income generated by the State's trust lands resulted in an increase in fund balance.

The State's proprietary funds financial statements provided the same type of information founded in the government-wide financial statements, but in more detail. As the State completed the year, the enterprise funds reported fund balances of \$566.7 million. Of this total, \$545.3 million (96.2%) constitutes spendable net position and \$21.4 million (3.8%) is classified as net investment in capital assets. The analysis of the following major enterprise funds, providing the majority of the net position for the business-type activities, follows.

Unemployment Insurance Enterprise Fund

Net position restricted for unemployment compensation increased by \$162.4 million (68.1%). The increase in net position is attributable to the transfers into the Unemployment Insurance Enterprise Fund from the Federal Special Revenue Fund for COVID-19 relief in fiscal year 2021.

Municipal Finance Programs Fund

Net position decreased by 8.2% to \$4.9 million in fiscal year 2021. Financing income revenue decreased \$922.0 thousand, and investment earnings decreased \$436.0 thousand, while expenses from interest expense decreased \$1.1 million. Overall revenues and expenditures decreased 53.2% and 37.0%, which resulted in an decrease of \$438.0 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, 2021, amounted to \$9.7 billion, with related accumulated depreciation of \$2.6 billion, leaving a net book value of \$7.1 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 \$243.3 million or 3.6% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the *notes to the financial statements*.

Debt Administration

Montana 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 2020.

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 \$90.3 million at June 30, 2020, to \$127.6 million at June 30, 2021. There is cash available, of \$6.7 million at the end of fiscal year 2021, 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	\$ 127,633	0.22%	\$ 118
Total State debt ⁽³⁾	\$ 172,555	0.30%	\$ 160

⁽¹⁾ Based on personal income for calendar year 2020.
⁽²⁾ Based on estimated 2020 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. On June 30, 2021, Governor Gianforte ended the State of Emergency in Montana.

Because Montana's continued and effective response to the COVID-19 pandemic, the State has determined that extending the State income tax filing deadline to July 15, 2020, did not have an adverse effect on the State's liquidity for fiscal years 2020 and 2021.

The State was allocated \$1.6 billion from ARPA during fiscal year 2021. The legislature has appropriated approximately \$1.2 billion and enacted laws to allow appropriations to continue into the 2023 and 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, economic transformation and stabilization, workforce development, and health. ARPA funds spent before June 30, 2021, totaled \$58.4 million. Since June 30, 2021, another \$116.0 million has been spent. The State plans to spend all funds received by June 30, 2026.

The extent of the impact of COVID-19 on the State's operational and financial performance, and on the State's general financial condition, will depend on future developments, many of which are out of the State's control, including the implementation of federal aid; the duration and spread of the COVID-19 pandemic; and associated restrictions and limitations.

The State cannot predict: (i) the duration or extent of the COVID-19 pandemic 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 restriction or warning; (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 pandemic 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.

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 2021 Labor Day Report issued by the Montana Department of Labor and Industry, Montana's economy is in the midst of a strong recovery from the pandemic recession. Montana had real wage growth of 6.6% in calendar year 2020, ranking 8th among states for the fastest average annual wage growth over the last 10 years. Montana's unemployment rate dropped quickly after the pandemic recession, reaching 3.6% in July 2021, with the national rate around 5.4%. Prior recessions took much longer for unemployment to return to normal levels. In October 2021, the Montana's preliminary unemployment rate was 3.1% with the national rate around 4.6%. Even with a strong recovery and rapid job growth, it is likely that the pandemic will have continued impacts on Montana's economy, particularly labor shortages and the impacts of rising prices on businesses and workers.

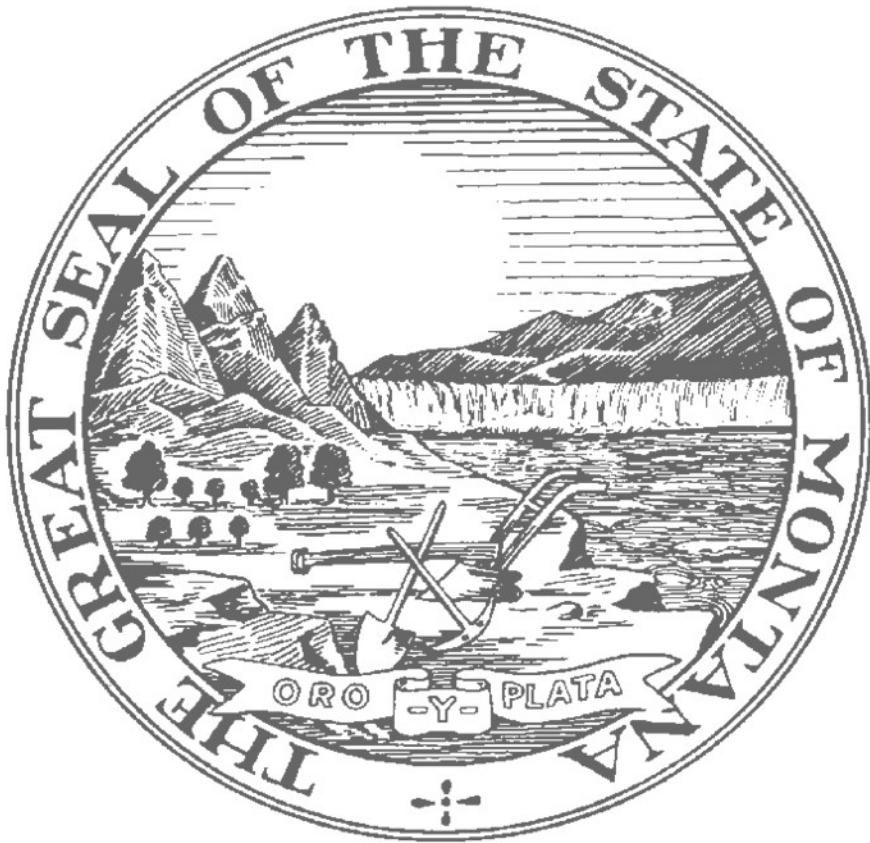
Montana had an estimated 1,080,577 population as of July 1, 2020. The Montana labor market has total nonfarm workers of 481,800 in August 2021 as compared to 464,600 in August 2020. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

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, 2021, the Game Warden & Peace Officers' Retirement System (GWPORS) was 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, 2021.

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, 2021

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash/cash equivalents (Note 3)	\$ 3,401,680	\$ 553,507	\$ 3,955,187	\$ 619,427
Receivables (net) (Note 4)	530,038	74,659	604,697	130,533
Due from primary government	—	—	—	2,319
Due from other governments	355,220	792	356,012	36,473
Due from component units	553	1,445	1,998	289
Internal balances	6,415	(6,415)	—	—
Inventories	30,734	6,195	36,929	4,507
Advances to component units	9,539	8,515	18,054	—
Long-term loans/notes receivable	550,050	78,175	628,225	611,393
Equity in pooled investments (Note 3)	2,663,550	18,379	2,681,929	50,778
Investments (Note 3)	199,873	9,504	209,377	2,369,504
Securities lending collateral (Note 3)	48,105	332	48,437	5,182
Net pension asset (Note 6)	36,545	—	36,545	—
Other assets	17,045	1,698	18,743	19,122
Depreciable capital assets and infrastructure, net (Note 5)	4,545,872	16,061	4,561,933	877,316
Land and nondepreciable capital assets (Note 5)	2,521,163	5,316	2,526,479	143,081
Total assets	14,916,382	768,163	15,684,545	4,869,924
DEFERRED OUTFLOWS OF RESOURCES (Note 4)				
	1,031,934	5,792	1,037,726	140,462
LIABILITIES				
Accounts payable (Note 4)	749,171	65,304	814,475	75,884
Lottery prizes payable	—	4,459	4,459	—
Due to primary government	—	—	—	1,998
Due to other governments	33,251	355	33,606	371
Due to component units	2,319	—	2,319	289
Due to pension trust funds	35,825	—	35,825	—
Advances from primary government	—	—	—	18,054
Unearned revenue	759,052	6,151	765,203	99,793
Amounts held in custody for others	56,690	30	56,720	13,935
Securities lending liability (Note 3)	48,105	332	48,437	5,182
Other liabilities	5,658	—	5,658	26,935
Short-term debt (Note 11)	—	90,600	90,600	—
Long-term liabilities (Note 11):				
Due within one year	133,253	14,613	147,866	171,931
Due in more than one year	449,938	5,391	455,329	1,774,141
Net pension liability (Note 6)	2,943,785	15,290	2,959,075	237,781
Total OPEB liability (Note 7)	141,394	2,450	143,844	58,124
Total liabilities	5,358,441	204,975	5,563,416	2,484,418
DEFERRED INFLOWS OF RESOURCES (Note 4)				
	163,799	2,299	166,098	58,029

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET POSITION				
Net investment in capital assets	\$ 6,962,944	\$ 21,360	\$ 6,984,304	\$ 711,960
Restricted for:				
General government	34,624	—	34,624	—
Transportation	125,943	—	125,943	—
Health and human service	17,031	—	17,031	—
Natural resources	652,447	—	652,447	—
Public safety	199,135	—	199,135	—
Education	9,212	—	9,212	—
Funds held as permanent investments:				
Nonexpendable	1,952,534	—	1,952,534	464,669
Expendable	584,069	—	584,069	—
Unemployment compensation	—	400,873	400,873	—
Montana Board of Housing	—	—	—	160,105
Other purposes (Note 1)	—	119,823	119,823	342,747
Unrestricted	(111,863)	24,625	(87,238)	788,458
Total net position	\$ 10,426,076	\$ 566,681	\$ 10,992,757	\$ 2,467,939

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	\$ 1,699,213	\$ 214,699	\$ 1,451,597	\$ 5,918	\$ (26,999)
Public safety	544,839	198,475	29,095	—	(317,269)
Transportation	611,537	35,802	83,533	505,281	13,079
Health and human services	3,418,518	39,781	2,476,116	245	(902,376)
Education	1,492,682	3,563	251,968	1,379	(1,235,772)
Natural resources	361,420	201,555	148,899	18,843	7,877
Interest on long-term debt	5,026	—	—	—	(5,026)
Total governmental activities	8,133,235	693,875	4,441,208	531,666	(2,466,486)
Business-type activities:					
Unemployment Insurance	728,476	122,626	14,632	—	(591,218)
Liquor Stores	120,913	135,369	—	—	14,456
State Lottery	99,353	112,327	—	—	12,974
Municipal Finance Programs	1,602	40	1,124	—	(438)
Hail Insurance	796	1,152	4	—	360
Other Service	81,765	31,401	52,387	883	2,906
Prison Funds	7,042	7,005	—	—	(37)
MUS ¹ Group Insurance	106,068	105,336	339	—	(393)
MUS ¹ Workers Compensation	2,852	3,930	90	—	1,168
Total business-type activities	1,148,867	519,186	68,576	883	(560,222)
Total primary government	\$ 9,282,102	\$ 1,213,061	\$ 4,509,784	\$ 532,549	\$ (3,026,708)
Component units:					
Montana Board of Housing	\$ 21,820	\$ 2,612	\$ 18,908	\$ —	\$ (300)
Facility Finance Authority	538	821	112	—	395
Montana State Fund	171,042	148,625	—	—	(22,417)
Montana State University	646,557	273,506	320,508	11,663	(40,880)
University of Montana	464,845	148,670	240,803	336	(75,036)
Total component units	\$ 1,304,802	\$ 574,234	\$ 580,331	\$ 11,999	\$ (138,238)

¹Montana University System

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net position:				
Net (expense) revenue	\$ (2,466,486)	\$ (560,222)	\$ (3,026,708)	\$ (138,238)
General revenues:				
Taxes:				
Property	329,585	—	329,585	—
Fuel	274,417	—	274,417	—
Natural resource	160,987	—	160,987	—
Individual income	1,712,162	—	1,712,162	—
Corporate income	261,686	—	261,686	—
Other (Note 1)	431,603	38,141	469,744	—
Unrestricted grants and contributions	447	549,317	549,764	4
Settlements	86,092	—	86,092	—
Unrestricted investment earnings	32,902	14	32,916	138,851
Transfers from primary government	—	—	—	256,944
Gain (loss) on sale of capital assets	4,750	84	4,834	(14)
Miscellaneous	5,866	6,405	12,271	2,002
Contributions to term and permanent endowments	—	—	—	29,507
Transfers between primary government	(138,881)	138,881	—	—
Total general revenues, contributions, and transfers	3,161,616	732,842	3,894,458	427,294
Change in net position	695,130	172,620	867,750	289,056
Total net position - July 1 - as previously reported	9,830,973	393,320	10,224,293	2,178,642
Adjustments to beginning net position (Note 2)	(100,027)	741	(99,286)	241
Total net position - July 1 - as adjusted	9,730,946	394,061	10,125,007	2,178,883
Total net position - June 30	\$ 10,426,076	\$ 566,681	\$ 10,992,757	\$ 2,467,939

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



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 be 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, 2021

(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	\$ 910,776	\$ 1,084,767	\$ 792,458
Receivables (net)	314,579	108,104	72,886
Interfund loans receivable (Note 12)	98,139	78,337	5
Due from other governments	12,534	1,459	341,207
Due from other funds (Note 12)	34,585	16,247	2,289
Due from component units	—	312	—
Inventories	4,087	21,669	—
Equity in pooled investments (Note 3)	—	391,954	—
Long-term loans/notes receivable	—	524,607	5,480
Advances to other funds (Note 12)	355	38,123	—
Advances to component units	—	1,983	—
Investments (Note 3)	10,907	1,734	—
Securities lending collateral (Note 3)	—	7,079	—
Other assets	3,322	10,058	208
Total assets	\$ 1,389,284	\$ 2,286,433	\$ 1,214,533
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 324,199	\$ 169,734	\$ 230,664
Interfund loans payable (Note 12)	—	5,001	166,377
Due to other governments	430	31,227	1,594
Due to other funds (Note 12)	2,533	12,395	13,627
Due to component units	36,275	459	1,409
Advances from other funds (Note 12)	—	5,328	36,879
Unearned revenue	40	21,186	736,758
Amounts held in custody for others	8,044	42,042	468
Securities lending liability (Note 3)	—	7,079	—
Other liabilities	28	1,332	—
Total liabilities	371,549	295,783	1,187,776
DEFERRED INFLOWS OF RESOURCES	161,435	11,452	38,078
Fund balances (Note 14):			
Nonspendable	5,171	22,630	151
Restricted	—	1,197,079	—
Committed	114,199	757,536	—
Assigned	95,387	1,953	—
Unassigned	641,543	—	(11,472)
Total fund balances	856,300	1,979,198	(11,321)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,389,284	\$ 2,286,433	\$ 1,214,533

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

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ 57,936	\$ 38,001	\$ 287,638	\$	3,171,576
11,030	2,399	10,542		519,540
—	—	—		176,481
—	—	—		355,200
—	—	4,935		58,056
113	—	128		553
—	—	—		25,756
976,655	836,860	424,063		2,629,532
—	—	19,964		550,051
—	—	5,328		43,806
7,365	—	190		9,538
184,756	—	—		197,397
17,639	15,114	7,659		47,491
—	116	—		13,704
<u>\$ 1,255,494</u>	<u>\$ 892,490</u>	<u>\$ 760,447</u>	<u>\$</u>	<u>7,798,681</u>
\$ —	\$ 5	\$ 5,942	\$	730,544
1,593	2	335		173,308
—	—	—		33,251
4,380	—	2,408		35,343
—	—	—		38,143
—	—	1,761		43,968
—	—	—		757,984
—	5,688	—		56,242
17,639	15,114	7,659		47,491
—	—	—		1,360
<u>23,612</u>	<u>20,809</u>	<u>18,105</u>		<u>1,917,634</u>
<u>2,822</u>	<u>—</u>	<u>1,307</u>		<u>215,094</u>
664,992	871,681	414,009		1,978,634
—	—	34,229		1,231,308
564,068	—	293,558		1,729,361
—	—	251		97,591
—	—	(1,012)		629,059
<u>1,229,060</u>	<u>871,681</u>	<u>741,035</u>		<u>5,665,953</u>
<u>\$ 1,255,494</u>	<u>\$ 892,490</u>	<u>\$ 760,447</u>	<u>\$</u>	<u>7,798,681</u>



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

JUNE 30, 2021

(amounts expressed in thousands)

Total fund balances - governmental funds	\$	5,665,953
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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	\$	4,545,872	
Land and nondepreciable capital assets		2,521,163	7,067,035

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.	1,031,934
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Other assets not available in the current period and therefore are not reported in the governmental funds:

Net pension asset	36,545
Long-term receivables	(286)

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 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.

258,300

Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.	(16,330)
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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.

51,295

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	(583,191)	
Net pension liability	(2,943,785)	
Total OPEB liability	(141,394)	(3,668,370)

Total net position - governmental activities	\$	10,426,076
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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, 2021

(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	\$ 142,810	\$ 299,035	\$ —
Taxes:			
Natural resource	68,068	64,910	—
Individual income	1,734,627	—	—
Corporate income	263,869	11	—
Property	309,495	20,090	—
Fuel	—	274,417	—
Other	253,940	171,436	—
Charges for services/fines/forfeits/settlements	45,488	151,369	7,925
Investment earnings	5,093	9,744	572
Securities lending income	39	47	—
Sale of documents/merchandise/property	251	9,061	—
Rentals/leases/royalties	8	1,254	—
Contributions/premiums	—	35,092	—
Grants/contracts/donations	13,665	15,470	44
Federal	10,767	8,996	4,692,258
Federal indirect cost recoveries	164	56,549	98,207
Other revenues	379	3,763	1,335
Total revenues	2,848,663	1,121,244	4,800,341
EXPENDITURES			
Current:			
General government	385,619	196,146	834,438
Public safety	310,373	104,668	58,076
Transportation	174	254,873	129,320
Health and human services	490,805	221,921	2,710,755
Education	1,119,344	86,028	289,715
Natural resources	38,226	230,006	128,353
Debt service:			
Principal retirement	295	2,996	135
Interest/fiscal charges	247	1,229	11
Capital outlay	7,436	90,291	427,568
Securities lending	10	10	—
Total expenditures	2,352,529	1,188,168	4,578,371
Excess of revenue over (under) expenditures	496,134	(66,924)	221,970
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	193	4,137	57
Insurance proceeds	—	437	—
General capital asset sale proceeds	119	617	—
Refunding bond issued	—	24,896	—
Payment to refunding bond escrow agent	—	(23,935)	—
Bond premium	—	8,799	—
Bond proceeds	—	56,904	—
Energy conservation loans	—	149	—
Transfers in (Note 12)	85,086	212,201	2,059
Transfers out (Note 12)	(330,993)	(72,058)	(229,172)
Total other financing sources (uses)	(245,595)	212,147	(227,056)
Net change in fund balances	250,539	145,223	(5,086)
Fund balances - July 1 - as previously reported	592,812	1,836,115	(6,799)
Adjustments to beginning fund balance (Note 2)	13,335	(591)	564
Fund balances - July 1 - as adjusted	606,147	1,835,524	(6,235)
Increase (decrease) in inventories	(386)	(1,549)	—
Fund balances - June 30	\$ 856,300	\$ 1,979,198	\$ (11,321)

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

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ —	\$ 1,908	\$ —	\$ 443,753	
19,832	—	7,599	160,409	
—	—	—	1,734,627	
—	—	—	263,880	
—	—	—	329,585	
—	—	—	274,417	
—	—	8,068	433,444	
—	—	32,339	237,121	
19,917	12,827	17,741	65,894	
113	96	48	343	
—	23,466	—	32,778	
—	55,255	—	56,517	
—	—	—	35,092	
—	24	—	29,203	
—	—	—	4,712,021	
—	—	—	154,920	
—	—	—	5,477	
39,862	93,576	65,795	8,969,481	
—	—	1,045	1,417,248	
—	—	23	473,140	
—	—	—	384,367	
—	—	2,443	3,425,924	
—	—	22	1,495,109	
—	5,152	3,179	404,916	
—	—	17,523	20,949	
—	—	4,510	5,997	
—	—	63,031	588,326	
25	21	10	76	
25	5,173	91,786	8,216,052	
39,837	88,403	(25,991)	753,429	
—	—	—	4,387	
—	—	—	437	
—	4,278	15	5,029	
—	—	12,425	37,321	
—	—	(13,326)	(37,261)	
—	—	—	8,799	
—	—	—	56,904	
—	—	—	149	
167	94	319,959	619,566	
(33,210)	(66,840)	(27,944)	(760,217)	
(33,043)	(62,468)	291,129	(64,886)	
6,794	25,935	265,138	688,543	
1,221,777	845,746	475,900	4,965,551	
489	—	(3)	13,794	
1,222,266	845,746	475,897	4,979,345	
—	—	—	(1,935)	
\$ 1,229,060	\$ 871,681	\$ 741,035	\$ 5,665,953	

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, 2021

(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	688,543
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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	\$	588,326
Depreciation expense and amortization		(270,682)
		317,644

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.		3,982
---	--	-------

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(8,142)
--	--	---------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(65,703)
---	--	----------

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.		22,481
---	--	--------

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.		(263,675)
		(263,675)

Change in net position - governmental activities	\$	695,130
--	----	---------

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

Proprietary Fund Financial Statements

Unemployment Insurance Fund — accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund and federal COVID-19 relief funds. 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, 2021

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT	MUNICIPAL	NONMAJOR	TOTAL	ACTIVITIES -
	INSURANCE	FINANCE			INTERNAL
		PROGRAMS			SERVICE
					FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 390,303	\$ 16,055	\$ 147,149	\$ 553,507	\$ 230,105
Receivables (net) (Note 4)	26,811	7,319	40,529	74,659	10,784
Interfund loans receivable (Note 12)	—	—	215	215	—
Due from other governments	406	—	386	792	20
Due from other funds (Note 12)	—	3,730	38	3,768	43
Due from component units	—	1,445	—	1,445	—
Inventories	—	—	6,195	6,195	4,979
Short-term investments (Note 3)	—	7,524	—	7,524	—
Securities lending collateral (Note 3)	—	—	332	332	614
Other current assets	—	1	335	336	3,341
Total current assets	417,520	36,074	195,179	648,773	249,886
Noncurrent assets:					
Advances to other funds (Note 12)	—	7,189	—	7,189	—
Advances to component units	—	8,515	—	8,515	—
Long-term investments (Note 3)	—	—	20,359	20,359	36,495
Long-term notes/loans receivable	33,906	44,269	—	78,175	—
Other long-term assets	—	—	1,362	1,362	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,379	16,379	6,069
Equipment	—	1	9,845	9,846	276,909
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	1,303	1,303	2,091
Intangible assets	—	—	3,432	3,432	426
Other capital assets	—	—	3,213	3,213	—
Less accumulated depreciation	—	—	(18,601)	(18,601)	(181,123)
Total capital assets	—	1	21,376	21,377	104,467
Total noncurrent assets	33,906	59,974	43,097	136,977	140,962
Total assets	451,426	96,048	238,276	785,750	390,848
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	130	5,662	5,792	21,764

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2021

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT	MUNICIPAL	NONMAJOR	TOTAL	ACTIVITIES -
	INSURANCE	FINANCE			INTERNAL
		PROGRAMS			SERVICE
					FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	\$ 46,953	\$ 71	\$ 18,280	\$ 65,304	\$ 16,155
Lottery prizes payable	—	—	3,534	3,534	—
Interfund loans payable (Note 12)	—	—	2,700	2,700	688
Due to other governments	—	—	355	355	—
Due to other funds (Note 12)	—	—	14,887	14,887	2,076
Unearned revenue	3,600	—	2,551	6,151	1,071
Lease/installment purchase payable (Note 10)	—	1	13	14	2,388
Short-term debt (Note 11)	—	90,600	—	90,600	—
Bonds/notes payable - net (Note 11)	—	—	—	—	171
Amounts held in custody for others	—	—	30	30	449
Securities lending liability (Note 3)	—	—	332	332	614
Estimated insurance claims (Note 8)	—	—	13,804	13,804	32,616
Compensated absences payable (Note 11)	—	25	770	795	3,362
Total current liabilities	50,553	90,697	57,256	198,506	59,590
Noncurrent liabilities:					
Lottery prizes payable	—	—	925	925	—
Advances from other funds (Note 12)	—	—	—	—	7,027
Lease/installment purchase payable (Note 10)	—	—	7	7	2,307
Bonds/notes payable - net (Note 11)	—	—	—	—	72
Estimated insurance claims (Note 8)	—	—	3,880	3,880	36,622
Compensated absences payable (Note 11)	—	60	1,444	1,504	5,580
Net pension liability (Note 6)	—	404	14,886	15,290	65,097
Total OPEB liability (Note 7)	—	45	2,405	2,450	8,503
Total noncurrent liabilities	—	509	23,547	24,056	125,208
Total liabilities	50,553	91,206	80,803	222,562	184,798
DEFERRED INFLOWS OF RESOURCES (Note 4)					
	—	39	2,260	2,299	6,944
NET POSITION					
Net investment in capital assets	—	1	21,359	21,360	90,706
Restricted for:					
Unemployment compensation	400,873	—	—	400,873	—
Other purposes	—	405	119,418	119,823	—
Unrestricted	—	4,527	20,098	24,625	130,164
Total net position	\$ 400,873	\$ 4,933	\$ 160,875	\$ 566,681	\$ 220,870

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, 2021
 (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	\$ 149	\$ 40	273,552	\$ 273,741	\$ 172,949
Investment earnings	7,548	5	468	8,021	790
Securities lending income	—	—	2	2	4
Financing income	—	1,119	—	1,119	—
Contributions/premiums	122,477	—	122,396	244,873	230,212
Grants/contracts/donations	7,084	—	52,300	59,384	4,518
Other operating revenues	—	—	6,978	6,978	13,595
Total operating revenues	137,258	1,164	455,696	594,118	422,068
Operating expenses:					
Personal services	—	432	18,291	18,723	74,512
Contractual services	—	38	31,163	31,201	40,511
Supplies/materials	—	40	116,095	116,135	20,525
Benefits/claims	714,367	—	162,843	877,210	194,664
Depreciation	—	—	1,119	1,119	14,251
Amortization	—	—	573	573	421
Utilities/rent	—	55	1,159	1,214	6,945
Communications	—	9	1,113	1,122	13,583
Travel	—	1	113	114	150
Repairs/maintenance	—	1	1,583	1,584	28,856
Grants	—	—	—	—	478
Lottery prize payments	—	—	80,348	80,348	—
Securities lending expense	—	—	—	—	1
Interest expense	—	866	8	874	403
Other operating expenses	14,109	160	4,127	18,396	6,487
Total operating expenses	728,476	1,602	418,535	1,148,613	401,787
Operating income (loss)	(591,218)	(438)	37,161	(554,495)	20,281
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	38,141	38,141	—
Grant revenue	549,316	—	—	549,316	—
Insurance proceeds	—	—	—	—	147
Gain (loss) on sale of capital assets	—	—	(602)	(602)	182
Federal indirect cost recoveries	—	—	65	65	4,547
Increase (decrease) value of livestock	—	—	433	433	—
Total nonoperating revenues (expenses)	549,316	—	38,037	587,353	4,876
Income (loss) before contributions and transfers	(41,902)	(438)	75,198	32,858	25,157
Capital contributions	—	—	955	955	394
Transfers in (Note 12)	203,571	—	26	203,597	2,020
Transfers out (Note 12)	—	—	(64,788)	(64,788)	(5,088)
Change in net position	161,669	(438)	11,391	172,622	22,483
Total net position - July 1 - as previously reported	238,429	5,371	149,520	393,320	198,435
Adjustments to beginning net position (Note 2)	775	—	(36)	739	(48)
Total net position - July 1 - as adjusted	239,204	5,371	149,484	394,059	198,387
Total net position - June 30	\$ 400,873	\$ 4,933	\$ 160,875	\$ 566,681	\$ 220,870

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, 2021

(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	\$ 123,601	\$ 39	\$ 389,811	\$ 513,451	\$ 401,217
Payments to suppliers for goods and services	—	(234)	(157,519)	(157,753)	(111,606)
Payments to employees	—	(442)	(18,233)	(18,675)	(73,605)
Grant receipts (expenses)	7,504	—	51,913	59,417	4,030
Cash payments for claims	(765,477)	—	(161,605)	(927,082)	(198,245)
Cash payments for prizes	—	—	(79,042)	(79,042)	—
Other operating revenues	—	—	7,041	7,041	18,252
Other operating payments	—	—	(4,024)	(4,024)	(6,487)
Net cash provided by (used for) operating activities	(634,372)	(637)	28,342	(606,667)	33,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	38,141	38,141	—
Transfer to other funds	—	—	(63,420)	(63,420)	(5,087)
Transfer from other funds	203,571	—	27	203,598	2,019
Proceeds from interfund loans/advances	—	—	2,761	2,761	2,081
Payment of interfund loans and advances	(1,500)	—	(295)	(1,795)	(49)
Payment of principal and interest on bonds and notes	—	(1,193)	(7)	(1,200)	(570)
Grant receipts and Federal indirect cost recoverable	566,990	—	65	567,055	—
Net cash provided by (used for) noncapital financing activities	769,061	(1,193)	(22,728)	745,140	(1,606)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	147
Acquisition of capital assets	—	—	(1,437)	(1,437)	(13,051)
Proceeds from sale of capital assets	—	—	1,213	1,213	1
Net cash provided by (used for) capital and related financing activities	—	—	(224)	(224)	(12,903)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(20,621)	300	(20,321)	(12,780)
Proceeds (loss) on sales or maturities of investments	—	13,804	—	13,804	—
Proceeds (loss) from securities lending transactions/ investments	—	—	3	3	4
Interest and dividends on investments	7,548	13	490	8,051	787
Payment of securities lending costs	—	—	—	—	(1)
Collections of principal and interest on loans	—	23,752	—	23,752	—
Cash payment for loans	—	(25,609)	—	(25,609)	—
Net cash provided by (used for) investing activities	7,548	(8,661)	793	(320)	(11,990)
Net increase (decrease) in cash and cash equivalents	142,237	(10,491)	6,183	137,929	7,057
Cash and cash equivalents, July 1	248,066	26,546	140,966	415,578	223,048
Cash and cash equivalents, June 30	\$ 390,303	\$ 16,055	\$ 147,149	\$ 553,507	\$ 230,105

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, 2021

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (591,218)	\$ (438)	\$ 37,161	\$ (554,495)	20,281
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	1,119	1,119	14,251
Amortization	—	—	573	573	421
Securities lending expense	—	—	—	—	1
Investment earnings	(7,548)	(5)	(468)	(8,021)	(790)
Securities lending income	—	—	(3)	(3)	(4)
Financing income	—	(1,118)	—	(1,118)	—
Interest expense	—	866	7	873	403
Other revenue	776	—	—	776	4,551
Arbitrage rebate tax	—	(22)	—	(22)	—
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	(53,975)	—	(4,826)	(58,801)	862
Decr (Incr) in due from other funds	—	—	(38)	(38)	67
Decr (Incr) in due from component units	—	—	—	—	9
Decr (Incr) in due from other governments	(355)	—	(386)	(741)	(10)
Decr (Incr) in inventories	—	—	(1,773)	(1,773)	(45)
Decr (Incr) in other assets	—	—	35	35	(2,778)
Incr (Decr) in accounts payable	17,948	(6)	(2,257)	15,685	(845)
Incr (Decr) in due to other funds	—	—	(2,805)	(2,805)	152
Incr (Decr) in due to other governments	—	—	107	107	—
Incr (Decr) in lottery prizes payable	—	—	1,306	1,306	—
Incr (Decr) in unearned revenue	—	—	(209)	(209)	(192)
Incr (Decr) in amounts held in custody for others	—	—	—	—	(45)
Incr (Decr) in compensated absences payable	—	31	54	85	593
Incr (Decr) in total OPEB liability	—	—	1,364	1,364	5,709
Incr (Decr) in estimated claims	—	—	120	120	(3,581)
Incr (Decr) in other payables	—	(11)	(6)	(17)	(2,343)
Incr (Decr) in net pension liability and related accounts	—	66	(733)	(667)	(3,111)
Net cash provided by (used for) operating activities	\$ (634,372)	\$ (637)	\$ 28,342	\$ (606,667)	\$ 33,556
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	\$ —	\$ —	\$ 955	\$ 955	395
Incr (Decr) in fair value of investments	—	3	338	341	275
Total noncash transactions	\$ —	\$ 3	\$ 1,293	\$ 1,296	670

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, 2021

(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)	\$ 187,408	\$ 39,493	\$ 1,854,550	\$ 8,165
Receivables (net):				
Accounts receivable	25,716	—	—	621
Interest	14	—	187	—
Due from primary government	35,825	—	—	—
Due from other PERB plans	1,734	—	—	—
Long-term loans/notes receivable	8	—	—	—
Total receivables	63,297	—	187	621
Investments at fair value:				
Equity in pooled investments (Note 3)	14,397,166	—	12,953	—
Other investments (Note 3)	1,091,293	206,088	—	—
Total investments	15,488,459	206,088	12,953	—
Securities lending collateral (Note 3)	83,372	—	234	—
Capital Assets:				
Buildings/improvements	316	—	—	—
Equipment	133	—	—	—
Accumulated depreciation	(170)	—	—	—
Intangible assets	3,884	—	—	—
Total capital assets	4,163	—	—	—
Other assets	—	29,964	—	2,887
Total assets	15,826,699	275,545	1,867,924	11,673
DEFERRED OUTFLOWS OF RESOURCES	1,076	—	—	—
LIABILITIES				
Accounts payable	1,767	12	150	2,579
Due to primary government	8	—	—	—
Due to other PERB plans	1,734	—	—	—
Unearned revenue	83	—	—	—
Securities lending liability (Note 3)	83,372	—	234	—
Compensated absences payable	726	—	—	—
Net pension liability (Note 6)	1,921	—	—	—
Total OPEB liability (Note 7)	796	—	—	—
Total liabilities	90,407	12	384	2,579
DEFERRED INFLOWS OF RESOURCES	242	—	—	—
NET POSITION				
Restricted for:				
Pensions	15,048,021	—	—	—
Postemployment benefits other than pensions	689,105	—	—	—
Pool participants	—	—	1,867,540	—
Individuals, organizations, and other governments	—	275,533	—	9,094
Total net position	\$ 15,737,126	\$ 275,533	\$ 1,867,540	\$ 9,094

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, 2021

(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS				
Contributions/premiums:				
Employer	\$ 288,688	\$ —	\$ —	\$ —
Employee	268,411	—	—	—
Other contributions	121,465	21,468	1,536,607	—
Investment earnings:				
Net increase in fair value of investments	3,487,911	31,186	(186)	—
Interest, dividends, and other	23,931	1	4,228	3
Securities lending income	1,011	—	1	—
Total investment earnings	3,512,853	31,187	4,043	3
Less investment costs:				
Administrative investment expense	83,504	—	—	—
Securities lending expense	200	—	—	—
Net investment earnings	3,429,149	31,187	4,043	3
Charges for services	849	—	—	—
Other additions and miscellaneous	2,124	8,234	—	61,651
Total additions	4,110,686	60,889	1,540,650	61,654
DEDUCTIONS				
Benefits	1,039,868	—	—	—
Refunds	32,147	—	—	—
Distributions	—	31,274	1,392,012	62,674
Administrative expenses	15,316	883	—	16
Local assistance	13	—	—	—
Transfers to MUS-RP	264	—	—	—
Transfers to PERS-DCRP	2,328	—	—	—
Total deductions	1,089,936	32,157	1,392,012	62,690
Change in net position	3,020,750	28,732	148,638	(1,036)
Net position - July 1 - as previously reported	12,716,675	248,114	1,718,902	8,817
Adjustments to beginning net position (Note 2)	(299)	(1,313)	—	1,313
Net position - July 1 - as adjusted	12,716,376	246,801	1,718,902	10,130
Net position - June 30	\$ 15,737,126	\$ 275,533	\$ 1,867,540	\$ 9,094

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. 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, which are separately issued and audited, 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. The board 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 Annual Comprehensive 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(b) Plan) retirement plans. The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members. The 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 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 \$96.0 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 \$27.7 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 as noted above.

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 \$5.9 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 2021, federal 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 \$25.0 thousand. The capitalization threshold for infrastructure and internally-generated software is \$500.0 thousand. The capitalization threshold for intangible assets is \$100.0 thousand. The capitalization limit for other capital assets is \$5.0 thousand. 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 investments, and 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. Governmental funds record capital outlay expenditures and other financing sources (inception of lease/installment contract), at the inception of a capital lease, at 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 sources, 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. For fiscal year 2021, 1,352 sick leave hours, 185 annual leave hours, and 4,818 excess annual leave hours were contributed to the sick leave pool, and 5,608 hours were withdrawn, leaving a balance of 17,626 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 \$100.2 million as of June 30, 2021. 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 2022 is \$75.0 million; thus, a related assignment of fund balance is reported at 2021 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, 2021, 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, 2021, committed fund balance in the General Fund of \$114.2 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 \$4.1 billion.

Net position associated with the Unemployment Insurance Fund is classified as restricted. The majority of the restricted net position for other purposes business-type activities amounting to \$119.8 million is made up of \$97.4 million from MUS Group Insurance Fund and \$12.9 million from MUS Workers Compensation Fund. Certain investments of the Municipal Finance Programs Fund are also classified as restricted net

position for other purposes as business-type activities and on the Statement of Fund Net Position for proprietary funds because applicable bond indenture agreements limit their use.

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 2020 State income tax filing deadline, normally April 15th of the subsequent year, was delayed to May 17, 2021, due to COVID-19 pandemic. 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 2021, nor will it in fiscal year 2022.

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	\$ 23,454	\$ 33,175	\$ 6,254	\$ 5	\$ 62,888
Agriculture	—	11,734	—	—	11,734
Car rental	3,624	1,208	—	—	4,832
Cigarette/tobacco/etc.	33,477	49,031	1,604	—	84,112
Contractors gross receipts	3,897	—	—	—	3,897
Energy tax	6,350	—	—	—	6,350
Fire protection	—	4,628	—	—	4,628
Insurance premium	87,263	50,240	—	—	137,503
Light vehicle registration	—	6,310	—	—	6,310
Liquor tax	5,996	2,419	—	38,136	46,551
Livestock	—	5,316	—	—	5,316
Other taxes	164	1,102	—	—	1,266
Public service commission	—	5,356	—	—	5,356
Railroad car companies	5,194	—	—	—	5,194
Telephone license	8,888	—	—	—	8,888
Video gaming	74,917	2	—	—	74,919
Total other taxes	\$ 253,224	\$ 170,521	\$ 7,858	\$ 38,141	\$ 469,744

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, 2021, basic sector business entities made total user fee payments of \$1.8 million, representing \$1.3 million of principal and \$0.5 million in interest. During the fiscal year ended June 30, 2021, a total of \$5.3 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2021 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed			
	Tax Year 2020	Tax Year 2019	Total
Corporate income tax	\$ —	\$ 265	\$ 265
Individual income tax	34	4,965	4,999
Total amount claimed	<u>\$ 34</u>	<u>\$ 5,230</u>	<u>\$ 5,264</u>

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, 2021. 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, 2021, the State of Montana early implemented the provisions of GASB Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

For the year ended June 30, 2021, the State of Montana implemented the provisions of GASB Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics of which the following have implications for the State of Montana: (1) Under GASB 10, amounts recoverable from reinsurances for paid claims were required to be accounted for as assets and expense reductions. Under GASB 92, paid claims and claim adjustments expenses may be reported as reductions of expenses but are not required to be. (2) The terms derivative and derivatives in National Council on Governmental Accounting and GASB pronouncements should be replaced with derivative instrument and derivative instruments, respectively.

For the calendar year ended December 31, 2020, Montana State Fund (MSF), a discretely presented component unit of the State, early implemented the provisions of GASB Statement No. 87, *Leases*. Accordingly, for all of its long-term leases, MSF will no longer be reporting leases as an operating lease and has created an intangible right-to-use lease asset and lease liability. The assets are amortized over the term of the lease, while the liabilities are reduced as scheduled lease payments are made. The State did not early implement GASB 87 for the year ended June 30, 2021.

B. Adjustments to Beginning Net Position

Prior period adjustments reported in the accompanying financial statements relate to corrections of errors from prior periods. The most significant of these adjustments affected the governmental activities and related to long-term liability and natural resource expenditure understatement in the amount of \$61.0 million.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

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

Cash/cash equivalents	\$	6,678,033
Equity in pooled investments	\$	17,142,801
Investments	\$	3,865,333

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 U.S. Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

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 Separately Managed Accounts (SMA). 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 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).

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, 2021, 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 2021, the custodial bank loaned BOI's public securities and received as collateral either: U.S. dollar cash; U.S. government and government sponsored agency securities; U.S. corporate debt securities and structured securities rated AA- or 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 2021. 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 2021 resulting from a borrower default. As of June 30, 2021, 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 24 days and the average weighted final maturity of 93 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
- Real Assets
- 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-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income 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 BOI in November 2020, the Natural Resource PAC was renamed the Real Assets PAC. The Private Investments PAC holds Private Equity and Private Credit portfolios. The Real Assets PAC holds Commodities, Infrastructure, and Treasury Inflation Protected Securities (TIPS) portfolios. These changes were effective in January 2021. The changes did not have an impact on the underlying values of the securities within CAPP.

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 U.S. Treasury and U.S. 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 120 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, 2021, is detailed as follows:

STIP Reserve Activity (in thousands)	
Beginning STIP Reserve	\$ 52,564
Additions	
Investment Earnings:	
Net increase (decrease) on fair value of investments	21
Interest income	12
Transfer of daily STIP income	760
Recoveries from write-offs	855
Total investment earnings	1,648
Total STIP Reserve activity	1,648
Ending STIP Reserve	<u>\$ 54,212</u>

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 be rated at a minimum at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2021, 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 U.S. government are excluded from the concentration of credit risk requirements. Concentration of credit risk is addressed within all IPS 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. 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, 2021, the CAPP's cash equivalents position held at its custodial bank, \$163.1 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 "U.S. Treasury" or "U.S. Government" money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2021, all the STIP money market investments were in U.S. Governmental money markets and \$166.0 million was held on deposit in a short-term investment vehicle available through the custodial bank.

Interest Rate Risk

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 120 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). 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 115 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 U.S. 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, interest rate swaps, index futures (long and short 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, 2021, by \$4.0 million. The derivative instruments had a fair value of \$420.0 thousand as of June 30, 2021. The notional amount of the contracts was \$52.0 million.

Investment Derivative Instruments as of June 30, 2021
(in thousands)

Security Investment Type	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Credit default swaps bought	Investment	\$ 17	\$ (31)	\$ 2,215
Credit default swaps written	Investment	283	258	10,180
Currency Forward Contracts	Investment	(58)	84	39,051
Index Futures Short	Investment	64	—	(2,600)
Index Futures Long	Investment	3,602	—	3
Receive fixed interest rate swaps	Investment	10	10	3,126
Rights	Investment	15	40	1
Warrants	Investment	45	59	19
Totals		<u>\$ 3,978</u>	<u>\$ 420</u>	<u>\$ 51,995</u>

Counterparty Credit Risk - Derivative Instruments

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The maximum amount of loss to BOI in case of default of all counterparties as of June 30, 2021 was \$577.0 thousand. The following table reflects BOI's applicable counter party credit ratings and risk concentrations.

Risk Concentrations - Credit Default Swaps as of June 30, 2021

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Goldman Sachs ICE	45%	BBB+	A	A2
Barclays Bank PLC Wholesale	38%	A	A+	A1
BNP Paribas SA	16%	A+	A+	Aa3
UBS LCH	1%	A+	AA-	Aa3

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at a minimum, at the 6th largest investment grade rating by at least two Nationally Registered Statistical Ratings Organizations (NRSROs) and is reviewed on an annual basis.

Cash – Custodial risk for cash is the risk that, in the event of the failure of the custodial financial institution, 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, 2021, 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 U.S. 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 U.S. Treasury and U.S. Agency securities, as well as, any repurchase agreements with a financial institution. As of June 30, 2021, 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 U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. 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 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 U.S. government or U.S. 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 120 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, 2021. 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 2021 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	\$ 69,951
Uninsured and uncollateralized cash	4,274
Undeposited cash	2,062
Cash in U.S. Treasury	396,818
Cash in MSU component units	8,893
Cash in UM component units	16,445
Less: outstanding warrants	(23,187)
	<u>\$ 475,256</u>

As of June 30, 2021, the carrying amount of deposits for component units was \$217.7 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⁾	\$ 789,021
Corporate commercial paper ⁽²⁾	913,481
Corporate notes ⁽²⁾	250,494
Certificates of deposit ⁽²⁾	405,071
Agency or government related ⁽²⁾	724,008
Money market fund unrated	214,805
Cash and cash equivalents ⁽²⁾	3,234,299
Less: STIP Adjustments ⁽³⁾	(328,402)
Total cash equivalents	<u>\$ 6,202,777</u>

(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, 2021, local governments had invested \$1.9 billion, and component units of the State of Montana had invested \$413.3 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of

June 30, 2021

(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Agency or government related	\$ 182,211	A-1+
Asset backed commercial paper	2,303,761	A-1+
Corporate commercial paper	531,325	A-1+
Certificates of deposit	51,002	A-1+
Interest Bearing Demand Deposit Account (IBDDA)	166,000	NR
Total cash equivalents	<u>\$ 3,234,299</u>	

STIP

Credit Quality Rating and Weighted Average of Maturity as of

June 30, 2021

(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 789,021	A-1+	99
Agency or government related	724,008	A-1+	87
Corporate:			
Commercial paper	913,481	A-1+	153
Notes	250,494	A-1	111
Certificates of deposit	405,071	A-1	142
Total STIP fixed income investments at fair value	<u>\$ 3,082,075</u>		

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	\$ 14,387,290
TFIP:	
Trust funds investment pool	2,742,329
Total pooled investments	17,129,619
Pool adjustments (net)	13,182
Total equity in pooled investments	<u>\$ 17,142,801</u>

⁽¹⁾ Includes cash/cash equivalents and investments.

As of June 30, 2021, the fair value of the underlying securities on loan was \$700.3 million. Collateral provided for the securities on loan totaled \$715.2 million, consisting of \$133.0 million in cash and \$582.2 million in securities.

As of June 30, 2021, local governments invested \$13.0 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2021, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2021
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	\$ 763,348	\$ 382,471	\$ 303,140	\$ 1,448,959	AAA	4.30-9.36
Agency or Government Related	260,341	127,004	79,046	466,391	A to AAA	2.57-6.79
Asset-Backed Securities	93,892	59,885	37,243	191,020	AAA	1.38-2.59
Mortgage-Backed Securities:						
Noncommercial	484,595	506,382	229,237	1,220,214	AAA	3.20-4.42
Commercial	135,266	131,495	30,830	297,591	AAA	3.79-6.26
Corporate:						
Financial	454,371	307,952	221,401	983,724	BBB+ to A-	3.50-4.33
Industrial	817,833	669,766	341,299	1,828,898	BB to BBB+	4.35-5.07
Industrial (Unrated)	697	264	—	961	NR	0.09
Utility	45,849	12,147	9,935	67,931	BB+ to BBB-	2.96-5.86
Total fixed income investments at fair value	<u>\$ 3,056,192</u>	<u>\$ 2,197,366</u>	<u>\$ 1,252,131</u>	<u>\$ 6,505,689</u>		

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

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

based on the securities' relationship to benchmark quoted prices. Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted. Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The direct real estate was last appraised in fiscal year 2020. 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, 2021:

Investments Measured at Fair Value (in thousands)				
June 30, 2021	Fair Value Measurements Using			
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)	
<u>Investments by fair value level</u>				
Fixed income investments:				
Treasuries	\$ 2,237,980	\$ 2,237,980	\$ —	\$ —
Agency or Government Related	1,190,399	—	1,190,399	—
Asset Backed Securities	191,020	—	191,020	—
Mortgage Backed Securities:				
Noncommercial	1,220,214	—	1,220,214	—
Commercial	297,591	—	297,591	—
Corporate:				
Commercial Paper	913,481	—	913,481	—
Commercial Notes	250,494	—	250,494	—
Certificates of Deposit	405,071	—	405,071	—
Financial	983,724	—	983,724	—
Industrial	1,828,898	—	1,828,898	—
Industrial (Unrated)	961	—	961	—
Utility	67,931	—	67,931	—
Equity investments	5,064,422	5,064,422	—	—
International equity investments	2,498,920	2,498,920	—	—
Direct Real Estate	21,104	—	—	21,104
Residential Mortgages	1,601	—	—	1,601
Investment derivative instruments	420	—	420	—
Total investments by fair value level	17,174,231	9,801,322	7,350,204	22,705
<u>Investments measured at the net asset value (NAV)</u>				
Private Investments	2,063,108			
Core Real Estate	780,811			
Non-Core Real Estate	742,686			
Real Assets	341,822			
Real Estate High Income Fund	208,135			
Total investments measured at NAV	4,136,562			
Total investments measured at fair value	21,310,793			
<u>Investments at cost</u>				
Cash and cash equivalents held at custodial bank	3,421,675			
SMA Montana Mortgages and Loans	192,235			
Total investments not categorized	3,613,910			
Total investments	\$ 24,924,703			

The investments measured at NAV for the year ended June 30, 2021, are detailed below:

	Investments Measured at NAV (in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	\$ 2,063,108	\$ 1,005,805		
Core Real Estate	780,811	—	Monthly, quarterly	45-90 days
Non-Core Real Estate	742,686	789,773		
Real Assets	341,822	340,045		
Real Estate High Income Fund	208,135	—	Daily	1-3 days
Total investments measured at the NAV	<u>\$ 4,136,562</u>	<u>\$ 2,135,623</u>		

STIP and \$1.8 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Investments – This type includes investments in limited partnerships. Typically, 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 the 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 the 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. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the fund.

Real Assets – This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds, and infrastructure. 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 BOI'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, 2021, 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 Depositary Receipts (ADRs), sovereign debt and commingled index funds.

Foreign Currency Exposure by Country

Investment Type in U.S. Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Australian Dollar	\$ 41	\$ —	\$ 27,640	\$ —	\$ —	\$ —
Brazilian Real	131	2,115	25,098	—	—	—
Canadian Dollar	26	—	51,764	—	—	—
Chilean Peso	18	1,016	—	—	—	—
Columbian Peso	87	4,492	—	—	—	—
Danish Krone	11	—	21,364	—	—	—
Egyptian Pound	—	3,716	—	—	—	—
EMU – Euro	74	4,841	220,307	18,423	543	8,771
Hong Kong Dollar	122	—	94,526	—	—	—
Hungarian Forint	14	1,212	2,107	—	—	—
Indonesian Rupiah	—	5,927	3,159	—	—	—
Japanese Yen	409	—	147,321	—	—	—
Malaysian Ringgit	37	2,223	987	—	—	—
Mexican Peso	198	5,163	16,231	—	—	—
New Israeli Sheqel	4	—	5,526	—	—	—
New Taiwan Dollar	22	—	36,553	—	—	—
New Zealand Dollar	—	—	1,030	—	—	—
Norwegian Krone	—	—	6,513	—	—	—
Philippine Peso	1	—	670	—	—	—
Polish Zloty	4	—	2,539	—	—	—
Pound Sterling	—	—	82,808	—	—	—
Russian Ruble	97	4,952	—	—	—	—
Singapore Dollar	51	—	8,525	—	—	—
SOL	23	2,282	—	—	—	—
South African Rand	143	5,694	7,934	—	—	—
South Korean Won	15	—	48,716	—	—	—
Swedish Krona	—	—	50,794	—	—	—
Swiss Franc	40	—	48,500	—	—	—
Thailand Baht	5	—	2,046	—	—	—
Turkish Lira	4	—	152	—	—	—
Yuan Renminbi	13	10	13,867	—	—	—
Total cash and securities	\$ 1,590	\$ 43,643	\$ 926,677	\$ 18,423	\$ 543	\$ 8,771

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 Investments	\$ 3,429,448	\$ 1,005,805
Real Assets	748,526	340,045
Real Estate	2,686,429	789,773
Total	<u>\$ 6,864,403</u>	<u>\$ 2,135,623</u>

D. Investments

BOI was created by the State Legislature to manage the Unified Investment Program established by the State Constitution. 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	45.14 %
Universities	19.78
MPERA (Montana Public Employee Retirement Administration)	27.74
College Savings Plan	5.06
Montana Board of Housing	1.22
Other ⁽¹⁾	1.06
Total	<u>100.00 %</u>

⁽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, 2021	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
<u>Investments by fair value level</u>				
Agency/Government Related ⁽¹⁾	\$ 6,191	\$ —	\$ 6,191	\$ —
Government Securities	7,523	7,523	—	—
Stocks	10,580	10,580	—	—
Other	327	—	327	—
Total investments at fair value	24,621	18,103	6,518	—
<u>Investments at cost</u>				
Montana Mortgages and Loans ⁽³⁾	184,756			
Total investments at cost	184,756			
Total primary government	209,377			
Component units/fiduciary funds				
<u>Investments by fair value level</u>				
Treasuries ⁽¹⁾	138,256	138,256	—	—
Agency/Government Related ⁽¹⁾	239,613	—	239,613	—
Asset-Backed Securities ⁽¹⁾	37,243	—	37,243	—
Mortgage-Backed Securities ⁽¹⁾	229,237	—	229,237	—
Commercial Mortgage-Backed Securities ⁽¹⁾	30,830	—	30,830	—
Financial-Corporate ⁽¹⁾	227,593	—	227,593	—
Industrial-Corporate ⁽¹⁾	335,107	—	335,107	—
Utility-Corporate ⁽¹⁾	9,936	—	9,936	—
Equity Investments	208,084	208,084	—	—
529 College Savings Plan	195,544	—	195,544	—
VEBA	11,902	11,902	—	—
State Auditor	10,544	5,930	4,614	—
MSU Investments ⁽²⁾	1	—	1	—
MSU Component Unit Investments ⁽²⁾	251,313	241,024	5,760	4,529
UM Component Unit Investments ⁽²⁾	91,479	56,240	22,760	12,479
Board of Housing ⁽²⁾	41,647	10,836	30,811	—
Total investments at fair value	2,058,329	672,272	1,369,049	17,008
<u>Investments at net asset value (NAV)</u>				
Core Real Estate	98,139			
Deferred Compensation ⁽²⁾	662,866			
Defined Contribution ⁽²⁾	409,279			
MSU Component Unit Investments ⁽²⁾	98,249			
UM Component Unit Investments ⁽²⁾	307,568			
UM Other Investments ⁽²⁾	430			
UM Interest in Split Interest ⁽²⁾	5,072			
Total investments at NAV	1,581,603			
<u>Investments at cost</u>				
MSU Component Unit Investments ⁽²⁾	10,519			
Board of Housing ⁽²⁾	5,505			
Total Investments at Cost	16,024			
Total component unit/fiduciary investments	3,655,956			
Total investments	\$ 3,865,333			
Securities lending investment pool	\$ 15,613			

- (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 \$7.5 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, 2021, the fair value of the investments on loan was \$82.6 million. Collateral provided for the investments on loan totaled \$84.2 million consisting of \$15.6 million in cash and \$68.6 million in securities.

\$1.8 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, 2021
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating ⁽¹⁾	Effective Duration ⁽¹⁾
Short-term investments			
U.S. Treasury obligations	\$ 7,523	AA+	0.26
Total investments	<u>\$ 7,523</u>		

⁽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, 2021, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	\$ —	\$ 5,643	\$ 2,847	\$ 312	\$ —	\$ —	\$ 14,331
Contributions/premiums	—	—	—	10,358	—	—	1,847
Grants/contracts/donations	—	—	—	—	—	—	698
Investment income	3,495	—	214	114	2,399	7,366	3,350
License and permits	—	—	—	—	—	—	9,923
Other receivables	—	1,971	8,668	529	—	1,139	136
Medicaid Drug Rebate Program	—	67,498	—	—	—	—	—
Reimbursements/overpayments	—	310	19,143	—	—	—	13,722
Taxes	8,268	—	398,178	—	—	2,307	83,667
Total receivables	11,763	75,422	429,050	11,313	2,399	10,812	127,674
Less: allowance for doubtful accounts	(733)	(2,536)	(114,472)	(529)	—	(270)	(19,855)
Receivables, net	\$ 11,030	\$ 72,886	\$ 314,578	\$ 10,784	\$ 2,399	\$ 10,542	\$ 107,819

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	\$ —	\$ 40,138	\$ —
Contributions/premiums	—	955	5,634
Loans/investment income	7,319	15	—
Other receivables	—	64	—
Reimbursements/overpayments	—	—	28,466
Total receivables	7,319	41,172	34,100
Less: allowance for doubtful accounts	—	(643)	(7,289)
Receivables, net	\$ 7,319	\$ 40,529	\$ 26,811

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⁾	\$ —	\$ 100,973	\$ 6,461	\$ —	\$ —
Pension deferred outflows ⁽²⁾	21	907,580	15,303	—	113
Refunding deferred outflows	—	—	—	1,483	—
Total deferred outflows	\$ 21	\$ 1,008,553	\$ 21,764	\$ 1,483	\$ 113

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows ⁽¹⁾	\$ 35	\$ 1,835
Pension deferred outflows ⁽²⁾	95	3,827
Total deferred outflows	\$ 130	\$ 5,662

⁽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	Land Grant	State Special Revenue
Accrued interest	\$ 6	\$ 425	\$ 25	\$ 1,986	\$ —	\$ 54
Payroll	9,952	18,266	3,609	4	—	17,567
Tax refunds	—	226,626	—	—	—	—
Vendors/individuals	220,713	79,307	12,521	5,938	5	152,167
Payables, net	\$ 230,671	\$ 324,624	\$ 16,155	\$ 7,928	\$ 5	\$ 169,788

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	\$ 45	\$ 3	\$ —
Payroll	22	826	—
Vendors/individuals	4	17,451	46,953
Payables, net	\$ 71	\$ 18,280	\$ 46,953

D. Deferred Inflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred inflows ⁽¹⁾	\$ —	\$ 29,331	\$ 1,876	\$ —	\$ —
Pension deferred inflows ⁽²⁾	24	125,729	5,068	—	34
Refunding deferred inflows	—	—	—	1,737	—
Total deferred inflows	<u>\$ 24</u>	<u>\$ 155,060</u>	<u>\$ 6,944</u>	<u>\$ 1,737</u>	<u>\$ 34</u>

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows ⁽¹⁾	\$ 10	\$ 565
Pension deferred inflows ⁽²⁾	29	1,695
Total deferred inflows	<u>\$ 39</u>	<u>\$ 2,260</u>

⁽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, 2021, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽¹⁾	Ending Balance
Capital assets not being depreciated:				
Land	\$ 753,496	\$ 23,648	\$ (662)	\$ 776,482
Construction work in progress	1,222,251	503,529	(353,159)	1,372,621
Easements	236,872	18,555	—	255,427
Museum and art	86,078	87	—	86,165
Other	30,196	272	—	30,468
Total capital assets not being depreciated	2,328,893	546,091	(353,821)	2,521,163
Capital assets being depreciated:				
Infrastructure	5,758,967	500,676	(390,283)	5,869,360
Land improvements	76,995	1,707	(42)	78,660
Buildings/improvements	618,180	19,653	(296)	637,537
Equipment	430,618	34,174	(13,175)	451,617
Easements - amortized	1,304	—	(73)	1,231
Other	5,776	355	—	6,131
Total capital assets being depreciated	6,891,840	556,565	(403,869)	7,044,536
Less accumulated depreciation for:				
Infrastructure	(1,706,463)	(216,956)	147,112	(1,776,307)
Land improvements	(36,658)	(3,547)	11	(40,194)
Buildings/improvements	(417,897)	(19,862)	193	(437,566)
Equipment	(285,717)	(24,460)	10,011	(300,166)
Other	(4,562)	(283)	—	(4,845)
Total accumulated depreciation	(2,451,297)	(265,108)	157,327	(2,559,078)
Total capital assets being depreciated, net	4,440,543	291,457	(246,542)	4,485,458
Intangible assets	53,610	28,250	(21,446)	60,414
Governmental activities capital assets, net	\$ 6,823,046	\$ 865,798	\$ (621,809)	\$ 7,067,035

⁽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	2,361	1,091	(2,149)	1,303
Other	3,770	110	(667)	3,213
Total capital assets not being depreciated	6,931	1,201	(2,816)	5,316
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	16,379	—	—	16,379
Equipment	9,810	162	(126)	9,846
Total capital assets being depreciated	31,194	162	(126)	31,230
Less accumulated depreciation for:				
Infrastructure	(765)	(18)	—	(783)
Land improvements	(2,213)	(149)	—	(2,362)
Buildings/improvements	(7,116)	(584)	—	(7,700)
Equipment	(7,500)	(368)	112	(7,756)
Total accumulated depreciation	(17,594)	(1,119)	112	(18,601)
Total capital assets being depreciated, net	13,600	(957)	(14)	12,629
Intangible assets	1,521	2,484	(573)	3,432
Business-type activities capital assets, net	\$ 22,052	\$ 2,728	\$ (3,403)	\$ 21,377

⁽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	\$ 9,013
Public safety	9,136
Transportation, including depreciation of the highway system maintained by the State	218,671
Health and human services	3,293
Education	178
Natural resources, including depreciation of the state's dams	10,567
Depreciation on capital assets held by the internal service funds	14,250
Total depreciation expense – Governmental Activities	\$ 265,108

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

	Depreciation ⁽²⁾
Liquor Stores	\$ 105
State Lottery	51
Prison Funds	390
West Yellowstone Airport	513
Other Enterprise Funds	60
Total depreciation expense – Business-type Activities	\$ 1,119

⁽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 (MSF), 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 the 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 (GWORS); 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(b)-Deferred Compensation Plan (457(b) 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 rules 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 annual comprehensive 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 59620-0139, 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, 2021, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	553	340	57	34	27	220	363
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	554	340	57	35	28	221	364

There are 647 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. Summary of All Public Employee Retirement Plans

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, 2021, 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(b)-DC
Classification of Member											
Active	57	244	1,023	29,028	1,495	823	734	2,031	19,658	3,311	5,507
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	18	148	4,390	178	107	43	890	1,955	776	4,392
Non-vested	2	30	524	21,760	805	199	81	—	7,869	1,005	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements ⁽³⁾	68	343	407	23,742	752	857	661	1,525	16,315	152	—
Disability retirements	—	3	2	127	30	24	13	1	182	10	—
Survivor benefits ⁽⁴⁾	5	10	11	534	23	29	18	6	488	—	—
Total membership	134	648	2,115	79,581	3,283	2,039	1,550	4,453	46,467	5,254	9,899

⁽¹⁾ Includes Deferred Retirement Option Plan (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.

The following table represents the aggregate proportional share of the pension amounts for all defined benefit plans from the perspective of the State as the employer and/or nonemployer contributing entity for primary government, discretely presented component units, and fiduciary component units reported as of June 30, 2021, based on the actuarial valuation as of June 30, 2019 (amounts presented in thousands):

Aggregate Pension Amounts - All Defined Benefit Plans

	Primary Government			Discretely Presented Component Units ⁽¹⁾	Fiduciary Component Units	TOTAL
	State as Employer	State as Nonemployer Contributing Entity	Total Primary Government			
Net Pension Liabilities	\$ 1,483,274	\$ 1,475,801	\$ 2,959,075	\$ 237,781	\$ 1,921	\$ 3,198,777
(Net Pension Assets)	(36,545)	—	(36,545)	—	—	(36,545)
Pension Deferred Outflows of Resources	510,946	415,994	926,940	83,633	452	1,011,025
Pension Deferred Inflows of Resources	86,501	46,078	132,579	13,216	114	145,909
Pension Expense or Nonemployer Contributing Entity Grant Expense	246,824	258,238	505,062	50,850	344	556,256

⁽¹⁾ MSF pension deferred outflows of resources difference of \$936.9 thousand is due to MSF reporting on a calendar year-end basis on financial statements with a 6-month subsequent contribution while a 12-month subsequent contribution is disclosed in Note 6.

D. Defined Benefit Retirement Plans

The information below includes all defined benefit retirement plans administered by MPERA and TRS.

(1) Plan Descriptions and Funding Policies

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 salary¹ or highest average compensation (HAC)²

¹Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

²Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

²Hired 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 salary¹ (non-GABA) or HAC² (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.

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 Internal Revenue Service (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, 2021, the balance held by MPERA for HPORS DROP participants was approximately \$4.8 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 receives 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.

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

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

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

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

Eligibility for benefit

Service Retirement

Age 50, 20 years of membership service.

Early Retirement (reduced benefit)

Age 55, vested members who terminate employment prior to 20 years of membership service.

Vesting

5 years of membership service.

Monthly benefit formula

2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

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

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

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

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 8.87% of member compensation.

Local government entities are required to contribution 8.77% of member compensation.

School district employers contributed 8.50% 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, 2021, 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, 2021, totaled \$34.0 million.

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

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

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

Eligibility for benefit

Service Retirement: 20 years of membership service, regardless of age.

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

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

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

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

Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 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 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, 2021, the balance held by MPERA for MPORS DROP participants was approximately \$8.7 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 ACFR 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 2021:

- 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.

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

Summary of Benefits

Member's compensation

Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);
Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

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

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

Eligibility for benefit

Service retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service.

Vesting

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

Monthly benefit formula

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:
2.5% of HMC per year of service; or

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

Contributions to the Plan

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

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

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

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

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

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

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit

Age 55, 20 years of credited service;

Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive \$7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at \$250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting

10 years of credited service.

Monthly benefit formula (effective January 1, 2016)

\$8.75 per year of credited service up to 20 years;

\$7.50 per year of credited service after 20 years

Contributions to the Plan

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

Teachers' Retirement System – 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 (AFC) (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 $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

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 One 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 11.55% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.17% 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 \$25.0 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

(2) Actuarial Assumptions

For all plans administered by MPERA, the total pension liability used to calculate the net pension liability/ (asset) for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement, with update procedures used to roll forward the total pension liability to June 30, 2020. For the TRS plan, the total pension liability used to calculate the net pension liability as of June 30, 2020, is based on the results of an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used for TRS to roll forward the total pension liability to the measurement date. The significant assumptions and other inputs used to measure the total pension liability were the following:

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Administrator	MPERA								TRS
Valuation Date	June 30, 2019								July 1, 2020
Actuarial Experience Study	May 2017								May 2018
Inflation	2.40%								2.40 %
Total Wage Increases, including inflation	3.50%	3.50% to 10.02%	3.50% to 10.02%	3.50% to 8.47%	3.50% to 10.02%	3.50% to 10.33%	3.50% to 10.02%	N/A	3.25% to 7.76% for non-university members 4.25% for university members
General Wage Growth	3.50%							N/A	3.25 %
Merit Increase	None	0 to 6.30%	0 to 6.30%	0 to 4.80%	0 to 6.30%	0 to 6.60%	0 to 6.30%	N/A	0 to 4.51% for non-university members 1.00% for university members
Investment Return	7.34%								7.34 %
Administrative Expense as a % of Payroll	0.08%	0.18%	0.16%	0.30%	0.16%	0.15%	0.13%	\$202.0 thousand	0.45 %

Post-retirement Benefit Increases and GABA	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0% 7/1/2013 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 through 6/30/2013 - 1.5% 7/1/2013 - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period is 40 years or more	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0%	N/A	Tier One members - 1.5% Tier Two members - equal to or greater than 0.5% but no more than 1.5%
Post-retirement Benefit Increases - Waiting Period	1 year	Pre-7/1/2013 - 1 year 7/1/2013 - 3 years	1 year	1 year	1 year	1 year	1 year	N/A	3 years
Post-retirement Benefit Increases - Minimum Benefit Adjustment	Pre-7/1/1997 and did not elect GABA: benefits increase same as salary of sitting judge.	Pre-7/1/1997 and did not elect GABA: 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.	N/A	N/A	N/A	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new officer	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new firefighter	N/A	N/A

Mortality	<p>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.</p> <p>Mortality assumptions among disabled retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.</p>	<p>Mortality among contributing members, service retired members, and beneficiaries are based on RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future.</p> <p>Mortality among disabled members are based on RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022, and RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.</p>
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Changes in actuarial assumptions and methods: For JRS, PERS-DBRP, SRS, MPORS, FURS, and VFCA, the discount rate was lowered from 7.65% to 7.34%. For HPORS, the discount rate was lowered from 7.65% to 4.43%. For GWPORS, the discount rate was lowered from 7.65% to 5.65%. For TRS, the discount rate was lowered from 7.50% to 7.34%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, the investment rate of return was lowered from 7.65% to 7.34%. For TRS, the investment rate of return was lowered from 7.50% to 7.34%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, the inflation rate was reduced from 2.75% to 2.40%. For TRS, the inflation rate was reduced from 2.50% to 2.40%.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date, for JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS.

Changes in proportionate share: Because the State is the single employer for JRS and HPORS, there were no changes in proportion of the net pension assets for JRS plan and the net pension liability for HPORS plan. Between the measurement date of the net pension liability (asset) and the State's reporting date, the investment rates of return of JRS and HPORS were substantially higher than the investment rates of return assumption. Therefore, the State's net pension assets for JRS are expected to increase and the State's net pension liability for HPORS are expected to decrease.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rate of return of GWPORS was substantially higher than the investment rate of return assumption. Therefore, the State's proportionate share of the collective net pension liability as the State's primary government employer, and the State's discretely presented component units are expected to change. The State still reports 100.0% GWPORS plan, and the total plan net pension liability are expected to decrease.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rates of return of PERS-DBRP, SRS, MPORS, FURS, and TRS plans were substantially higher than the investment rates of return assumption. Therefore, the State's proportionate share amounts of the collective net pension liability as the State's employer and non-employer contributing entity in applicable plans are expected to decrease.

Changes in proportionate share: Because the State is the only contributing entity, there were no changes in proportion of the net pension liability for VFCA plan. The State reports 100.0% VFCA plan. Between the measurement date of the collective net pension liability and the non-employer's reporting date, the investment rate of return of VFCA was substantially higher than the investment rate of return assumption. Therefore, the State's non-employer proportionate share of the collective net pension liability is expected to decrease.

(3) Discount Rate

The discount rate used to measure the total pension liability was 7.34% for JRS, 4.43% for HPORS, 5.65% for GWPORS, and 7.34% for SRS. 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, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2106 for JRS, 2129 for HPORS, 2120 for GWPORS, and 2121 for SRS. 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 for JRS and SRS. A municipal bond rate of 2.19% was incorporated in the discount rate for HPORS and GWPORS.

The discount rate used to measure the total pension liability for PERS-DBRP, MPORS, and FURS was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123 for PERS-DBRP, 2134 for MPORS, and 2133 for FURS. 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.

The discount rate used for VFCA to measure the total pension liability was 7.34%. 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. 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 2112. A municipal bond rate was not incorporated in the discount rate.

The discount rate used to measure the total pension liability for TRS was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. 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. A municipal bond rate was not incorporated in the discount rate.

(4) Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, and VFCA plans administered by MPERA. The most recent analysis of each plan, 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 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. 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 expense 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. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2020 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%. All the plans administered by MPERA and TRS have the same target allocation and long-term expected real rate of return. The target allocation and best estimates of the arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Cash	2.00%	0.11%
Total	100.00%	

(5) Change in Net Pension Liability (Asset)

A schedule of changes in the net pension liability (asset) is presented for each of the single-employer defined benefit plans (amounts expressed in thousands). The date in the schedules is a measurement date, which is one year earlier than the financial reporting date.

	JRS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2019	\$ 65,319	\$ 104,886	\$ (39,567)
Service costs	1,748	—	1,748
Interest	4,842	—	4,842
Difference between expected and actual experience	(262)	—	(262)
Changes of assumptions	1,912	—	1,912
Contributions – employer	—	1,988	(1,988)
Contributions – member	—	560	(560)
Net investment income	—	2,827	(2,827)
Refunds of contributions	—	—	—
Benefit payments	(4,038)	(4,038)	—
Plan administrative expense	—	(157)	157
Other changes	—	—	—
Net changes	4,202	1,180	3,022
Balances at 6/30/2020	<u>\$ 69,521</u>	<u>\$ 106,066</u>	<u>\$ (36,545)</u>

	HPORS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2019	\$ 237,728	\$ 152,778	\$ 84,950
Service costs	3,337	—	3,337
Interest	17,688	—	17,688
Difference expected and actual experience	(993)	—	(993)
Changes in assumptions	141,055	—	141,055
Contributions – employer	—	6,003	(6,003)
Contributions – non-employer (State)	—	226	(226)
Contributions – member	—	2,170	(2,170)
Net investment income	—	4,101	(4,101)
Refund of contributions	(331)	(331)	—
Benefit payments	(12,685)	(12,685)	—
Plan administrative expense	—	(163)	163
Other changes	—	(131)	131
Net changes	148,071	(810)	148,881
Balances at 6/30/2020	<u>\$ 385,799</u>	<u>\$ 151,968</u>	<u>\$ 233,831</u>

GWPORS

	<u>State as Primary Government Employer</u>			<u>State's Discretely Presented Component Units</u>			<u>Total State (Plan)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 6/30/2019	\$ 234,679	\$ 196,044	\$ 38,635	\$ 12,334	\$ 10,304	\$ 2,030	\$ 247,013	\$ 206,348	\$ 40,665
Service costs	7,622	—	7,622	407	—	407	8,029	—	8,029
Interest	17,595	—	17,595	940	—	940	18,535	—	18,535
Difference between expected and actual experience	(1,924)	—	(1,924)	(103)	—	(103)	(2,027)	—	(2,027)
Changes in assumptions	81,606	—	81,606	4,361	—	4,361	85,967	—	85,967
Contributions – employer	—	4,622	(4,622)	—	246	(246)	—	4,868	(4,868)
Contributions – member	—	5,509	(5,509)	—	294	(294)	—	5,803	(5,803)
Net investment income	—	5,300	(5,300)	—	283	(283)	—	5,583	(5,583)
Refunds of contributions	(1,139)	(1,139)	—	(61)	(61)	—	(1,200)	(1,200)	—
Benefit payments	(7,829)	(7,829)	—	(418)	(418)	—	(8,247)	(8,247)	—
Plan administrative expense	—	(228)	228	—	(13)	13	—	(241)	241
Other changes ⁽¹⁾	(200)	(171)	(29)	200	167	33	—	(4)	4
Net changes	95,731	6,064	89,667	5,326	498	4,828	101,057	6,562	94,495
Balances at 6/30/2020	\$ 330,410	\$ 202,108	\$ 128,302	\$ 17,660	\$ 10,802	\$ 6,858	\$ 348,070	\$ 212,910	\$ 135,160

⁽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.

(6) 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), of the plans administered by MPERA and TRS, calculated using the discount rate of 7.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 4.43% for HPORS; and 5.65% for GWPORS; as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 3.43% for HPORS, and 4.65% for GWPORS) or 1.00% higher (8.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 5.43% for HPORS, and 6.65% for GWPORS) than the current rate.

Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities Net Pension Liability (Asset) to Changes in the Discount Rate (amounts expressed in thousands)											
Plan			JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Primary Government	State as Employer	1.0% Decrease	\$ (29,733)	\$ 306,955	\$ 184,487	\$ 1,498,548	\$ 9,226	\$ —	\$ 6,020	\$ —	\$ 30,499
		Current	(36,545)	233,831	128,302	1,088,713	5,800	—	3,722	—	22,906
		1.0% Increase	(42,413)	177,819	83,222	744,453	2,998	—	1,876	—	16,553
	State as NER	1.0% Decrease	—	—	—	516,210	—	233,100	171,222	13,962	1,094,843
		Current	—	—	—	375,032	—	163,514	105,867	9,106	822,282
		1.0% Increase	—	—	—	256,444	—	108,001	53,353	5,002	594,239
Discretely Presented Component Units	Component Units	1.0% Decrease	—	—	9,861	278,065	—	—	—	—	38,488
		Current	—	—	6,858	202,017	—	—	—	—	28,906
		1.0% Increase	—	—	4,448	138,138	—	—	—	—	20,890
Fiduciary Component Units	Component Units	1.0% Decrease	—	—	—	2,644	—	—	—	—	—
		Current	—	—	—	1,921	—	—	—	—	—
		1.0% Increase	—	—	—	1,314	—	—	—	—	—
Total		1.0% Decrease	(29,733)	306,955	194,348	2,295,467	9,226	233,100	177,242	13,962	1,163,830
		Current	(36,545)	233,831	135,160	1,667,683	5,800	163,514	109,589	9,106	874,094
		1.0% Increase	\$ (42,413)	\$ 177,819	\$ 87,670	\$ 1,140,349	\$ 2,998	\$ 108,001	\$ 55,229	\$ 5,002	\$ 631,682

(7) Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS, HPORS, and GWPORS, the plans the State participates in as a single-employer. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL) or net pension asset (NPA), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. 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, SRS, MPORS, FURS, VFCA, and 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. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity in a special funding situation, when a plan has the nonemployer contributing entity, during the measurement period July 1, 2019, through June 30, 2020, relative to the total contributions received from all participating employers and the nonemployer contributing entity. Due to the existence of the special funding situation in the PERS-DBRP, FURS, MPORS, VFCA, and TRS, the State is required to report a proportionate share of the collective net pension liability that is associated with the non-State employers in these plans, respectively.

Net Pension Liability (Asset): The following presents the state's net pension liability as of June 30, 2021 (amounts presented in thousands):

Plan as of Measurement Date		Net Pension Liability (Asset) as of 6/30/2019	Net Pension Liability (Asset) as of 6/30/2020	Percent of NPL/NPA as of 6/30/2019	Percent of NPL/NPA as of 6/30/2020	Change in Percent of NPL/NPA
JRS	Primary government	\$ (39,567)	\$ (36,545)	100 %	100 %	— %
HPORS	Primary government	84,950	233,831	100 %	100 %	— %
GWPORS	Primary government	38,635	128,302	95.007027 %	94.926189 %	(0.080838)%
	Discretely presented component units	2,030	6,858	4.992973 %	5.073811 %	0.080838 %
	State of Montana totals	40,665	135,160	100 %	100 %	— %

Collective Net Pension Liability: The following presents the state's proportionate share of the collective net pension liability as of June 30, 2021 (amounts presented in thousands).

Plan as of Measurement Date		Net Pension Liability as of 6/30/2019 ⁽¹⁾	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2019 ⁽¹⁾	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
PERS-DBRP	Primary government	\$ 866,431	\$ 1,088,713	41.440995 %	41.267072 %	(0.173923)%
	Discretely presented component units	156,990	202,017	7.517256 %	7.657348 %	0.140092 %
	Fiduciary component units	1,488	1,921	0.071053 %	0.072815 %	0.001762 %
	Nonemployer contributing entity	303,530	375,032	14.522915 %	14.215404 %	(0.307511)%
	State of Montana totals	1,328,439	1,667,683	63.552219 %	63.212639 %	(0.339580)%
SRS	Primary government	4,067	5,800	4.876949 %	4.758893 %	(0.118056)%
MPORS	Nonemployer contributing entity	133,487	163,514	67.063878 %	66.853347 %	(0.210531)%
FURS	Primary government	2,309	3,722	2.013129 %	2.378643 %	0.365514 %
	Nonemployer contributing entity	79,524	105,867	69.323577 %	67.656380 %	(1.667197)%
	State of Montana totals	81,833	109,589	71.336706 %	70.035023 %	(1.301683)%
VFCA	Nonemployer contributing entity	6,907	9,106	100 %	100 %	— %
TRS	Primary government	19,118	22,906	0.991432 %	1.018287 %	0.026855 %
	Discretely presented component units	27,375	28,906	1.419681 %	1.285043 %	(0.134638)%
	Nonemployer contributing entity	715,637	822,282	37.112880 %	36.554642 %	(0.558238)%
	State of Montana totals	762,130	874,094	39.523993 %	38.857972 %	(0.666021)%

⁽¹⁾ The breakdown of the PERS-DBRP net pension liability as of 6/30/2019 were restated applying the allocation method for note disclosure.

Pension Expense

The State recognized the following pension expenses for the State as the primary government employer, the State's discretely presented component units, and the State's fiduciary component units, and pension grant expenses for the State as nonemployer contributing entity, for the year ended June 30, 2021 (amounts presented in thousands):

Plan	Primary Government				Total
	State as Employer	State as Nonemployer Contributing Entity	Discretely Presented Component Units	Fiduciary Component Units	
JRS	\$ 1,243	\$ —	\$ —	\$ —	\$ 1,243
HPORS	48,232	—	—	—	48,232
GWPORS	25,886	—	1,355	—	27,241
PERS-DBRP ⁽¹⁾	167,295	115,099	34,829	344	317,567
SRS	354	—	—	—	354
MPORS ⁽²⁾	—	29,464	—	—	29,464
FURS ⁽³⁾	832	21,039	—	—	21,871
VFCA ⁽⁴⁾	—	1,844	—	—	1,844
TRS ⁽⁵⁾	2,982	90,792	14,666	—	108,440

⁽¹⁾ Of the total pension expense for the State as a nonemployer contributing entity, \$1.1 million is the grant expense for special funding support provided by the General Fund to local government and school district participants, \$34.0 million is the grant expense for special funding support provided by the General Fund as a statutory appropriation for all participating employers; \$80.1 million is the pension expense that is actuarially allocated to the State as a nonemployer contributing entity.

⁽²⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective MPORS pension expense that is associated with other employer participants in the plan.

⁽³⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective FURS pension expense that is associated with other employer participants in the plan.

⁽⁴⁾ The grant expense for the State as a nonemployer contributing entity is 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 collective VFCA pension expense that is associated with other employer participants in the plan.

⁽⁵⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the fiscal year ended June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts presented in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,372	\$ 921
Changes of assumptions	1,434	—
Net difference between projected and actual earnings on pension plan investments	4,135	—
Contributions subsequent to the measurement date	2,138	—
Totals	\$ 9,079	\$ 921

HPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,354	\$ 745
Changes of assumptions	105,791	—
Net difference between projected and actual earnings on pension plan investments	5,982	—
Contributions subsequent to the measurement date	6,599	—
Totals	\$ 119,726	\$ 745

GWPORS	Primary Government		Discretely Presented Component Units		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,053	\$ 4,232	\$ 163	\$ 226	\$ 3,216	\$ 4,458
Changes in assumptions	66,400	—	3,549	—	69,949	—
Net difference between projected and actual earnings on pension plan investments	7,900	—	422	—	8,322	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	168	139	39	68	207	207
Contributions subsequent to the measurement date	5,165	—	229	—	5,394	—
Totals	\$ 82,686	\$ 4,371	\$ 4,402	\$ 294	\$ 87,088	\$ 4,665

PERS-DBRP	Primary Government				Discretely Presented Component Units		Fiduciary Component Units	
	State as Employer		State as Nonemployer Contributing Entity					
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,574	\$ 31,128	\$ 6,054	\$ 10,723	\$ 3,261	\$ 5,776	\$ 31	\$ 55
Change of assumptions	75,389	—	25,970	—	13,989	—	133	—
Net difference between projected and actual earnings on pension plan investments	94,273	—	32,474	—	17,493	—	167	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,201	47,596	51,635	92	—	7,065	—	59
Contributions subsequent to the measurement date	65,720	—	21,180	—	13,037	—	121	—
Totals	\$ 289,157	\$ 78,724	\$ 137,313	\$ 10,815	\$ 47,780	\$ 12,841	\$ 452	\$ 114

SRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 263	\$ 2
Changes of assumptions	1,193	903
Net difference between projected and actual earnings on pension plan investments	713	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	252
Contributions subsequent to the measurement date	607	—
Totals	\$ 2,776	\$ 1,157

MPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,838	\$ 516
Change of assumptions	13,895	—
Net difference between projected and actual earnings on pension plan investments	12,716	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	954	1,265
Contributions subsequent to the measurement date	17,395	—
Totals	\$ 52,798	\$ 1,781

FURS	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 253	\$ 19	\$ 7,206	\$ 551
Change of assumptions	661	—	18,807	—
Net difference between projected and actual earnings on pension plan investments	478	—	13,591	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	120	12	2,330	2,671
Contributions subsequent to the measurement date	665	—	17,897	—
Totals	\$ 2,177	\$ 31	\$ 59,831	\$ 3,222

VFCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 250	\$ 58
Change of assumptions	897	—
Net difference between projected and actual earnings on pension plan investments	1,690	—
Contributions subsequent to the measurement date	2,578	—
Totals	\$ 5,415	\$ 58

TRS	Primary Government				Discretely Presented Component Units	
	State as Employer		State as Nonemployer Contributing Entity		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 222	\$ —	\$ 7,971	\$ —	\$ 281	\$ —
Change of assumptions	1,200	26	43,066	945	1,514	33
Net difference between projected and actual earnings on pension plan investments	1,605	—	57,604	—	2,025	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	863	526	5,295	29,257	12,983	48
Contributions subsequent to the measurement date	1,455	—	46,701	—	14,648	—
Totals	\$ 5,345	\$ 552	\$ 160,637	\$ 30,202	\$ 31,451	\$ 81

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the June 30, 2020, measurement date will be recognized as a reduction of the net pension liability (asset) in the fiscal year ended June 30, 2022.

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

Year ended June 30:	JRS	HPORS	SRS	MPORS	VFCA
2022	\$ 849	\$ 36,457	\$ (272)	\$ 10,251	\$ 757
2023	2,298	37,357	467	11,881	1,065
2024	1,846	37,088	456	8,552	564
2025	1,027	1,480	361	2,938	393
2026	—	—	—	—	—
Thereafter	—	—	—	—	—

Year ended June 30:	GWPORS		
	Primary Government	Discretely Presented Component Units	Total
2022	\$ 19,360	\$ 1,006	\$ 20,366
2023	18,220	968	19,188
2024	17,696	944	18,640
2025	17,874	961	18,835
2026	—	—	—
Thereafter	—	—	—

Year ended June 30:	PERS-DBRP			
	Primary Government		Discretely Presented Component Units	Fiduciary Component Units
	State as Employer	State as Nonemployer Contributing Entity		
2022	\$ 29,644	\$ 67,311	\$ (584)	\$ —
2023	58,576	18,547	12,004	117
2024	32,940	11,347	6,112	58
2025	23,553	8,113	4,370	42
2026	—	—	—	—
Thereafter	—	—	—	—

Year ended June 30:	FURS	
	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
2022	\$ 279	\$ 8,463
2023	372	10,335
2024	325	8,840
2025	209	5,855
2026	—	—
Thereafter	296	5,219

Year ended June 30:	TRS		
	Primary Government		Discretely Presented Component Units
	State as Employer	State as Nonemployer Contributing Entity	
2022	\$ 1,120	\$ 22,432	\$ 8,512
2023	1,017	22,679	5,326
2024	798	24,166	2,376
2025	403	14,457	508
2026	—	—	—
Thereafter	—	—	—

E. 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, 2021. 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, 2021, the Game Warden & Peace Officers' Retirement System (GWPORS) was not in compliance and did not amortize within 30 years.

F. 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-DCRP 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, 2021, is \$9.7 million and, contribution forfeitures were \$643.0 thousand.

Local government entities contribute 8.77% of member compensation. School district employers contributed 8.50% 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 8.87% of member compensation.

The total contribution rate of 8.87%, referenced in the preceding paragraph, is allocated as follows: 8.53% 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(b)-Deferred Compensation Plan – The 457(b)-Deferred Compensation Plan (457(b)-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 62 non-state entity employers participate in the 457(b)-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.

G. 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 16.77% 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 \$17.4 million, and the total employee contributions were \$20.0 million for the fiscal year ended June 30, 2021.

H. 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.

I. 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 2021, 269 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 2021 totaled \$171.4 thousand. The outstanding balance at June 30, 2021, totaled \$7.6 thousand.

J. 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. This matter was settled between the parties and approved by the Court as of March 22, 2021. Below is the detail of litigation settlements with amounts presented in thousands.

<i>Tadman, et al. v. State</i>	JRS	HPORS	SRS	GWPORS	Totals
Benefits	\$ 3.2	\$ 420.6	\$ 1,549.3	\$ 26.9	\$ 2,000.0
Administrative expense (legal costs)	1.6	210.3	774.7	13.4	1,000.0
Totals	\$ 4.8	\$ 630.9	\$ 2,324.0	\$ 40.3	\$ 3,000.0

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 June 1, 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. This matter was consolidated with Montana Association of Counties, Lewis and Clark County, and Cascade County v. PERB and MPERA by the Court on February 22, 2021.

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 the PERB awaits a ruling from the Court. This matter was consolidated with PERB v. Lewis and Clark County by the Court on February 22, 2021.

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, 2020, the State OPEB plan's administratively established retiree medical premiums vary between \$457.00 and \$2,172.00 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 participating or non-participating 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. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

As of June 30, 2021, the MUS OPEB plan's administratively established retiree medical premiums vary between \$368.00 and \$2,452.00 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, 2021.

The number of State Plan participants as of March 31, 2021, follows:

Enrollment	State Plan Participants						Total
	State ⁽¹⁾	Facility Finance Authority ⁽²⁾	Montana Board of Housing ⁽²⁾	Public Employee Retirement Board ⁽³⁾	Montana State Fund ⁽²⁾	Teachers Retirement System ⁽³⁾	
Active employees	12,210	3	36	51	285	21	12,606
Retired employees, spouses, and surviving spouses	2,178	2	3	1	17	4	2,205
Total	14,388	5	39	52	302	25	14,811

The number of MUS Plan participants as of March 31, 2021, follows:

Enrollment	MUS Plan Participants									Total
	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⁾	
Active employees	103	71	427	3,026	171	46	1,856	382	179	6,261
Retired employees, spouses, and surviving spouses	8	14	109	459	35	16	475	97	52	1,265
Total	111	85	536	3,485	206	62	2,331	479	231	7,526

⁽¹⁾ Primary Government

⁽²⁾ Discrete Component Units of Primary Government

⁽³⁾ Fiduciary 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 and Fiduciary Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2020	\$ 46,129	\$ 1,213	\$ 47,342	\$ 283	\$ 26,566	\$ 26,849
Changes for the year:						
Service cost	1,684	50	1,734	16	1,396	1,412
Interest	1,299	34	1,333	8	769	777
Difference between expected and actual experience	(6,389)	252	(6,137)	(207)	(17,181)	(17,388)
Changes of assumptions or other inputs	101,723	2,716	104,439	461	45,213	45,674
Benefit payments	(1,165)	(31)	(1,196)	—	(13)	(13)
Net changes	97,152	3,021	100,173	278	30,184	30,462
Balances at 6/30/2021 ⁽¹⁾	\$ 143,281	\$ 4,234	\$ 147,515	\$ 561	\$ 56,750	\$ 57,311

⁽¹⁾ State, fiduciary component units, and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2020 and 2021 for the State Plan was 100% both years and for the MUS Plan is 94.92% and 95.18%, 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, 2020, rolled forward to March 31, 2021, 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	\$ 15,072	\$ 6,908
After Medicare eligibility	5,484	4,820
Actuarial valuation date	December 31, 2020	
Experience study period	January 1, 2018 through December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2021	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.23%	
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, 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 assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%

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	\$ 11,772	\$ 9,637
After Medicare eligibility	4,416	5,205
Actuarial valuation date	December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2021	
Experience study period	January 1, 2018, through December 31, 2020	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.23%	
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 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 assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%

Changes in benefit terms since last measurement date: Carrier options reduced to one.

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 (1.23 percent) or 1-percentage-point higher (3.23 percent) than the current discount rate:

State OPEB plan (in thousands)			
	1.0% Decrease (1.23%)	Current Discount Rate (2.23%)	1.0% Increase (3.23%)
Primary Government	\$ 180,880	\$ 143,281	\$ 115,098
Discrete Component Units and Fiduciary Component Units	5,394	4,234	3,360
Total OPEB liability	\$ 186,274	\$ 147,515	\$ 118,458
MUS OPEB plan (in thousands)			
	1.0% Decrease (1.23%)	Current Discount Rate (2.23%)	1.0% Increase (3.23%)
Primary Government	\$ 731	\$ 561	\$ 436
Discrete Component Units	73,839	56,750	44,195
Total OPEB liability	\$ 74,570	\$ 57,311	\$ 44,631

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	\$ 113,213	\$ 143,281	\$ 184,813
Discrete Component Unit and Fiduciary Component Units	3,293	4,234	5,528
Total OPEB liability	\$ 116,506	\$ 147,515	\$ 190,341
MUS Plan (in thousands)			
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	\$ 434	\$ 561	\$ 737
Discrete Component Unit	44,022	56,750	74,588
Total OPEB liability	\$ 44,456	\$ 57,311	\$ 75,325

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the State OPEB plan's OPEB expense is \$9.4 million and the MUS OPEB plan's OPEB expense is \$3.1 million.

At June 30, 2021, 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
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 16,982
Changes of assumptions or other inputs	108,754	14,370
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	29	—
Total	<u>\$ 108,783</u>	<u>\$ 31,352</u>
<u>Discrete Component Units and Fiduciary Component Units</u>		
Difference between expected and actual experience	\$ 395	\$ 165
Changes of assumptions or other inputs	2,904	384
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	21	—
Total	<u>\$ 3,320</u>	<u>\$ 549</u>

At June 30, 2021, 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
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 336
Changes of assumptions or other inputs	521	103
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	3	—
Total	<u>\$ 524</u>	<u>\$ 439</u>
<u>Discrete Component Units</u>		
Difference between expected and actual experience	\$ —	\$ 29,206
Changes of assumptions or other inputs	51,079	10,120
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability ⁽¹⁾	197	—
Total	<u>\$ 51,276</u>	<u>\$ 39,326</u>

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 and Fiduciary Component Units	State Plan Total	
2022	\$ 6,149	\$ 224	\$	6,373
2023	6,149	224		6,373
2024	6,149	224		6,373
2025	6,149	224		6,373
2026	6,149	224		6,373
Thereafter	46,657	1,630		48,287

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	
2022	\$ 6	\$ 897	\$	903
2023	6	897		903
2024	6	897		903
2025	6	897		903
2026	6	897		903
Thereafter	52	7,268		7,320

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, 2021, 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 12 employees, and paid administrative leave for 30 employees.

During the year ended June 30, 2021, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 7 employees.

During the year ended June 30, 2021, the cost of termination benefits for the fiscal year was \$229.5 thousand and \$184.7 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 318 policies during the 2021 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 2021 growing season, with a 70.0% share of premiums and losses allotted to the Reinsurer and a 30.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of \$76.0 thousand, which is 30.0% of the estimated claims (\$247.1 thousand) plus adjustment expenses through June 30, 2021. The amount deducted from the estimated claims as of June 30, 2021, for reinsurance was \$172.9 thousand (70.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2021, were \$499.8 thousand, which was 70.0% of total premiums of \$714.0 thousand.

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. Blue Cross and Blue Shield of Montana is the third-party claims administrators for the self-insured managed care plan and also has a contract 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 \$10.7 million as of June 30,

2021, 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 2021, the program ceded \$344.4 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 \$5.2 million for estimated claims at June 30, 2021. 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, 2021, this liability amount was estimated to be \$1.7 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.

	<u>Hail Insurance</u>		<u>MUS Group Insurance Plan</u>		<u>MUS Workers Compensation</u>	
	2021	2020	2021	2020	2021	2020
Unpaid claims and claim adjustment expenses at beginning of year	\$ 11	\$ 17	\$ 10,300	\$ 10,000	\$ 4,837	\$ 6,789
Incurred claims and claim adjustment expenses: provision for insured events of the current year	520	793	97,018	92,564	2,363	1,992
Increase (decrease) in provision for insured events of prior years	12	(5)	—	—	(550)	(2,485)
Total incurred claims and claim adjustment expenses	532	788	97,018	92,564	1,813	(493)
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(444)	(782)	(96,655)	(92,264)	(376)	(539)
Claims and claim adjustment expenses attributable to insured events of prior years	(23)	(12)	—	—	(1,040)	(920)
Total payments	(467)	(794)	(96,655)	(92,264)	(1,416)	(1,459)
Total unpaid claims and claim adjustment expenses at end of year	\$ 76	\$ 11	\$ 10,663	\$ 10,300	\$ 5,234	\$ 4,837

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 \$6.0 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, 2011, through June 30, 2021, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2021, the estimated claims liability was \$49.6 million. Of the \$49.6 million estimated claims liability, \$32.4 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, 2021, 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 \$19.7 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2022, \$19.5 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, 2021, 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, 2021, \$43.7 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).

	<u>Administration Insurance Plans</u>		<u>Employers Group Benefits Plan</u>		<u>State of Montana Old Fund</u>	
	2021	2020	2021	2020	2021	2020
Amount of claims liabilities at the beginning of each fiscal year	\$ 17,431	\$ 16,157	\$ 18,982	\$ 18,896	\$ 48,280	\$ 44,266
Incurred claims:						
Provision for insured events of the current year	5,555	7,091	181,363	170,812	—	—
Increase (decrease) in provision for insured events of prior years	6,867	1,120	(3,267)	(4,377)	1,769	12,616
Total incurred claims	12,422	8,211	178,096	166,435	1,769	12,616
Payments:						
Claims attributable to insured events of the current year	(1,574)	(3,063)	(161,870)	(151,950)	—	—
Claims attributable to insured events of prior years	(11,133)	(3,874)	(15,543)	(14,399)	(6,345)	(8,602)
Total payments	(12,707)	(6,937)	(177,413)	(166,349)	(6,345)	(8,602)
Total claims liability at end of each fiscal year	\$ 17,146	\$ 17,431	\$ 19,665	\$ 18,982	\$ 43,704	\$ 48,280

⁽¹⁾ \$32.4 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, 2021, the Department of Transportation had contractual commitments of approximately \$463.2 million for construction of various highway projects. Funding for these highway projects is to be provided by federal grants and matched with state special revenue funds.

B. Capital Assets and/or Other Construction

At June 30, 2021, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$31.7 million for capital projects construction. The primary government will fund \$17.4 million of these projects, with the remaining \$14.3 million funded by the Montana University System.

At June 30, 2021, the Department of Fish, Wildlife, and Parks had contractual commitments of approximately \$2.1 million for engineering and construction of various capital projects and \$5.9 million to build a new licensing software called Explore Montana. The majority of funding for these commitments will be provided by federal grants and state special revenue funds.

At June 30, 2021, the Department of Labor and Industry had \$1.9 million contractual commitments for Montana State AmeriCorps Programs and a \$4.4 million commitment for information technology contracts. The funding for these programs is to be provided by federal grants and state special revenue funds.

At June 30, 2021, the Office of the Secretary of State had a contractual commitment of approximately \$1.5 million for developing and implementing the ElectMT system to replace the existing statewide Voter Registration and Election Management system (MT Votes). The majority of the funding for this project is to be provided by a federal grant from the U.S. Election Assistance Commission.

At June 30, 2021, the Department of Transportation, had a \$2.0 million contractual commitment for three, 55 passenger coach buses. The funding for this purchase is to be provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding through the Federal Transit Administration. The Department also had contractual commitments of approximately \$8.7 million for development and implementation of various IT projects. Funding for these projects is to be provided by federal grants, matched with state special revenue funds and unrestricted state revenue funds. Included within the department's commitments are \$4.4 million dedicated to the purchase and upgrade of PeopleSoft modules.

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, 2021, BOI had committed, but not yet purchased, \$18.1 million in loans from Montana lenders. Additionally, lenders had reserved \$18.7 million for loans as of June 30, 2021. As of June 30, 2021, another \$2.0 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

The BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2021, 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, 2021, totaled \$23.8 million.

D. Bond Commitments

At June 30, 2021, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of \$8.5 million of which \$1.4 million in principal payments are scheduled to be paid by June 30, 2022. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principle and interest due regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

<u>Enterprise Funds</u>	<u>Amount</u>
Liquor Warehouse	\$ 155
State Lottery Fund	14
Other Enterprise Funds	12
Subtotal - Enterprise funds	<u>\$ 181</u>
 <u>Internal Service Funds</u>	
Prison Industry	\$ 189
Labor Central Services	1,537
Subtotal - Internal Service funds	<u>\$ 1,726</u>

F. Encumbrances

As of June 30, 2021, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	<u>Federal Special Revenue Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
Encumbrances	\$ 43,953	\$ 20,387	\$ 78	\$ 90,023	\$ 154,441

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, 2021, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2022	\$ 4,773	\$ 16
2023	3,242	6
2024	2,294	1
2025	1,703	—
2026	1,441	—
2027 - 2031	4,112	—
Total minimum payments	17,565	23
Less: interest	(1,522)	(2)
Present value of minimum payments	<u>\$ 16,043</u>	<u>\$ 21</u>

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

Asset Class	
Buildings	\$ 1,596
Equipment	34,654
Less: Accum Depreciation	(13,258)
Net Book Value	<u>\$ 22,992</u>

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2021 totaled \$28.9 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2022	\$ 27,584	\$ 665
2023	23,980	617
2024	20,831	616
2025	17,833	586
2026	15,205	581
2027 - 2031	49,127	1,104
2032 - 2036	26,281	747
Thereafter	8,682	487
Total future rental payments	<u>\$ 189,523</u>	<u>\$ 5,403</u>

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.

The State issues bond anticipation notes to finance the State Revolving Fund Programs that improve and rehabilitate wastewater and drinking water systems. The following schedule summarizes the activity for the year ended June 30, 2021 (in thousands):

Bond Anticipation Notes	Beginning Balance	Additions	Reductions	Ending Balance
Drinking Water - 2019A	600	—	600	—
Drinking Water – 2019D	1,300	2,100	3,251	149
Water/Wastewater – 2020D	1,100	2,900	4,000	—
Drinking Water - 2020N	—	1,663	—	1,663

The State's Board of Investments (BOI) 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.
3. An irrevocable pledge by BOI.

BOI has no taxing power. At the bondholder's option, the bonds may be redeemed any March 1, before 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 Board annually remarkets the bonds and annually adjusts the interest in accordance with the Bonds' Indenture of Trust. Interest is paid semi-annually on September 1 and on March 1. Interest is computed based on a year of 360 days. The interest rate paid to bondholders on September 1, 2020 and March 1, 2021 was 1.00%. The interest rate effective for March 1, 2021 – February 28, 2022 is 0.15%.

In accordance with the Indenture, BOI can issue additional bonds at any time that would bear the interest rate determined at the time of issuance until the next remarketing date. No new bonds were issued in the fiscal year ending June 30.

The INTERCAP program does not have principal payments except in the instance of an optional redemption by BOI. There was a change in outflow in 2021 that occurred primarily due to the optional redemption of outstanding bonds by the Board in the amount of \$70.0 thousand. The bonds are

remarketed each February and are treated as a new issuance. Interest expense attributable to the current year was \$649.8 thousand.

The amounts issued and outstanding for the year ended June 30, 2021, were as follows (in thousands):

Series	Amount		Balance	
	Issued		June 30, 2021	
2003	\$	15,000	\$	14,305
2004		18,500		17,935
2007		15,000		14,615
2010		12,000		11,860
2013		12,000		11,960
2017		20,000		19,925
			\$	90,600

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2021 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	\$ 90,670	\$ —	\$ 70	\$ 90,600

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, 2021, were as follows (in thousands):

		Amount	Interest	Principal Payments		Balance
				Fiscal Year	In Year of	
<u>Governmental Activities</u>	<u>Series</u>	<u>Issued</u>	<u>Range (%) ⁽¹⁾</u>	<u>2022</u>	<u>Maturity ⁽²⁾</u>	<u>June 30, 2021</u>
General obligation bonds						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	190	200 (2023)	390
CERCLA Program ⁽³⁾	2005D	2,000	3.25-4.3	120	140 (2026)	650
Energy Conservation Program ⁽⁴⁾	2006B	3,750	4.0-6.0	330	330 (2022)	330
Long-Range Bldg Program	2008D	3,100	3.375-4.35	165	220 (2028)	1,335
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	695	720 (2023)	1,415
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	705	115 (2025)	2,325
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,195	820 (2028)	15,470
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,470	3,465 (2030)	26,295
St. Mary Water Project (Taxable) ⁽¹⁰⁾	2020E	2,658	1.62	276	315 (2030)	2,658
2019 Session House Bill 652	2020G	32,505	5.0	2,570	4,030 (2031)	32,505
Long-Range Bldg Program	2020H	5,900	1.75-5.0	210	390 (2041)	5,900
Trust Lands Refunding (Taxable)	2020I	12,510	0.225-1.316	1,245	1,265 (2031)	12,510
Water Pollution Control Revolving Fund Program ⁽⁵⁾	2020J	24,865	0.225-2.456	1,620	305 (2041)	24,865
St. Mary Water Project (Taxable) ⁽¹⁰⁾	2020K	985	1.5	105	115 (2030)	985
Total general obligation bonds		\$161,018		\$ 12,896		\$ 127,633

	Series	Amount Issued	Interest Range (%) ⁽¹⁾	Principal Payments		Balance June 30, 2021
				Fiscal Year 2022	In Year of Maturity ⁽²⁾	
Governmental Activities						
Special revenue bonds						
U.S. Highway 93 GARVEE Refunding ⁽⁷⁾	2016	22,540	0.74-1.86	3,555	3,740 (2023)	7,295
State Hospital Project ⁽⁶⁾	2018	4,575	4.0-5.05	1,165	1,165 (2022)	1,165
Coal Severance Tax Refunding (Taxable) ⁽¹⁰⁾	2020L	11,965	1.62	1,570	55 (2031)	11,170
Coal Severance Tax (Taxable) ⁽¹⁰⁾	2020M	2,680	1.94	230	130 (2031)	2,300
Total special revenue bonds		<u>\$ 41,760</u>		<u>\$ 6,520</u>		<u>\$ 21,930</u>
Notes Payable						
Middle Creek Dam Project ⁽⁸⁾		3,272	8.125	100	226 (2034)	1,759
Tongue River Dam Project ⁽⁹⁾		11,300	—	290	290 (2038)	4,926
ITSD IBM Professional Services		758	0.19	170	72 (2023)	243
Total notes payable		<u>\$ 15,330</u>		<u>\$ 560</u>		<u>\$ 6,928</u>
Subtotal governmental activities, before unamortized balances		218,108		19,976		156,491
Unamortized premium						14,846
Total governmental activities		<u>\$218,108</u>		<u>\$ 19,976</u>		<u>\$ 171,337</u>

⁽¹⁾ The interest range is over the life of the obligation.

⁽²⁾ Year of maturity refers to fiscal year.

⁽³⁾ 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.

⁽⁴⁾ Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.

⁽⁵⁾ Bonds were issued to refund the State's General Obligation Bonds (Water Pollution Control State Revolving Fund Program), Series 2015C, maturing on and after July 15, 2021; provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water pollution control facilities or other authorized improvements, to state political subdivisions; and pay costs of issuance of the Series 2020J Bonds and of the refunding.

⁽⁶⁾ Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana State Hospital Project.

⁽⁷⁾ 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.

⁽⁸⁾ U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.

⁽⁹⁾ 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.

⁽¹⁰⁾ Bonds were private sales.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2021, were as follows (in thousands):

Year Ended June 30:	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 12,896	\$ 4,161	\$ 6,520	\$ 618	\$ 560	\$ 45
2023	12,911	3,693	5,565	375	466	41
2024	12,396	3,277	1,850	158	398	41
2025	12,115	2,867	1,885	127	403	41
2026	12,410	2,453	1,635	96	408	41
2027 - 2031	52,240	5,993	4,475	156	2,125	204
2032 - 2036	9,335	921	—	—	1,988	122
2037 - 2041	3,330	188	—	—	580	—
Total	<u>\$ 127,633</u>	<u>\$ 23,553</u>	<u>\$ 21,930</u>	<u>\$ 1,530</u>	<u>\$ 6,928</u>	<u>\$ 535</u>

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2021, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	\$ 90,250	\$ 79,423	\$ 42,040	\$ 127,633	\$ 12,896	\$ 114,737
Special revenue bonds	19,330	14,645	12,045	21,930	6,520	15,410
Notes payable	7,478	—	550	6,928	560	6,368
	117,058	94,068	54,635	156,491	19,976	136,515
Unamortized premium	10,348	4,498	—	14,846	—	14,846
Total bonds/notes payable ⁽³⁾	127,406	98,566	54,635	171,337	19,976	151,361
Other liabilities						
Lease/installment purchase payable	20,617	1,381	5,955	16,043	4,344	11,699
Compensated absences payable ⁽¹⁾	109,293	53,778	47,716	115,355	47,641	67,714
Estimated insurance claims ^{(1) (2)}	121,098	190,517	198,674	112,941	39,989	72,952
Pollution remediation	173,492	806	6,783	167,515	21,303	146,212
Net pension liability	2,243,084	700,884	183	2,943,785	—	2,943,785
Total OPEB liability	45,593	95,801	—	141,394	—	141,394
Total other liabilities	2,713,177	1,043,167	259,311	3,497,033	113,277	3,383,756
Total governmental activities long-term liabilities	\$ 2,840,583	\$ 1,141,733	\$ 313,946	\$ 3,668,370	\$ 133,253	\$ 3,535,117
Business-type activities						
Lease/installment purchase payable	\$ 26	\$ 5	\$ 10	\$ 21	\$ 14	\$ 7
Compensated absences payable	2,217	879	797	2,299	795	1,504
Arbitrage rebate tax payable	22	—	22	—	—	—
Estimated insurance claims	17,523	99,363	99,202	17,684	13,804	3,880
Net pension liability	11,510	3,848	68	15,290	—	15,290
Total OPEB liability	817	1,641	8	2,450	—	2,450
Total business-type activities long-term liabilities	\$ 32,115	\$ 105,736	\$ 100,107	\$ 37,744	\$ 14,613	\$ 23,131

⁽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⁾ \$32.4 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.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make a prepayment of special revenue bond series 2020M in the amount of \$270.0 thousand, resulting in the reduction of the outstanding balance.

Refundings

On September 29, 2020, the State issued general obligation refunding bonds series 2020I in the amount of \$12.5 million to prepay series 2010F bonds in the amount of \$12.3 million resulting in a payoff. The balance of the proceeds was used to pay the cost of issuance of 2020I. The refunding resulted in an economic gain of \$2.2 million and a difference in cash flows of \$2.2 million.

On October 20, 2020, the State issued general obligation bonds series 2020J in the amount of \$24.9 million. New bond issuances consisted of \$5.0 million, while \$19.8 million was to prepay series 2015C resulting in a payoff. The refunding resulted in an economic gain of \$1.5 million and a difference in cash flows of \$4.8 million.

On December 23, 2020, the State issued special revenue refunding bonds series 2020L in the amount of \$12.0 million, using \$4.3 million of the proceeds to refund series 2010C and 2013B, resulting in payoffs. This refunding resulted in an economic gain of \$548.0 thousand and a difference in cash flows of \$747.6 thousand.

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, 2021, 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, 2021, QSCB debt outstanding aggregated \$3.2 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, 2021, was \$167.5 million. Of this liability, \$3.7 million resulted in settlement agreements to provide restoration of natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; \$163.8 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 \$100.2 million as of June 30, 2021. 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 \$385.0 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, 2021 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 88,346	\$ 33,465	\$ 21,563	\$ 100,248

NOTE 12. INTERFUND BALANCES AND TRANSFERS**A. Balances Due From/To Other Funds**

Balances due from/to other funds arise when there is a timing difference 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 timing difference 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, 2021, consisted of the following (in thousands):

	Due to Other Funds							Total
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds ⁽²⁾	Nonmajor Governmental Funds	State Special Revenue	
Due from Other Funds								
Federal Special Revenue	\$ —	\$ —	\$ 2,040	\$ —	\$ —	\$ —	\$ 249	\$ 2,289
General Fund	—	8,844	—	—	14,386	—	11,355	34,585
Internal Service Funds	40	1	—	—	—	—	2	43
Municipal Finance Programs	—	—	—	2,076	—	1,654	—	3,730
Nonmajor Enterprise Funds	—	—	—	—	—	—	38	38
Nonmajor Governmental Funds	—	4,155	29	—	—	—	751	4,935
State Special Revenue ⁽¹⁾	4,340	627	464	—	280	754	—	6,465
Total	\$ 4,380	\$ 13,627	\$ 2,533	\$ 2,076	\$ 14,666	\$ 2,408	\$ 12,395	\$ 52,085

⁽¹⁾ Total due from other funds to the state special revenue fund on the fund financial statement is reported as \$16.2 million. The difference of \$9.8 million between the amount reported above 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 nonmajor enterprise funds on the fund financial statement is reported as \$14.9 million. The difference of \$221.0 thousand between the amount reported above 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, 2021, consisted of the following (in thousands):

	Interfund Loans Payable							Total
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	
Interfund Loans Receivable								
General Fund	\$ 1,593	\$ 87,928	\$ 662	\$ 335	\$ 2,700	\$ 4,921	\$ —	\$ 98,139
Nonmajor Enterprise Funds	—	140	—	—	—	75	—	215
Federal Special Revenue	—	—	—	—	—	5	—	5
State Special Revenue	—	78,309	26	—	—	—	2	78,337
Total	\$ 1,593	\$ 166,377	\$ 688	\$ 335	\$ 2,700	\$ 5,001	\$ 2	\$ 176,696

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, 2021, consisted of the following (in thousands):

	Advances from Other Funds				Total
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	
Advances to Other Funds					
General Fund	\$ 355	\$ —	\$ —	\$ —	355
Municipal Finance Programs	—	7,027	162	—	7,189
Nonmajor Governmental Funds	—	—	—	5,328	5,328
State Special Revenue	36,524	—	1,599	—	38,123
Total	\$ 36,879	\$ 7,027	\$ 1,761	\$ 5,328	\$ 50,995

Additional detail for certain advance balances at June 30, 2021, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program	
Departmental Function	Balance
Natural Resources and Conservation	\$ 1,465
Public Safety	309
Transportation	5,415
Total	\$ 7,189

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, 2021, 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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 167	\$ —	\$ 167
Federal Special Revenue	—	—	2	—	—	—	—	2,057	2,059
General Fund ⁽¹⁾	15,967	147	—	—	6	54,087	—	14,879	85,086
Internal Service Funds	—	—	1,213	—	—	—	—	807	2,020
Land Grant	—	—	—	—	—	—	—	94	94
Nonmajor Enterprise Funds	—	—	—	—	—	—	—	26	26
Nonmajor Governmental Funds	471	16,290	246,538	160	1,570	—	735	54,195	319,959
State Special Revenue	16,772	9,164	83,240	86	65,264	10,633	27,042	—	212,201
Unemployment Insurance	—	203,571	—	—	—	—	—	—	203,571
Total	\$ 33,210	\$ 229,172	\$330,993	\$ 246	\$66,840	\$ 64,720	\$ 27,944	\$ 72,058	\$825,183

⁽¹⁾ \$1.1 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 \$5.1 million. The difference of \$4.8 million between the amount reported above of \$246.5 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 \$64.8 million. The difference of \$67.8 thousand between the amount reported above of \$64.7 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, 2021, as follows (in thousands):

Fund Type/Fund	Deficit
Governmental Funds	
Federal Special Revenue ⁽²⁾	\$ (11,321)
Federal/Private Construction Grants ⁽³⁾	(1,012)
Internal Service Funds ⁽¹⁾	
Information Tech Services	\$ (15,267)
Building and Grounds	(1,010)
Admin Central Services	(1,841)
Labor Central Services	(6,763)
Commerce Central Services	(1,559)
OPI Central Services	(2,257)
DEQ Indirect Cost Pool	(3,730)
Payroll Processing	(1,509)
Investment Division	(2,080)
Aircraft Operation	(552)
Justice Legal Services	(977)
Personnel Training	(173)
Other Internal Services	(244)
SABHRS Finance & Budget Bureau	(535)
Enterprise Fund ⁽¹⁾	
State Lottery	\$ (2,219)
Subsequent Injury	(791)

⁽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.

⁽³⁾ A nonmajor capital projects fund.

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, 2021.

State Special Revenue By Source (in thousands)							
	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	\$ 122,053	\$ 51,533	\$ 25,824	\$ 2,514	\$ 165	\$ 96,946	\$ 299,035
Taxes	231,006	6,313	274,431	—	—	19,114	530,864
Charges for services	27,193	20,953	9,183	58,004	3,179	32,857	151,369
Investment earnings	368	2,292	82	86	302	6,614	9,744
Securities lending income	—	17	—	—	2	28	47
Sale of documents/ merchandise/property	530	4,237	118	52	1	4,123	9,061
Rentals/leases/royalties	256	17	667	48	5	261	1,254
Contributions/premiums	29,602	10	—	4,871	—	609	35,092
Grants/contracts/donations	1,303	2,845	590	3,693	2,311	4,728	15,470
Federal	3,479	—	—	5,504	3	10	8,996
Federal indirect cost recoveries	1	—	51,830	47	—	4,671	56,549
Other revenues	1,814	543	257	358	84	707	3,763
Transfers in	42,103	8,801	1,683	16,113	1,958	141,543	212,201
Total State Special Revenue	\$ 459,708	\$ 97,561	\$ 364,665	\$ 91,290	\$ 8,010	\$ 312,211	\$ 1,333,445

Federal Special Revenue By Source (in thousands)							
	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	\$ 852	\$ 59	\$ —	\$ 6,805	\$ 209	\$ —	\$ 7,925
Investment earnings	544	7	—	—	5	16	572
Grants/contracts/donations	—	—	—	9	35	—	44
Federal	1,428,286	18,183	535,970	2,363,474	249,852	96,493	4,692,258
Federal indirect cost recoveries	—	—	—	96,740	113	1,354	98,207
Other revenues	—	6	—	1,326	1	2	1,335
Transfers in	2	1,591	—	466	—	—	2,059
Total Federal Special Revenue	\$ 1,429,684	\$ 19,846	\$ 535,970	\$ 2,468,820	\$ 250,215	\$ 97,865	\$ 4,802,400

Governmental Fund Balance By Function, June 30, 2021
(in thousands)

	Special Revenue			Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances:							
Nonspendable							
Inventory	\$ 4,087	\$ 21,669	\$ —	\$ —	\$ —	\$ —	\$ 25,756
Permanent fund principal	—	500	—	664,992	871,681	414,009	1,951,182
Long-term notes/receivables	355	—	—	—	—	—	355
Prepaid expense	729	461	151	—	—	—	1,341
Total nonspendable	5,171	22,630	151	664,992	871,681	414,009	1,978,634
Restricted							
General government	—	30,253	—	—	—	22,941	53,194
Public safety	—	179,901	—	—	—	1	179,902
Transportation	—	152,946	—	—	—	—	152,946
Health and human services	—	24,414	—	—	—	673	25,087
Education	—	15,029	—	—	—	13	15,042
Natural resources	—	794,536	—	—	—	10,601	805,137
Total restricted	—	1,197,079	—	—	—	34,229	1,231,308
Committed							
General government	114,199	162,803	—	564,068	—	262,669	1,103,739
Public safety	—	71,674	—	—	—	—	71,674
Transportation	—	21,450	—	—	—	—	21,450
Health and human services	—	69,725	—	—	—	12	69,737
Education	—	26,216	—	—	—	—	26,216
Natural resources	—	405,668	—	—	—	30,877	436,545
Total committed	114,199	757,536	—	564,068	—	293,558	1,729,361
Assigned							
General government	—	1,121	—	—	—	66	1,187
Public safety	—	—	—	—	—	185	185
Health and human service	—	772	—	—	—	—	772
Education	—	20	—	—	—	—	20
Natural resources	—	40	—	—	—	—	40
General Fund spend down	75,000	—	—	—	—	—	75,000
Encumbrance	20,387	—	—	—	—	—	20,387
Total assigned	95,387	1,953	—	—	—	251	97,591
Unassigned	641,543	—	(11,472)	—	—	(1,012)	629,059
Total fund balance	\$ 856,300	\$ 1,979,198	\$ (11,321)	\$ 1,229,060	\$ 871,681	\$ 741,035	\$ 5,665,953

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 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, 2022. 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 \$98.4 thousand for the fiscal year ended June 30, 2021.

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 \$100.9 thousand for the fiscal year ended June 30, 2021.

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 State Revolving Fund (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 2021 was \$1.6 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 \$312.6 thousand and indirect payments to the bank and the insurance company in the amount of \$402.0 thousand and \$42.1 thousand, respectively, for the fiscal year ended June 30, 2021.

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 former

Director of the Montana Lottery was on the MUSL board until January 1, 2021, and served as the Secretary of its board of directors. As such, the former Director of the Montana Lottery was 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, 2021. 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 \$7.7 million for its share of prizes and received reimbursements for prizes in the amount of \$750.0 thousand for the fiscal year ended June 30, 2021.

There are campus-affiliated foundations within the Montana University System (MUS) 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 campuses. 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, the total such transactions were \$1.7 thousand for the fiscal year ended June 30, 2021.

In addition, the MUS Group Insurance Program offers insurance coverage and receives insurance premiums from other related parties such as the campus-affiliated foundations and the community colleges. This premium revenue for campus-affiliated foundations and community colleges approximately amounts to \$6.7 million for the fiscal year ended June 30, 2021. Beginning January 1, 2022, campus-affiliated foundations will cease to be covered by the MUS Group Insurance Program.

Montana Higher Education Student Assistance Corporation (MHESAC) has no employees, and the Student Assistance Foundation (SAF) manages its business operations. A Board of Regents board member is also an MHESAC Board of Directors member, an Office of the Commissioner of Higher Education OCHE staff member is an 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.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for 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), was scheduled for a bench trial without a jury from January 3 through January 19, 2022. No decision was made by the Judge. Rather, the parties are required to submit amended proposed findings

of fact and conclusions of law by mid-April 2022. Thereafter the Court will render a decision, probably no earlier than July 2022. 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 were required to be disclosed in February 2021. Discovery closed 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 Section 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 for services that took place no earlier than 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 would 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 would 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; and 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 was 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.

As of February 28, 2021, the state paid Plaintiffs a cumulative \$3.0 million for claim payments, interest, and Plaintiffs' attorney fees.

On March 23, 2021, Plaintiffs filed a motion to enforce an October 29, 2018 Order to address first party medical payments coverage in casualty insurance policies (the "Med-pay Claims"). Plaintiffs contend that the Med-pay Claims should be paid. On July 23, 2021, Special Master held a hearing on Plaintiffs' motion.

As of June 30, 2021, the amount State paid Plaintiffs for claim payments, interest, and attorney fees for Plaintiffs' counsel was unchanged from February 28, 2021.

Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Gootkin and Salmonsens (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. Plaintiff sought only declaratory and injunctive relief and later amended its complaint, seeking similar relief under Section 1983 of Title 42 of the United States Code, the Civil Action for Deprivation of Rights. The District Court had 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 seeks only prospective injunctive and declaratory relief, as well as reasonable attorneys fees, litigation expenses and costs, which could likely exceed \$1.0 million. At this time, the Department continues to be unable to specify an anticipated amount of financial obligation imposed either by settlement or by judgment. It is reasonably possible that there could be an unfavorable outcome in this case.

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 involved interpretation of contract and statutory language. This matter was referred to the Department of Justice Agency Legal Services for representation of the Department. The matter was resolved prior to June 30, 2021, by settlement and dismissal at no cost to the State or Department.

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 of 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, 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. A motion for class certification has been fully briefed, but remains pending.

William and Ellen Solem v. State of Montana (CDV-10-073 (D)) is a case that the Solems filed a motion for class certification in the Eleventh Judicial District Court, Flathead County, challenging their land value, primarily arguing that the water influence used by the Department leads to improperly inflated values. The District Court granted class certification. The class certified is "all lakefront property owners in Neighborhood 800 who have timely paid under protest any portion of their property taxes since the last assessment cycle beginning in 2009". Neighborhood 800 is the Lakeside-Somers area in which the Solems' property is located. Between 2009 and 2015, approximately 200 taxpayers in Neighborhood 800 paid property taxes under protest. A four-day trial on liability was held in March 2019. On October 15, 2019, the District Court issued its Findings of Fact, Conclusions of Law, and Order finding the Department liable. The District Court concluded that the Department employed a non-uniform method of appraisal, failed to value similar properties in a like manner, and failed to appraise the subject properties in a manner that is fair to all taxpayers. The matter has now moved to the damages phase. Motions relating to damages were filed and the District Court granted Solems' motions on the calculation of damages and whether Solems are entitled to attorney fees and costs. The District Court denied Solems' motion to expand the class definition to include taxpayers who did not pay under protest. The District Court denied the Department's motion to decertify the class. The Department recently received invoices of Solems' legal fees and costs (between \$400.0 thousand and \$600.0 thousand) and is reviewing them. The Department intends to appeal this matter to the Montana Supreme Court upon issuance of a final judgment.

S.W v. State of Montana (DDV-13-813, Eighth Judicial District Court, Cascade County) is a case filed in 2013 by the guardian of a minor against the State Department of Public Health and Human Services (the Department). The Plaintiff contended that the Department was negligent *per se* as a matter of law involving a child abuse incident caused by the birth father's girlfriend that permanently harmed SW. The perpetrator was subsequently convicted and imprisoned for thirty years. On February 18, 2020, the District Court judge issued an order granting partial summary judgment to plaintiff, determining that the Department had a duty to SW, that a violation of the statutory and administrative regulations constitutes negligence *per se*, that the Department is not entitled to immunity, and that the statutory damages cap in Section 2-9-108(1), MCA does not apply. A jury trial, limited to the issue of damages, was held on November 16-17, 2021. The jury awarded damages of \$16.7 million which included damages for loss of future earning capacity, past personal care assistance, future care costs, mental and emotional suffering, and impairment of capacity to pursue an established course of life. A judgment was issued on November 18, 2021. The Department will be appealing the matter to the Montana Supreme Court and expects a decision sometime in late 2022. As the matter will be on appeal, the Department is unable to assess the degree of probability of an unfavorable final outcome or the associated loss until the Montana Supreme Court issues a decision.

The Public Employee Retirement Board (PERB) has three 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 J, for additional disclosure in relation to this legal proceeding.

The Montana State Fund, a discretely presented component unit of the State. 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 grantor 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 for \$131.7 thousand at June 30, 2021. 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 (ALN #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 2021, the State distributed \$479.8 thousand of food commodities under ALN #10.567 to other states.

The State distributed \$10.8 million in commodities in fiscal year 2021. The value at June 30, 2021, of commodities stored at the State's warehouse, is \$5.8 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, 2021, 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 \$190.8 million. The BOI's exposure to bond issues of the Municipal Finance Programs was \$90.6 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority were \$100.2 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, 2021, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General Fund
Corporate Tax	\$ 14,668

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, 2021. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2021, these include \$11.7 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, 2021. As of June 30, 2021, these include \$19.2 thousand of protested property taxes recorded in the General Fund and \$21.8 thousand recorded in the State Special Revenue Fund.

NOTE 17. SUBSEQUENT EVENTS**Investment Related Issues**

Since June 30, 2021, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of over \$16.1 million.

Since June 30, 2021, BOI has committed an additional \$109.0 million within the Real Estate Pension Asset Class and \$100.0 million within the Real Assets Pension Asset Class, and \$210.0 million within the Private Investments Pension Asset Class of Consolidated Asset Pension Plan (CAPP), and \$50.0 million within Real Estate of the Trust Fund.

Since June 30, 2021, BOI has reserved \$5.5 million, committed \$1.7 million, and funded \$7.4 million of additional funds to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program. Of the commitments in effect as of June 30, 2021, \$10.0 million have since expired. Additional reservations in the amount of \$4.9 million were made for the Veterans' Home Loan Program (VHLM) residential mortgage purchases.

On November 30, 2021, BOI adopted Resolution No. 249 entitled: "Resolution of the Board of Investments of the State of Montana relating to its annual adjustable rate Municipal Finance Consolidation Act Extendable Bond (INTERCAP Loan Program), Taxable Series 2022, fixing the terms and conditions of the INTERCAP Bond, and authorizing the sale and issuance of the INTERCAP Bond to the Unified Investment Program." All outstanding tax-exempt series bonds were defeased on January 25, 2022, in the amount of \$90.6 million and were redeemed on March 1, 2022. The Taxable Series 2022 bonds were issued on January 25, 2022, in the amount of \$68.7 million.

Other Subsequent Events

On November 17, 2021, Department of Natural Resources & Conversation (DNRC) paid off the Coal Severance Tax series 2020M bond in full for \$2.3 million principal and \$20.5 thousand in interest.

On November 19, 2021, DNRC withdrew an additional \$1.5 million in proceeds from the previously authorized Drinking Water series 2020N bond anticipation note (BAN); drawing the entire authorized amount of \$3.2 million.

On December 1, 2021, DNRC prepaid \$700.0 thousand in principal to the Coal Severance Tax series 2020L bond.

On December 14, 2021, the Board of Examiners authorized the following:

- \$3.9 million series 2021A general obligation bond anticipation notes, and
- \$3.8 million series 2021B general obligation bond anticipation notes.

On December 17, 2021, DNRC issued new general obligation BANs from BOI. The Drinking Water State Revolving Fund issued series 2021A for \$3.9 million, and the Water Pollution Control State Revolving Fund issued series 2021B for \$3.8 million. Both bonds will be used for new loans within the programs.

The Montana Department of Transportation (MDT) was issued notice from the Federal Motor Carrier Safety Administration (FMCSA) of possible sanctions regarding the Entry Level Driver Training (ELDT) requirements for commercial driver's licenses (CDL). These new training standards must be implemented by the compliance date of February 7, 2022. House Bill 608 (HB608) was introduced to the 2021 legislature to implement ELDT regulations. HB608 did not pass. States that are not compliant with the ELDT requirements by the compliance date will be subject to decertification of their CDL programs and/or withholding of up to 4 percent of the National Highway Performance Program and the Motor Carrier Safety Assistance Program (MCSAP) funding that would otherwise be apportioned. The potential for sanctions is high since HB608 did not pass. The consequences of the State's non-compliance with CDL regulations may result in up to 4 percent of the State's Federal Aid Highway apportionment for fiscal year 2022, or \$15.0 million; and 8 percent in fiscal year 2023 and subsequent years of approximately \$31.0 million per year. MDT could lose MCSAP grant eligibility resulting in FMCSA withholding up to \$6.5 million annually.

The State of Montana was allocated \$1.6 billion from the American Rescue Plan Act (ARPA) during fiscal year 2021. The legislature has appropriated approximately \$1.2 billion and enacted laws to allow appropriations to continue into the 2023 and 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, economic transformation and stabilization, workforce development, and health. ARPA funds spent before June 30, 2021, totaled \$58.4 million, and since June 30, 2021, another \$116.0 million has been spent. Montana plans to spend all funds received by June 30, 2026.

In January 2022, the State received \$78.6 million from National Indemnity Company as the result of asbestos litigation.

On February 25, 2022, Montana Attorney General announced that the State will receive \$80.0 million in the final approval of the multi-state settlement holding the nation's three major pharmaceutical distributors accountable for their roles in fueling the national opioid epidemic and the harm it has caused. The settlement will be used to combat the opioid crisis. The settlement will be paid incrementally over several years. The first disbursement of the settlement is unknown.

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, 2021 (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	\$ 667,494	\$ 8,988	\$ 1,743,509	\$ 743,495	\$ 683,433	\$ 3,846,919
Due from primary government	—	—	—	636	1,683	2,319
Due from component units	—	—	—	—	289	289
Capital assets (net) (Note 18C)	11	1	49,379	587,258	383,748	1,020,397
Total assets	667,505	8,989	1,792,888	1,331,389	1,069,153	4,869,924
Deferred Outflows of Resources	1,073	141	6,360	74,982	57,906	140,462
Liabilities:						
Accounts payable and other liabilities	10,238	22	79,831	66,684	65,325	222,100
Due to primary government	—	—	—	1,953	45	1,998
Due to component units	—	—	—	289	—	289
Advances from primary government ^{(2) (3)}	—	—	—	15,108	2,946	18,054
Long-term liabilities (Note 18I)	498,028	403	1,044,845	376,962	321,739	2,241,977
Total liabilities	508,266	425	1,124,676	460,996	390,055	2,484,418
Deferred Inflows of Resources	204	25	2,753	25,152	29,895	58,029
Net Position:						
Net investment in capital assets	3	1	49,379	402,916	259,661	711,960
Restricted	160,105	—	—	394,375	413,041	967,521
Unrestricted	—	8,679	622,440	122,932	34,407	788,458
Total net position	\$ 160,108	\$ 8,680	\$ 671,819	\$ 920,223	\$ 707,109	\$ 2,467,939

⁽¹⁾ Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2020.

⁽²⁾ Loans from the Coal Severance Tax Permanent Fund make up \$4.4 million and \$2.9 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 conservation loan programs make up \$8.5 million and \$2.2 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	\$ 21,820	\$ 538	\$ 171,042	\$ 646,557	\$ 464,845	\$ 1,304,802
Program Revenues:						
Charges for services	2,612	821	148,625	273,506	148,670	574,234
Operating grants and contributions	18,908	112	—	320,508	240,803	580,331
Capital grants and contributions	—	—	—	11,663	336	11,999
Total program revenues	21,520	933	148,625	605,677	389,809	1,166,564
Net (expense) program revenues	(300)	395	(22,417)	(40,880)	(75,036)	(138,238)
General Revenues:						
Unrestricted grants and contributions	—	—	—	4	—	4
Unrestricted investment earnings	—	—	113,980	14,585	10,286	138,851
Transfer from primary government ⁽²⁾	501	—	—	147,703	108,740	256,944
Gain (loss) on sale of capital assets	—	—	(55)	41	—	(14)
Miscellaneous	—	—	2,002	—	—	2,002
Contributions to term and permanent endowments	—	—	—	30	29,477	29,507
Total general revenues and contributions	501	—	115,927	162,363	148,503	427,294
Change in net position	201	395	93,510	121,483	73,467	289,056
Total net position – July 1 – as previously reported	159,914	8,285	578,092	798,709	633,642	2,178,642
Adjustments to beginning net position	(7)	—	217	31	—	241
Total net position – July 1 – as restated	159,907	8,285	578,309	798,740	633,642	2,178,883
Total net position – June 30	\$ 160,108	\$ 8,680	\$ 671,819	\$ 920,223	\$ 707,109	\$ 2,467,939

⁽¹⁾ Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2020.

⁽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	\$ 8,203	\$ 8,306	\$ 1,139	\$ 17,648
Construction work in progress	52,951	11,018	19,176	83,145
Capitalized collections	9,931	28,108	—	38,039
Livestock for educational purposes	4,249	—	—	4,249
Total capital assets not being depreciated	75,334	47,432	20,315	143,081
Capital assets being depreciated:				
Infrastructure	45,122	9,904	—	55,026
Land improvements	35,109	16,468	—	51,577
Buildings/Improvements	804,575	669,670	27,942	1,502,187
Equipment	178,153	110,786	7,358	296,297
Livestock	—	255	—	255
Library books	67,412	62,731	—	130,143
Leasehold improvements	8,668	—	—	8,668
Right-to-use leased buildings ⁽¹⁾	—	—	5,261	5,261
Right-to-use leased equipment ⁽¹⁾	—	—	78	78
Total capital assets being depreciated	1,139,039	869,814	40,639	2,049,492
Total accumulated depreciation	(652,850)	(537,071)	(11,663)	(1,201,584)
Total capital assets being depreciated, net	486,189	332,743	28,976	847,908
Intangible assets	614	1,139	100	1,853
MSU Component Unit capital assets, net	25,121	—	—	25,121
UM Component Unit capital assets, net	—	2,434	—	2,434
Discretely Presented Component Units capital assets, net	\$ 587,258	\$ 383,748	\$ 49,391	\$ 1,020,397

⁽¹⁾ Montana State Fund early implemented GASB Statement No. 87, for the calendar year ended December 31, 2020, and created the right-to-use lease assets.

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, 2020, 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, 2020, 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, 2020, \$940.2 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, 2020, 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 \$10.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of \$10.0 million on any one life.

The aggregate stop-loss 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 \$8.9 million during the year ended December 31, 2020.

Estimated claim reserves were reduced by \$290.4 thousand as of December 31, 2020, 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, 2020	Year Ended December 31, 2019
Unpaid claims and claim adjustments expenses at beginning of year	\$ 956,594	\$ 941,638
Incurring claims and claim adjustment expenses:		
Provision for insured event of the current year	125,599	129,455
Increase (decrease) in provision for insured events of prior years	(27,224)	(9,466)
Total incurred claims and claim adjustment expenses	98,375	119,989
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(23,890)	(24,965)
Claims and claim adjustment expenses attributable to insured events of prior years	(90,918)	(80,068)
Total payments	(114,808)	(105,033)
Total unpaid claims and claim adjustment expenses at end of year	\$ 940,161	\$ 956,594

F. Capital Leases/Installment Purchases/Right-To-Use Leases

Obligations under capital leases/installment purchases at June 30, 2021, were as follows (in thousands):

Capital Leases/Installment Purchases Fiscal Year Ending June 30:	Discretely Presented Component Units ⁽¹⁾
2022	\$ 145
2023	105
2024	55
2025	47
2026	17
Thereafter	—
Total minimum payments	369
Less: interest	(29)
Present value of minimum payments	\$ 340

Right-To-Use Leases Fiscal Year Ending June 30:	Principal	Interest	Total ⁽¹⁾
2022	\$ 265	\$ 112	\$ 377
2023	250	105	355
2024	222	99	321
2025	221	94	315
2026	226	89	315
2027-2031	1,208	367	1,575
2032-2036	1,349	226	1,575
2037-2041	1,192	68	1,260
Total	\$ 4,933	\$ 1,160	\$ 6,093

⁽¹⁾ For the calendar year 2020, Montana State Fund early-adopted GASB Statement No. 87, Leases. Accordingly, for all of its long-term leases, a intangible right-to-use lease asset and lease liability were created. The assets are amortized over the term of the lease, while the liabilities are reduced as scheduled lease payments are made. Montana State Fund's total amount of lease assets and accumulated amortization is disclosed in Note 18, section C. Capital Assets as right-to-use lease assets.

G. Operating Leases

Future rental payments under operating leases at June 30, 2021, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2022	\$ 4,607
2023	4,283
2024	3,502
2025	3,484
2026	2,684
Thereafter	11,961
Total future rental payments	<u>\$ 30,521</u>

⁽¹⁾ For the calendar year 2020, MSF early-adopted GASB Statement No. 87, Leases. Accordingly, for all of its long-term leases, MSF will no longer be reporting leases as a operating lease and instead has created a intangible right-to-use lease asset.

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2021, were as follows (in thousands):

Ended June 30:	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	16,820	15,299	10,360	6,908	433	442	3,010	5,466
2023	17,745	14,937	6,275	6,570	446	429	3,130	5,348
2024	18,510	14,525	6,580	6,286	459	416	3,255	5,224
2025	18,590	14,085	6,770	5,981	472	402	3,380	5,096
2026	21,775	13,619	7,155	7,299	486	388	3,515	4,962
2027 - 2031	104,065	58,732	29,465	22,301	2,654	1,718	20,195	22,189
2032 - 2036	101,050	41,375	30,970	15,152	3,069	1,304	25,000	17,383
2037 - 2041	84,458	25,340	23,325	9,434	3,547	826	29,345	13,048
2042 - 2046	65,305	11,619	22,225	3,315	3,663	273	34,400	7,974
2047 - 2051	35,520	2,613	5,700	194			31,810	2,093
Total	<u>\$ 483,838</u>	<u>\$ 212,144</u>	<u>\$ 148,825</u>	<u>\$ 83,440</u>	<u>\$ 15,229</u>	<u>\$ 6,198</u>	<u>\$ 157,040</u>	<u>\$ 88,783</u>

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2021, 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	531,282	73,710	111,030	493,962	16,820	477,142
Montana State University (MSU)	167,355	98	11,617	155,836	10,478	145,358
MSU Direct Placement	15,649	—	420	15,229	433	14,796
University of Montana (UM)	168,235	—	3,370	164,865	3,010	161,855
Total bonds/notes payable ⁽¹⁾	882,521	73,808	126,437	829,892	30,741	799,151
Other liabilities						
Capital lease/installment purchase/right-to-use lease payable	426	5,050	203	5,273	398	4,875
Compensated absences payable	69,640	26,430	23,310	72,760	27,876	44,884
Arbitrage rebate tax payable	1,121	234	594	761	521	240
Estimated insurance claims	956,594	98,375	114,808	940,161	111,878	828,283
Due to federal government	27,257	17,267	20,615	23,909	—	23,909
Derivative instrument liability	5,499	—	3,580	1,919	—	1,919
Reinsurance funds withheld	56,754	8,524	—	65,278	—	65,278
Unearned compensation	391	136	39	488	—	488
Net pension liability	186,395	70,046	18,660	237,781	—	237,781
Total OPEB liability	27,460	47,907	17,243	58,124	—	58,124
Total other liabilities	1,331,537	273,969	199,052	1,406,454	140,673	1,265,781
	2,214,058	347,777	325,489	2,236,346	171,414	2,064,932
Long-term liabilities of Montana University System component units ⁽³⁾					517	5,114
Total discretely presented component units' long-term liabilities					\$ 171,931	\$ 2,070,046

⁽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 March 31, 2021, the Montana Board of Housing issued \$43.4 million of Single Family Mortgage Bonds, Series 2021A (1977 Single Family I Indenture, amended and restated as of May 1, 1997). Bond proceeds of \$13.4 million were used as a replacement refunding of the 2011B/2009C Series to reduce debt service payments over the remaining life of the original series. The refunding was a current refunding, thus no economic gain or loss has been calculated.

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. As of June 30, 2021, \$111.5 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, 2021, 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 11 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, 2021, bonds outstanding aggregated \$177.6 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 \$100.2 million as of June 30, 2021. 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, 2021 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 88,346	\$ 33,465	\$ 21,563	\$ 100,248

M. Derivative Instrument Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2021. 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. The following table summarizes the interest rate swaps outstanding as of June 30, 2021:

Derivative Instrument 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 ¹	Deutsche Bank AG
25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

¹ Securities Industry and Financial Markets Association (SIFMA)

As of June 30, 2021, 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 instrument 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 instrument 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 instrument.

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, 2021, 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 instrument.

The fair value of the fixed payer swap liability as of June 30, 2021, 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 instrument 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, 2021, (in thousands):

Cash flow hedges:	Notional	Activity During 2021		Fair Values at June 30, 2021	
		Classification	Amount	Classification	Amount
Cash flow hedge –					
Pay fixed interest rate swap	17,450	Interest expense	19	Loan receivable	175
		Investment income	—	Derivative instrument liability	1,919
		Deferred outflow	1,125	Derivative instrument borrowing	2,196
Investment derivative instrument–					
Basis swap	17,450	Investment revenue	19	Investment (excluding interest accrued)	1

The objective and terms of MSU's hedging derivative instrument outstanding as of June 30, 2021, 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	\$ 17,450	7/21/2005	11/15/2035	\$ —	Pay 3.953% Receive SIFMA

Credit Risk

It is MSU's policy to enter into derivative instrument agreements with highly rated counterparties. As of June 30, 2021, counterparty ratings were A2 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 instrument 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 instrument 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, 2021, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Foreign Currency Risk

All hedging derivative instruments are denominated in U.S. 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. No transfers for scholarships and construction projects were made by the Montana Tech Booster Club for the year ended June 30, 2021. 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. MSU-Bozeman leased certain office space from the MSU Foundation's wholly owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled \$429.2 thousand. Friends of Montana Public Television provided \$1.8 million and Friends of KEMC Public Radio provided \$1.2 million in support of the University's television and radio stations.

O. Litigation Contingencies

As of June 30, 2021, there are no matters that will have a material adverse financial impact.

P. Subsequent Events

On July 1, 2021, Stockman Bank transferred the servicing of 589 loans to the Montana Board of Housing (MBOH), with a total outstanding balance at the time of transfer of \$54.0 million.

On August 1, 2021, MBOH issued direction for a full optional redemption of the series 1999A-1 multifamily bonds in the amount of \$4.1 million.

On August 31, 2021, MBOH closed on 2021 series B single family mortgage bonds in the amount of \$32.0 million.

On November 22, 2021, the MBOH closed on a multifamily housing revenue series 2021 conduit bond for the Castlebar Apartment Development in the amount of \$13.5 million.

The American Rescue Plan Act (ARPA) has provided funds to be used for a homeowner assistance fund (HAF) to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, displacement of homeowner's insurance, utility payments, and for other specified purposes.

On February 17, 2022, the MBOH closed on single family mortgage bonds Series 2022A, in the amount of \$32.0 million.

On July 14, 2021, the Montana Facility Finance Authority (FFA) issued bonds Series 2021A of \$56.8 million and bonds Series 2021B of \$36.2 million to the Bozeman Deaconess Hospital to create new tax-exempt debt for buildings and equipment and create new taxable debt to purchase the EPIC electronic health records information system.

On July 27, 2021, the FFA issued bonds Series 2021B of \$100.0 million to Benefis Health System to fund construction of a new Helena Ambulatory Center, a new osteopathic medical school facility, and equipment upgrades across the campus.

On August 12, 2021, the FFA issued bonds Series 2021A of \$8.0 million and Series 2021B of \$18.6 million to Community Hospital of Anaconda to finance the Hospital's Infusion/Oncology Center project and to refinance existing taxable debt incurred to expand and renovate the facility.

On August 31, 2021, the FFA issued bonds of \$15.1 million to Beartooth Billings Clinic to refinance a direct loan from USDA Rural Development, the Series 2009A bonds USDA Guarantee and Series 2009B bonds unsecured. The original purpose of the 2009AB Series bonds was for the costs of design and construction of the new hospital in the Red Lodge, Montana.

On September 1, 2021, the FFA issued a trust fund loan of \$1.5 million to Rimrock Foundation to reimburse the purchase of land in Billings to consolidate services and create a central campus.

On October 20, 2021, the FFA issued Series 2021 A bonds of \$27.0 million and Series B bonds of \$10.0 million to Marcus Daly Memorial Hospital in Hamilton to fund renovation and expansion projects as well as refinance existing taxable and tax-exempt debt.

On November 15, 2021, the FFA issued Series 2021 A bonds to Billings Clinics of \$150.0 million to be used as a capital expansion to broaden the clinic's service lines and market reach.

On August 30, 2021, Montana State University (MSU) announced a \$101.0 million philanthropic gift to the College of Nursing from Mark and Robyn Jones to address healthcare access to rural communities. This gift, the largest in MSU history, will provide funding for new nursing education facilities across Montana in addition to scholarships and endowed professorships.

On October 19, 2021, MSU issued new debt and restructured portions of existing debt, non-taxable series G 2021 (\$45.6 million) and taxable series H 2021 (\$72.2 million). With the proceeds, \$40.3 million of new

debt will go towards the construction of the upcoming Student Wellness Center and the remainder being a refunding of series' 2012N, 2012O, 2013A, and 2016C. This transaction also enabled MSU to adopt and to operate under an Amended and Restated Indenture of Trust, 2021, that modernizes and broadens the MSU revenue pledge to include auxiliary facility gross pledged revenues, land grant income, indirect cost recovery payments, and all other unrestricted revenues of the University except tuition, student association-controlled activity fees, ad valorem property taxes, and State grants and appropriations.

On December 31, 2021, the MSU-Northern Foundation received a charitable gift of 42.969 acres of real property valued at \$1.9 million. The gift is for the Foundation to leverage the property to assist MSU-Northern in executing the build out of a proposed equine center.

On February 25, 2022, MSU announced a \$50 million philanthropic gift from the Gianforte Family Foundation. The gift is dedicated to constructing a new building to house the Gianforte School of Computing and computing-related fields such as cybersecurity, optics and photonics, electrical and computer engineering, and creative industries. The gift ties for the second largest in the university's history and is one of the largest philanthropic gifts in the history of Montana.

On March 12, 2021, Montana State Fund's board declared \$20.0 million dividend to be distributed in May 2021 to eligible policyholders for the 2018 policy year.

In March 2020 when the COVID-19 outbreak was declared a global pandemic, the University of Montana (UM) responded to the health crisis by moving to remote deliver of its courses. Remote delivery was continued in fiscal year 2021. This contributed to a decline in tuition and fees revenue of \$8.1 million, or approximately 8.0 percent, and a decline in excess of \$12.9 million in sales and service and auxiliary revenues, or over 23.0 percent. While UM received funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, it was not sufficient to offset all mitigation costs and loss of operation revenues. At the start of fiscal year 2022, UM returned to delivery of courses face-to-face and resumed normal operations for a majority of operating activities.

Q. Commitments

Montana State Fund (MSF or New Fund) is in a multi-year project to replace its legacy policy management system. Implementation of the core policy management and billing transaction systems, as well as the supporting digital portals, is expected to begin in 2021 and total expenditures are estimated to be \$39.2M. The total project cost through December 31, 2020 was \$33.3M. The next phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2021. Costs during the application development phase are being capitalized and recorded as construction work in process until the system is deployed.

As of June 30, 2021, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately \$23.1 million for equipment, supplies, and services which had not yet been received.

As of June 30, 2021, MSU had remaining budget authority on significant capital construction and renovation projects underway of approximately \$41.1 million. These projects include projects that are administered by the State Architecture and Engineering Division (A & E) and non A & E managed projects. Select projects are funded wholly or partially by the State's Long Range Building Program, and do not represent a commitment of funds on the part of MSU.

As of June 30, 2021, the University of Montana (UM) has spent \$16.1 million of \$48.6 million in budget authorizations for capital and maintenance projects.

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, 2021, the Game Warden & Peace Officers' Retirement System (GWPORS) was not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2021.



STATE OF MONTANA

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	\$ 142,964	\$ 142,964	\$ 142,810	\$ (154)
Taxes:				
Natural resource	73,910	73,910	68,068	(5,842)
Individual income	1,464,438	1,464,438	1,734,627	270,189
Corporate income	167,209	167,209	263,869	96,660
Property	310,394	310,394	309,495	(899)
Fuel	—	—	—	—
Other	255,740	255,740	253,940	(1,800)
Charges for services/fines/forfeits/settlements	46,638	46,638	45,488	(1,150)
Investment earnings	—	—	5,093	5,093
Sale of documents/merchandise/property	302	302	251	(51)
Rentals/leases/royalties	10	10	8	(2)
Contributions/premiums	(274)	(274)	—	274
Grants/contracts/donations	21	21	13,665	13,644
Federal	21,117	21,117	10,767	(10,350)
Federal indirect cost recoveries	38	38	164	126
Other revenues	127	127	379	252
Total revenues	2,482,634	2,482,634	2,848,624	365,990
EXPENDITURES				
Current:				
General government	409,511	409,511	385,619	23,892
Public safety	346,427	346,427	310,373	36,054
Transportation	213	213	174	39
Health and human services	566,288	566,288	490,805	75,483
Education	1,132,486	1,132,486	1,119,344	13,142
Natural resources	43,782	43,782	38,226	5,556
Debt service (Note RSI-1):				
Principal retirement	—	—	295	(295)
Interest/fiscal charges	—	—	247	(247)
Capital outlay (Note RSI-1)	—	—	7,436	(7,436)
Total expenditures	2,498,707	2,498,707	2,352,519	146,188
Excess of revenue over (under) expenditures	(16,073)	(16,073)	496,105	512,178
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	—	—
General capital asset sale proceeds	107	107	119	12
Refunding bond issued	—	—	—	—
Payment to refunding bond escrow agent	—	—	—	—
Bond premium	—	—	—	—
Bond proceeds	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	81,943	81,943	85,085	3,142
Transfers out (Note 12)	(279,411)	(279,411)	(330,993)	(51,582)
Total other financing sources (uses)	(197,361)	(197,361)	(245,789)	(48,428)
Net change in fund balances				
(Budgetary basis)	(213,434)	(213,434)	250,316	463,750
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	39	39
2. Securities lending costs	—	—	(10)	(10)
3. Inception of lease/installment contract	—	—	193	193
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(213,434)	(213,434)	250,538	463,972
Fund balance - July 1	—	—	592,810	592,810
Prior period adjustments	—	—	13,335	13,335
Increase (decrease) in inventories	—	—	(384)	(384)
Fund balances - June 30	\$ (213,434)	\$ (213,434)	\$ 856,299	\$ 1,069,733

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
\$ 302,717	\$ 302,717	\$ 299,019	\$ (3,698)	\$ —	\$ —	\$ —	\$ —
82,709	82,709	64,910	(17,799)	—	—	—	—
—	—	—	—	—	—	—	—
20	20	11	(9)	—	—	—	—
20,266	20,266	20,066	(200)	—	—	—	—
264,819	264,819	274,417	9,598	—	—	—	—
170,675	170,675	171,436	761	2	2	—	(2)
130,282	130,282	134,556	4,274	7,741	7,741	7,925	184
—	—	5,167	5,167	—	—	572	572
9,927	9,927	8,967	(960)	15	15	—	(15)
1,637	1,637	1,120	(517)	—	—	—	—
34,164	34,164	35,092	928	—	—	—	—
8,200	8,200	6,580	(1,620)	100	100	44	(56)
9,449	9,449	6,079	(3,370)	5,942,744	5,942,744	4,692,258	(1,250,486)
4,697	4,697	56,502	51,805	97,487	97,487	98,207	720
3,914	3,914	3,302	(612)	1,341	1,341	1,335	(6)
1,043,476	1,043,476	1,087,224	43,748	6,049,430	6,049,430	4,800,341	(1,249,089)
352,348	352,244	195,503	156,741	4,016,179	4,016,179	834,438	3,181,741
103,448	103,448	85,732	17,716	82,003	82,003	58,076	23,927
353,920	353,920	254,862	99,058	739,242	739,242	129,320	609,922
257,915	257,915	217,830	40,085	3,482,647	3,482,647	2,710,754	771,893
89,955	89,955	85,051	4,904	922,666	922,666	289,715	632,951
415,748	415,748	216,845	198,903	229,238	229,238	128,353	100,885
—	—	2,994	(2,994)	—	—	135	(135)
—	—	1,230	(1,230)	—	—	11	(11)
—	—	88,961	(88,961)	—	—	427,568	(427,568)
1,573,334	1,573,230	1,149,008	424,222	9,471,975	9,471,975	4,578,370	4,893,605
(529,858)	(529,754)	(61,784)	467,970	(3,422,545)	(3,422,545)	221,971	3,644,516
50	50	437	387	—	—	—	—
556	556	617	61	—	—	—	—
24,875	24,875	24,896	21	—	—	—	—
—	—	(23,935)	(23,935)	—	—	—	—
—	—	8,799	8,799	—	—	—	—
65,724	65,724	56,904	(8,820)	—	—	—	—
—	—	149	149	—	—	—	—
323,874	323,874	209,877	(113,997)	1,683,884	1,683,884	2,058	(1,681,826)
(100,956)	(100,956)	(63,008)	37,948	(2,877,747)	(2,877,747)	(229,171)	2,648,576
314,123	314,123	214,736	(99,387)	(1,193,863)	(1,193,863)	(227,113)	966,750
(215,735)	(215,631)	152,952	368,583	(4,616,408)	(4,616,408)	(5,142)	4,611,266
—	—	47	47	—	—	—	—
—	—	(10)	(10)	—	—	—	—
—	—	4,137	4,137	—	—	57	57
—	—	(11,899)	(11,899)	—	—	—	—
(215,735)	(215,631)	145,227	360,858	(4,616,408)	(4,616,408)	(5,085)	4,611,323
—	—	1,836,115	1,836,115	—	—	(6,799)	(6,799)
—	—	(591)	(591)	—	—	564	564
—	—	(1,551)	(1,551)	—	—	—	—
\$ (215,735)	\$ (215,631)	\$ 1,979,200	\$ 2,194,831	\$ (4,616,408)	\$ (4,616,408)	\$ (11,320)	\$ 4,605,088

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 2021, reverted governmental fund appropriations were as follows: \$96.6 million in the General Fund, \$260.7 million in the State Special Revenue Fund, and \$332.0 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 non-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)**

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 1,748	\$ 1,772	\$ 1,664	\$ 1,628	\$ 1,578	\$ 1,653	\$ 1,594
Interest	4,842	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	(262)	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	1,912	—	—	3,865	—	—	—
Refunds of contributions	—	—	(149)	—	—	—	—
Benefit payments	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	4,202	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	65,319	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	<u>\$ 69,521</u>	<u>\$ 65,319</u>	<u>\$ 60,192</u>	<u>\$ 60,798</u>	<u>\$ 53,953</u>	<u>\$ 53,146</u>	<u>\$ 51,632</u>
Plan Fiduciary Net Position							
Contributions – employer	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,806	\$ 1,684	\$ 1,651
Contributions – member	560	517	575	488	729	534	481
Net investment income	2,827	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	—	(149)	—	—	—	—
Benefit payments	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(157)	(123)	(264)	(254)	(197)	(136)	(100)
Other	—	—	7	—	(3)	—	—
Net change in plan fiduciary net position	1,180	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	104,886	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	<u>\$ 106,066</u>	<u>\$ 104,886</u>	<u>\$ 102,651</u>	<u>\$ 96,653</u>	<u>\$ 87,805</u>	<u>\$ 87,107</u>	<u>\$ 84,223</u>
Net Pension (Asset) – Beginning	<u>\$ (39,567)</u>	<u>\$ (42,459)</u>	<u>\$ (35,855)</u>	<u>\$ (33,852)</u>	<u>\$ (33,961)</u>	<u>\$ (32,591)</u>	<u>\$ (23,556)</u>
Net Pension (Asset) – Ending	<u>\$ (36,545)</u>	<u>\$ (39,567)</u>	<u>\$ (42,459)</u>	<u>\$ (35,855)</u>	<u>\$ (33,852)</u>	<u>\$ (33,961)</u>	<u>\$ (32,591)</u>
Plan fiduciary net position as a percentage of TPL	152.57%	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
Net pension (asset) as a percentage of covered payroll	(456.76)%	(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)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,138	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,786	\$ 1,684
Contributions made in relation to the contractually required contributions	2,138	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525
Contributions as a percentage of covered payroll	25.82%	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, 2021

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, 2020, determined as of June 30, 2020.

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%
Merit increases	0%
Total salary increases	3.50%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, 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	0.08%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 3,337	\$ 3,453	\$ 3,643	\$ 3,665	\$ 3,799	\$ 3,598	\$ 3,464
Interest	17,688	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	—	1,856	—
Difference between expected and actual experience	(993)	2,413	590	2,774	18	267	—
Changes of assumptions	141,055	—	—	7,892	—	—	—
Benefit payments	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(331)	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	148,071	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	237,728	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	<u>\$ 385,799</u>	<u>\$ 237,728</u>	<u>\$ 227,581</u>	<u>\$ 218,922</u>	<u>\$ 200,752</u>	<u>\$ 192,966</u>	<u>\$ 183,133</u>
Plan Fiduciary Net Position							
Contributions – employer	\$ 6,003	\$ 5,845	\$ 5,858	\$ 5,782	\$ 5,916	\$ 5,840	\$ 5,736
Contributions – non-employer	226	233	250	263	243	—	—
Contributions – member	2,170	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	4,101	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(163)	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(331)	(582)	(322)	(245)	(94)	—	—
Other	(131)	2	8	—	(2)	—	—
Net change in plan fiduciary net position	(810)	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	152,778	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	<u>\$ 151,968</u>	<u>\$ 152,778</u>	<u>\$ 149,199</u>	<u>\$ 140,537</u>	<u>\$ 128,973</u>	<u>\$ 129,067</u>	<u>\$ 126,010</u>
Net Pension Liability – Beginning	<u>\$ 84,950</u>	<u>\$ 78,382</u>	<u>\$ 78,385</u>	<u>\$ 71,779</u>	<u>\$ 63,899</u>	<u>\$ 57,123</u>	<u>\$ 65,903</u>
Net Pension Liability – Ending	<u>\$ 233,831</u>	<u>\$ 84,950</u>	<u>\$ 78,382</u>	<u>\$ 78,385</u>	<u>\$ 71,779</u>	<u>\$ 63,899</u>	<u>\$ 57,123</u>
Plan fiduciary net position as a percentage of TPL	39.39%	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
Net pension liability as a percentage of covered payroll	1498.15%	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)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 6,599	\$ 6,209	\$ 6,051	\$ 5,843	\$ 5,706	\$ 6,161	\$ 5,782
Contributions in relation to the contractually required contributions	6,599	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549
Contributions as a percentage of covered payroll	39.68%	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, 2021

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, 2020, determined as of June 30, 2020.

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%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.18%

Changes of assumptions: The discount rate was lowered from 7.65% to 4.43%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 8,029	\$ 8,004	\$ 8,098	\$ 8,623	\$ 8,403	\$ 8,008	\$ 7,850
Interest	18,535	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	(2,027)	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	85,967	—	—	5,878	—	—	—
Benefit payments	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	101,057	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	247,013	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	\$ 348,070	\$ 247,013	\$ 234,470	\$ 213,201	\$ 187,534	\$ 169,649	\$ 153,864
Plan Fiduciary Net Position							
Contributions - employer	\$ 4,868	\$ 4,686	\$ 4,613	\$ 4,464	\$ 4,278	\$ 4,088	\$ 3,762
Contributions - member	5,803	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	5,583	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(241)	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	(4)	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	6,562	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	206,348	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	\$ 212,910	\$ 206,348	\$ 193,523	\$ 175,841	\$ 154,685	\$ 148,638	\$ 138,743
Net Pension Liability – Beginning	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121	\$ 24,144
Net Pension Liability – Ending	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121
Plan fiduciary net position as a percentage of TPL	61.17%	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
Net pension liability as a percentage of covered payroll	251.11%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 5,394	\$ 4,837	\$ 4,644	\$ 4,574	\$ 4,447	\$ 4,240	\$ 4,040
Contributions in relation to the contractually required contributions	5,394	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885
Contributions as a percentage of covered payroll	8.99%	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, 2021**

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, 2020, determined as of June 30, 2020.

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%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, 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	0.16%

Changes of assumptions: The discount rate was lowered from 7.65% to 5.65%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	48.997235%	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	\$ 1,292,651	\$ 818,162	\$ 825,387	\$ 1,033,200	\$ 906,880	\$ 749,414	\$ 663,174
Employer's covered payroll	\$ 654,193	\$ 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	197.59%	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 78,878	\$ 58,504	\$ 56,183	\$ 54,844	\$ 56,256	\$ 59,073	\$ 58,575
Contributions in relation to the contractually required contributions	78,878	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 715,875	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286
Contributions as a percentage of covered payroll	11.02%	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, 2021**

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, 2020, determined as of June 30, 2020.

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%
Merit increases	0% to 4.80%
Total salary increases	3.50% to 8.47%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, 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	0.30%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	14.215404%	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	\$ 375,032	\$ 510,277	\$ 520,058	\$ 19,622	\$ 16,287	\$ 13,365	\$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	68.90%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 21,180	\$ 35,008	\$ 34,642	\$ 34,706	\$ 28,763	\$ 30,800	\$ 32,397
Contributions in relation to the contractually required contributions	21,180	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, 2021**

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, 2020, 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: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.758893%	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	\$ 5,800	\$ 4,067	\$ 3,663	\$ 3,696	\$ 9,582	\$ 5,434	\$ 2,304
Employer's covered payroll	\$ 4,041	\$ 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	143.53%	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	75.92%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 607	\$ 530	\$ 513	\$ 496	\$ 368	\$ 389	\$ 388
Contributions in relation to the contractually required contributions	607	530	513	496	368	389	388
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836
Contributions as a percentage of covered payroll	13.12%	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, 2021**

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, 2020, determined as of June 30, 2020. 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%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, 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	0.16%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

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)

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	66.853347%	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	\$ 163,514	\$ 133,487	\$ 114,956	\$ 119,354	\$ 119,708	\$ 110,756	\$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	64.84%	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)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,395	\$ 16,677	\$ 15,941	\$ 15,283	\$ 13,215	\$ 13,752	\$ 13,433
Contributions in relation to the contractually required contributions	17,395	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, 2021

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, 2020, 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: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.378643%	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	\$ 3,722	\$ 2,309	\$ 2,650	\$ 2,525	\$ 2,583	\$ 2,454	\$ 1,806
Employer's covered payroll	\$ 1,276	\$ 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	291.69%	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	75.34%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 665	\$ 599	\$ 494	\$ 518	\$ 472	\$ 475	\$ 142
Contributions in relation to the contractually required contributions	665	599	494	518	472	475	142
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986
Contributions as a percentage of covered payroll	47.00%	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, 2021**

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, 2020, determined as of June 30, 2020. 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%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, 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	0.13%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.656380%	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	\$ 105,867	\$ 79,524	\$ 78,285	\$ 76,724	\$ 77,448	\$ 68,892	\$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	75.34%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,897	\$ 17,147	\$ 16,209	\$ 15,272	\$ 14,042	\$ 13,635	\$ 13,573
Contributions in relation to the contractually required contributions	17,897	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, 2021**

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, 2020, 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: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	\$ 9,106	\$ 6,907	\$ 7,667	\$ 10,087	\$ 10,599	\$ 10,504	\$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	81.42%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,578	\$ 2,475	\$ 2,361	\$ 2,207	\$ 2,054	\$ 2,024	\$ 1,913
Contributions in relation to the contractually required contributions	2,578	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, 2021**

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, 2020, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**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)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.303331%	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	\$ 51,812	\$ 46,493	\$ 47,407	\$ 48,227	\$ 57,016	\$ 56,230	\$ 72,168
Employer's covered payroll	\$ 22,384	\$ 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	231.47%	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	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)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 16,103	\$ 16,686	\$ 16,538	\$ 17,298	\$ 17,396	\$ 16,946	\$ 16,234
Contributions in relation to the contractually required contributions	16,103	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252
Contributions as a percentage of covered payroll	73.95%	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, 2021**

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, 2020, determined as of June 30, 2020. 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
Asset valuation method	4-year smoothed market
Wage inflation	3.25%
Merit increase	0 to 4.51% for non-university members and 1.00% for university members
Total salary increases	3.25% to 7.76% for non-university members and 4.25% for university members, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, and including inflation
Mortality (healthy)	RP-2000 Healthy Combined mortality table projected to 2022 adjusted for partial credibility setback for 2 years
Mortality (disabled)	RP-2000 Disabled mortality table for males set back 3 years, for females set forward 2 years
Admin as a % of payroll	0.45%

Changes of assumptions: The discount rate was lowered from 7.50% to 7.34%. The investment rate of return was lowered from 7.50% to 7.34%. The inflation rate was reduced from 2.50% to 2.40%.

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)

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	36.554642%	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	\$ 822,282	\$ 715,637	\$ 700,417	\$ 642,958	\$ 707,527	\$ 647,092	\$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	64.95%	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)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 46,701	\$ 44,841	\$ 44,333	\$ 43,718	\$ 43,028	\$ 42,400	\$ 42,806
Contributions in relation to the contractually required contributions	46,701	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, 2021

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, 2020, 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 \$25.0 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: The discount rate was lowered from 7.50% to 7.34%. The investment rate of return was lowered from 7.50% to 7.34%. The inflation rate was reduced from 2.50% to 2.40%.

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	2021	2020	2019	2018
Service cost	\$ 1,734	\$ 1,946	\$ 2,062	\$ 1,889
Interest	1,333	1,586	1,990	2,014
Difference between expected and actual experience	(6,137)	(9,409)	—	(4,723)
Changes of assumptions or other inputs	104,439	(1,877)	2,895	(295)
Benefit payments	(1,196)	(601)	(1,709)	1,705
Net change in Total OPEB Liability	100,173	(8,355)	5,238	590
Total OPEB Liability - Beginning	47,342	55,697	50,459	49,869
Total OPEB Liability - Ending	\$ 147,515	\$ 47,342	\$ 55,697	\$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %	100 %
Covered employee payroll	\$ 689,871	\$ 690,563	\$ 702,688	\$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	21.38 %	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 in Actuarial Assumptions and Methods

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: 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.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017 and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Other changes include revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes in Benefit Terms

June 30, 2021: None

June 30, 2020: None

June 30, 2019: None

June 30, 2018: Medical plans moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016 and pharmacy moved from URx to Navitus as of January 1, 2017. The State implemented an Employer Group Waiver Program for Medicare retirees effective January 1, 2017.

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	2021	2020	2019	2018
Service cost	\$ 1,412	\$ 1,736	\$ 1,952	\$ 1,954
Interest	777	1,130	1,495	1,410
Difference between expected and actual experience	(17,388)	(15,015)	—	(1,323)
Changes of assumptions or other inputs	45,674	(1,791)	1,351	(182)
Benefit payments	(13)	1,441	(888)	(679)
Net change in Total OPEB Liability	30,462	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	26,849	39,348	35,438	34,258
Total OPEB Liability - Ending	<u>\$ 57,311</u>	<u>\$ 26,849</u>	<u>\$ 39,348</u>	<u>\$ 35,438</u>
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.18 %	94.92 %	95.59 %	95.62 %
Covered employee payroll ⁽²⁾	\$ 415,074	\$ 418,193	\$ 451,613	\$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	13.81 %	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 in Actuarial Assumptions and Methods*

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: 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.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017 and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements, lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP, changes in revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes of Benefit Terms

June 30, 2021: Carrier options reduced to one.

June 30, 2020: Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

June 30, 2019: None

June 30, 2018: Increased deductible, increased out-of-pocket limits for Medica and RX, increased visit copays, pharmacy moved from URx to Navitus as of July 1, 2017, employer group waiver program for Medicare retirees became effective July 1, 2017, adopted combined annual visit max of 30 for multiple therapy services and massage therapy moved into rehabilitation benefit.

REQUIRED SUPPLEMENTARY INFORMATION

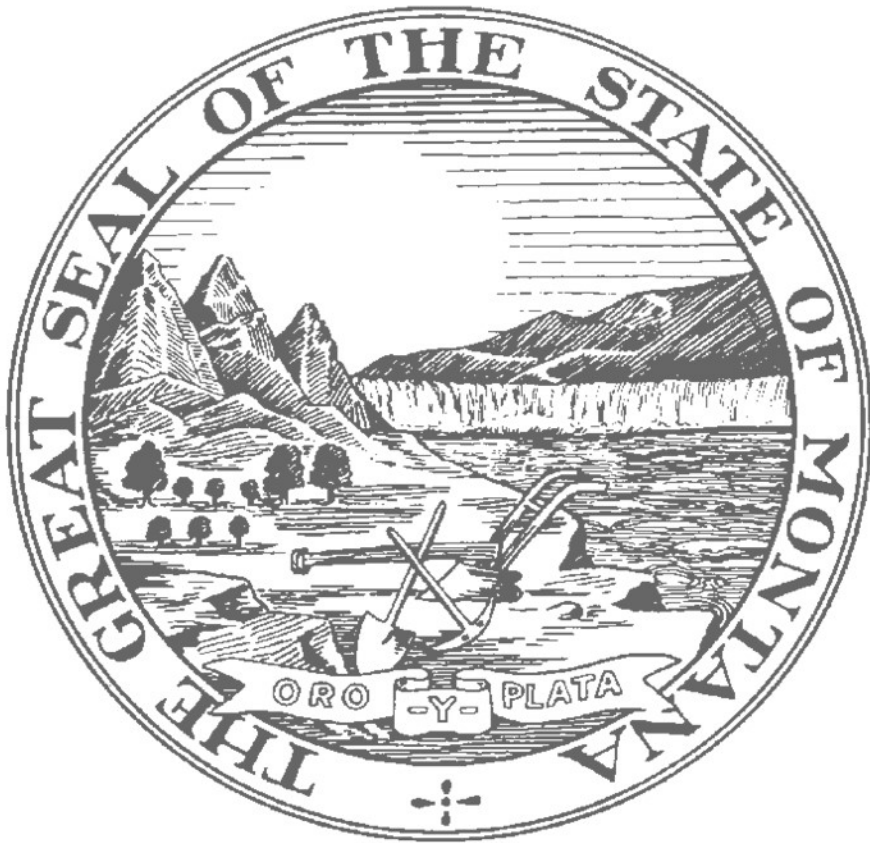
NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

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											
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
1. Premiums and investment revenue											
Earned	\$ 1,846	\$ 3,701	\$ 4,836	\$ 4,320	\$ 5,918	\$ 7,446	\$ 8,309	\$ 8,029	\$ 7,101	\$ 7,034	
Ceded	2,250	3,170	3,605	3,255	4,771	6,346	2,049	—	—	—	
Net earned	(404)	531	1,231	1,065	1,147	1,100	6,260	8,029	7,101	7,034	
2. Unallocated expenses including overhead	\$ 359	\$ 384	\$ 412	\$ 448	\$ 455	\$ 424	\$ 1,124	\$ 1,033	\$ 3,562	\$ 2,308	
3. Estimated losses and expenses end of accident year	\$ 520	\$ 793	\$ 422	\$ 120	\$ 819	\$ 324	\$ 6,660	\$ 13,511	\$ 2,221	\$ 4,608	
4. Net paid (cumulative) as of:											
End of policy year	\$ 444	\$ 782	\$ 405	\$ 85	\$ 817	\$ 189	\$ 6,643	\$ 13,285	\$ 1,881	\$ 3,857	
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	\$ 520	\$ 793	\$ 422	\$ 120	\$ 819	\$ 324	\$ 6,660	\$ 13,511	\$ 2,221	\$ 4,608	
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										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1. Premiums and investment Revenue	\$ 95,150	\$ 98,599	\$ 98,885	\$ 99,369	\$ 100,693	\$ 84,297	\$ 80,764	\$ 79,257	\$ 76,505	\$ 75,911
2. Unallocated expenses including overhead	\$ 4,617	\$ 4,691	\$ 5,150	\$ 5,111	\$ 5,196	\$ 5,129	\$ 5,198	\$ 4,787	\$ 3,938	\$ 4,063
3. Estimated losses and expenses end of accident year	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325	\$ 64,331
4. Net paid (cumulative) as of:										
End of policy year	\$ 93,363	\$ 83,896	\$ 82,211	\$ 80,393	\$ 75,601	\$ 76,400	\$ 79,388	\$ 63,317	\$ 61,964	\$ 56,981
One year later		93,665	91,306	89,050	84,575	85,796	88,943	69,073	67,988	62,937
Two years later			91,453	89,140	84,729	85,894	89,261	69,074	68,024	62,968
Three years later				89,161	84,738	86,002	89,264	69,076	68,024	62,974
Four years later					84,740	86,038	89,271	69,076	68,024	62,974
Five years later						86,121	89,283	69,076	68,024	62,974
Six years later							89,283	69,076	68,024	62,974
Seven years later								69,076	68,024	62,974
Eight years later									68,024	62,974
Nine years later										62,974
5. Re-estimated ceded losses and expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325	\$ 64,331
One year later		95,730	93,028	89,036	84,567	86,148	88,824	71,700	68,349	63,446
Two years later			91,453	89,140	84,729	85,894	89,261	69,074	68,024	62,968
Three years later				89,161	84,738	86,002	89,264	69,076	68,024	62,974
Four years later					84,740	86,038	89,271	69,076	68,024	62,974
Five years later						86,121	89,283	69,076	68,024	62,974
Six years later							89,283	69,076	68,024	62,974
Seven years later								69,076	68,024	62,974
Eight years later									68,024	62,974
Nine years later										62,974
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	\$ —	\$ (597)	\$ (1,940)	\$ (1,265)	\$ (1,063)	\$ (1,112)	\$ 1,931	\$ (2,800)	\$ (1,302)	\$ (1,357)



STATE OF MONTANA

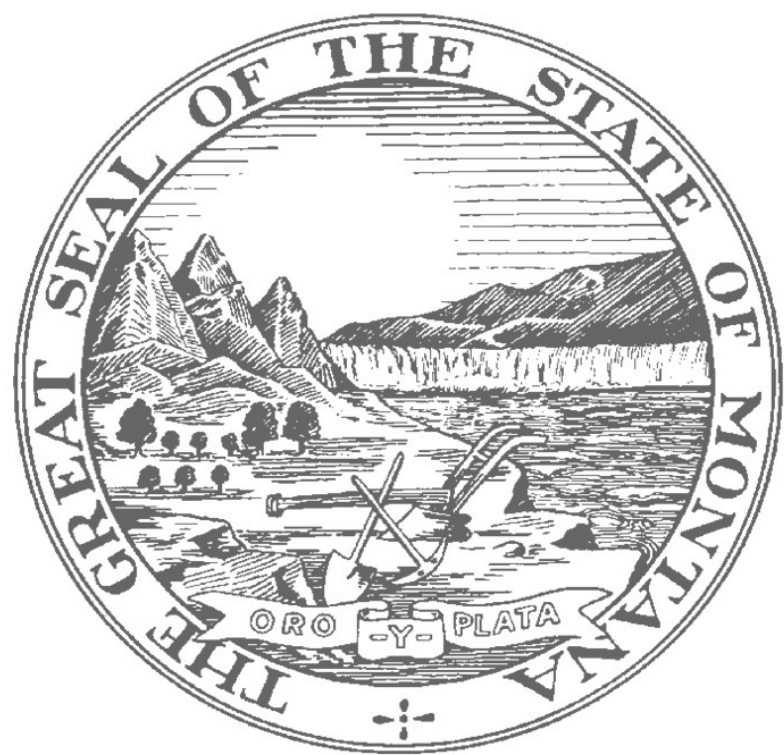
Supplementary Information

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 JUNE 30, 2021
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
ASSETS				
Cash/cash equivalents	\$ 9,728	\$ 270,870	\$ 7,040	\$ 287,638
Receivables (net)	5,520	3,841	1,181	10,542
Due from other funds	—	4,935	—	4,935
Due from component units	128	—	—	128
Equity in pooled investments	—	—	424,063	424,063
Long-term loans/notes receivable	19,964	—	—	19,964
Advances to other funds	5,328	—	—	5,328
Advances to component units	190	—	—	190
Securities lending collateral	—	—	7,659	7,659
Total assets	<u>\$ 40,858</u>	<u>\$ 279,646</u>	<u>\$ 439,943</u>	<u>\$ 760,447</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ —	\$ 5,937	\$ 5	\$ 5,942
Interfund loans payable	—	—	335	335
Due to other funds	1,654	—	754	2,408
Advances from other funds	1,761	—	—	1,761
Securities lending liability	—	—	7,659	7,659
Total liabilities	<u>3,415</u>	<u>5,937</u>	<u>8,753</u>	<u>18,105</u>
DEFERRED INFLOWS OF RESOURCES	<u>351</u>	<u>956</u>	<u>—</u>	<u>1,307</u>
Fund balances:				
Nonspendable	—	—	414,009	414,009
Restricted	5,734	11,314	17,181	34,229
Committed	31,358	262,200	—	293,558
Assigned	—	251	—	251
Unassigned	—	(1,012)	—	(1,012)
Total fund balances	<u>37,092</u>	<u>272,753</u>	<u>431,190</u>	<u>741,035</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 40,858</u>	<u>\$ 279,646</u>	<u>\$ 439,943</u>	<u>\$ 760,447</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
REVENUES				
Taxes:				
Natural resource	\$ 2,839	\$ 4,760	\$ —	\$ 7,599
Other	—	8,068	—	8,068
Charges for services/fines/forfeits/settlements	42	477	31,820	32,339
Investment earnings	11,709	24	6,008	17,741
Securities lending income	—	—	48	48
Total revenues	14,590	13,329	37,876	65,795
EXPENDITURES				
Current:				
General government	—	1,045	—	1,045
Public safety	—	23	—	23
Health and human services	—	2,443	—	2,443
Education	—	—	22	22
Natural resources	—	3,179	—	3,179
Debt service:				
Principal retirement	17,523	—	—	17,523
Interest/fiscal charges	4,510	—	—	4,510
Capital outlay	—	62,999	32	63,031
Securities lending	—	—	10	10
Total expenditures	22,033	69,689	64	91,786
Excess of revenue over (under) expenditures	(7,443)	(56,360)	37,812	(25,991)
OTHER FINANCING SOURCES (USES)				
General capital asset sale proceeds	—	—	15	15
Refunding bond issued	12,425	—	—	12,425
Payment to refunding bond escrow agent	(13,326)	—	—	(13,326)
Transfers in	27,270	292,155	534	319,959
Transfers out	(14,796)	(2,250)	(10,898)	(27,944)
Total other financing sources (uses)	11,573	289,905	(10,349)	291,129
Net change in fund balances	4,130	233,545	27,463	265,138
Fund balances - July 1 - as previously reported	32,962	39,211	403,727	475,900
Adjustments to beginning fund balances	—	(3)	—	(3)
Fund balances - July 1 - as adjusted	32,962	39,208	403,727	475,897
Fund balances - June 30	\$ 37,092	\$ 272,753	\$ 431,190	\$ 741,035



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 mining 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, 2021

(amounts expressed in thousands)

	COAL TAX	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
ASSETS			
Cash/cash equivalents	\$ 2,340	\$ 4,431	\$ 674
Receivables (net)	222	4,161	—
Due from component unit	—	—	—
Long-term loans/notes receivable	12,228	7,736	—
Advances to other funds	5,328	—	—
Advances to component units	—	—	—
Total assets	<u>\$ 20,118</u>	<u>\$ 16,328</u>	<u>\$ 674</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ —	\$ 1,654	\$ —
Advances from other funds	—	1,761	—
Total liabilities	<u>—</u>	<u>3,415</u>	<u>—</u>
DEFERRED INFLOWS OF RESOURCES	<u>184</u>	<u>167</u>	<u>—</u>
Fund balances:			
Restricted	—	5,060	674
Committed	19,934	7,686	—
Total fund balances	<u>19,934</u>	<u>12,746</u>	<u>674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,118</u>	<u>\$ 16,328</u>	<u>\$ 674</u>

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	TOTAL
\$ 201	\$ 2,082	\$ 9,728
14	1,123	5,520
128	—	128
—	—	19,964
—	—	5,328
190	—	190
<u>\$ 533</u>	<u>\$ 3,205</u>	<u>\$ 40,858</u>
\$ —	\$ —	\$ 1,654
—	—	1,761
—	—	3,415
—	—	351
—	—	5,734
533	3,205	31,358
533	3,205	37,092
<u>\$ 533</u>	<u>\$ 3,205</u>	<u>\$ 40,858</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**NONMAJOR DEBT SERVICE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	HEALTH CARE
REVENUES				
Taxes:				
Natural resource	\$ —	\$ —	\$ 377	\$ —
Charges for services/fines/forfeits/settlements	—	—	—	—
Investment earnings	605	—	11,103	—
Total revenues	605	—	11,480	—
EXPENDITURES				
Debt service:				
Principal retirement	2,390	6,975	2,022	1,131
Interest/fiscal charges	339	2,427	750	74
Total expenditures	2,729	9,402	2,772	1,205
Excess of revenue over (under) expenditures	(2,124)	(9,402)	8,708	(1,205)
OTHER FINANCING SOURCES (USES)				
Refunding bond issued	—	—	—	—
Payment to refunding bond escrow agent	(901)	—	—	—
Transfers in	10,055	9,402	970	1,199
Transfers out	(5,167)	—	(9,197)	—
Total other financing sources (uses)	3,987	9,402	(8,227)	1,199
Net change in fund balances	1,863	—	481	(6)
Fund balances - July 1 - as previously reported	18,071	—	12,265	680
Fund balances - July 1 - as adjusted	18,071	—	12,265	680
Fund balances - June 30	\$ 19,934	\$ —	\$ 12,746	\$ 674

ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
\$ —	\$ 2,462	\$ —	\$ —	2,839
42	—	—	—	42
1	—	—	—	11,709
43	2,462	—	—	14,590
320	295	3,390	1,000	17,523
22	53	534	311	4,510
342	348	3,924	1,311	22,033
(299)	2,114	(3,924)	(1,311)	(7,443)
—	—	—	12,425	12,425
—	—	—	(12,425)	(13,326)
206	203	3,924	1,311	27,270
(432)	—	—	—	(14,796)
(226)	203	3,924	1,311	11,573
(525)	2,317	—	—	4,130
1,058	888	—	—	32,962
1,058	888	—	—	32,962
\$ 533	\$ 3,205	\$ —	\$ —	37,092



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.

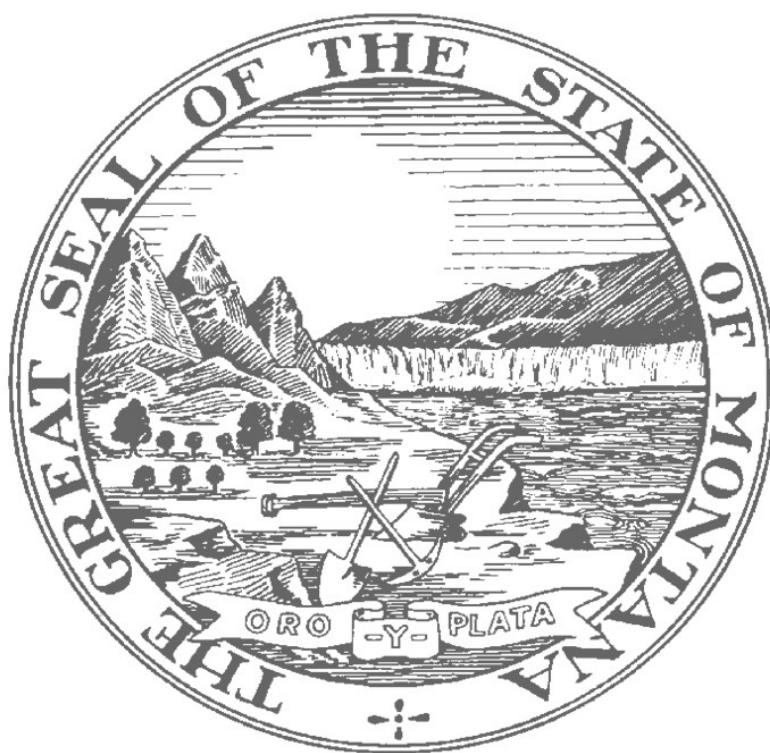
Capital Land Grant Fund — accounts for revenues and expenditures from the Capital Land Grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a debt service fund for the payment of principal and interest on bonds issued for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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2021
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
ASSETS					
Cash/cash equivalents	\$ 253,693	\$ 11,349	\$ —	\$ 5,828	\$ 270,870
Receivables (net)	3,841	—	—	—	3,841
Due from other funds	4,935	—	—	—	4,935
Total assets	<u>\$ 262,469</u>	<u>\$ 11,349</u>	<u>\$ —</u>	<u>\$ 5,828</u>	<u>\$ 279,646</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,854	\$ 20	\$ 1,012	\$ 51	\$ 5,937
Total liabilities	<u>\$ 4,854</u>	<u>\$ 20</u>	<u>\$ 1,012</u>	<u>\$ 51</u>	<u>\$ 5,937</u>
DEFERRED INFLOWS OF RESOURCES					
	956	—	—	—	956
Fund balances:					
Restricted	5,537	—	—	5,777	11,314
Committed	251,056	11,144	—	—	262,200
Assigned	66	185	—	—	251
Unassigned	—	—	(1,012)	—	(1,012)
Total fund balances	<u>256,659</u>	<u>11,329</u>	<u>(1,012)</u>	<u>5,777</u>	<u>272,753</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 262,469</u>	<u>\$ 11,349</u>	<u>\$ —</u>	<u>\$ 5,828</u>	<u>\$ 279,646</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
REVENUES					
Taxes:					
Natural resource	\$ 4,760	\$ —	\$ —	\$ —	\$ 4,760
Other	8,068	—	—	—	8,068
Charges for services/fines/forfeits/settlements	477	—	—	—	477
Investment earnings	24	—	—	—	24
Total revenues	13,329	—	—	—	13,329
EXPENDITURES					
Current:					
General government	1,045	—	—	—	1,045
Public safety	—	23	—	—	23
Health and human services	2,235	208	—	—	2,443
Natural resources	3,179	—	—	—	3,179
Capital outlay	52,012	878	8,807	1,302	62,999
Total expenditures	58,471	1,109	8,807	1,302	69,689
Excess of revenue over (under) expenditures	(45,142)	(1,109)	(8,807)	(1,302)	(56,360)
OTHER FINANCING SOURCES (USES)					
Transfers in	274,768	7,313	8,504	1,570	292,155
Transfers out	(2,250)	—	—	—	(2,250)
Total other financing sources (uses)	272,518	7,313	8,504	1,570	289,905
Net change in fund balances	227,376	6,204	(303)	268	233,545
Fund balances - July 1 - as previously reported	29,286	5,125	(709)	5,509	39,211
Adjustments to beginning fund balances	(3)	—	—	—	(3)
Fund balances - July 1 - as adjusted	29,283	5,125	(709)	5,509	39,208
Fund balances - June 30	\$ 256,659	\$ 11,329	\$ (1,012)	\$ 5,777	\$ 272,753



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 earnings 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, 2021
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
ASSETS			
Cash/cash equivalents	\$ 23	\$ 69	\$ 250
Receivables (net)	335	—	6
Equity in pooled investments	117,145	—	13,632
Securities lending collateral	2,116	—	246
Total assets	<u>\$ 119,619</u>	<u>\$ 69</u>	<u>\$ 14,134</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ —	\$ —	\$ —
Interfund loans payable	335	—	—
Due to other funds	—	—	2
Securities lending liability	2,116	—	246
Total liabilities	<u>2,451</u>	<u>—</u>	<u>248</u>
Fund balances:			
Nonspendable	100,000	66	13,886
Restricted	17,168	3	—
Total fund balances	<u>117,168</u>	<u>69</u>	<u>13,886</u>
Total liabilities and fund balances	<u>\$ 119,619</u>	<u>\$ 69</u>	<u>\$ 14,134</u>

HISTORICAL SOCIETY TRUSTS		TOBACCO SETTLEMENT		TOTAL	
\$	24	\$	6,674	\$	7,040
	4		836		1,181
	1,445		291,841		424,063
	26		5,271		7,659
\$	1,499	\$	304,622	\$	439,943
\$	5	\$	—	\$	5
	—		—		335
	—		752		754
	26		5,271		7,659
	31		6,023		8,753
	1,458		298,599		414,009
	10		—		17,181
	1,468		298,599		431,190
\$	1,499	\$	304,622	\$	439,943

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED AND INVASIVE SPECIES MANAGEMENT
REVENUES			
Charges for services/fines/forfeits/settlements	\$ —	\$ —	\$ —
Investment earnings	1,824	—	(153)
Securities lending income	14	—	—
Total revenues	1,838	—	(153)
EXPENDITURES			
Current:			
Education	—	—	—
Capital outlay	—	—	—
Securities lending	3	—	—
Total expenditures	3	—	—
Excess of revenue over (under) expenditures	1,835	—	(153)
OTHER FINANCING SOURCES (USES)			
General capital asset sale proceeds	—	—	—
Transfers in	—	—	534
Transfers out	(3,516)	—	(30)
Total other financing sources (uses)	(3,516)	—	504
Net change in fund balances	(1,681)	—	351
Fund balances - July 1 - as previously reported	118,849	69	13,535
Fund balances - July 1 - as adjusted	118,849	69	13,535
Fund balances - June 30	\$ 117,168	\$ 69	\$ 13,886

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	TOTAL
\$ —	\$ 31,820	\$ 31,820
24	4,313	6,008
—	34	48
24	36,167	37,876
22	—	22
32	—	32
—	7	10
54	7	64
(30)	36,160	37,812
15	—	15
—	—	534
—	(7,352)	(10,898)
15	(7,352)	(10,349)
(15)	28,808	27,463
1,483	269,791	403,727
1,483	269,791	403,727
\$ 1,468	\$ 298,599	\$ 431,190

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, 2021
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
ASSETS				
Current assets:				
Cash/cash equivalents	\$ 1,537	\$ 3,388	\$ 3,008	\$ 2,101
Receivables (net)	31,692	732	4,571	324
Interfund loans receivable	—	—	—	—
Due from other governments	—	—	—	—
Due from other funds	—	—	—	38
Inventories	1,347	—	525	2,869
Securities lending collateral	—	—	—	—
Other current assets	20	—	20	7
Total current assets	34,596	4,120	8,124	5,339
Noncurrent assets:				
Long-term investments	—	—	—	—
Other long-term assets	—	—	1,068	292
Capital assets:				
Land	—	—	—	690
Land improvements	—	—	—	731
Buildings/improvements	2,190	—	99	6,264
Equipment	1,115	—	665	6,369
Infrastructure	—	—	—	1,175
Construction in progress	—	—	—	—
Intangible assets	—	—	—	—
Other capital assets	—	—	—	3,213
Less accumulated depreciation	(2,809)	—	(596)	(10,901)
Total capital assets	496	—	168	7,541
Total noncurrent assets	496	—	1,236	7,833
Total assets	35,092	4,120	9,360	13,172
DEFERRED OUTFLOWS OF RESOURCES				
	1,170	33	858	942
LIABILITIES				
Current liabilities:				
Accounts payable	11,268	1,497	958	876
Lottery prizes payable	—	—	3,534	—
Interfund loans payable	—	—	—	—
Due to other governments	—	—	—	—
Due to other funds	11,410	—	3,447	—
Unearned revenue	1,156	435	237	139
Current lease liability	4	2	—	—
Amounts held in custody for others	20	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	76	—	—
Compensated absences payable	164	7	113	134
Total current liabilities	24,022	2,017	8,289	1,149
Noncurrent liabilities:				
Lottery prizes payable	—	—	924	—
Long term lease liability	2	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	338	—	147	237
Net pension liability	2,907	90	2,448	1,692
Total OPEB liability	500	15	382	366
Total noncurrent liabilities	3,747	105	3,901	2,295
Total liabilities	27,769	2,122	12,190	3,444
DEFERRED INFLOWS OF RESOURCES				
	413	9	245	168
NET POSITION				
Net investment in capital assets	490	—	167	7,542
Restricted for:				
Other purposes	—	2,022	—	—
Unrestricted	7,589	—	(2,386)	2,960
Total net position	\$ 8,079	\$ 2,022	\$ (2,219)	\$ 10,502

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
\$ 93,903	\$ 13,782	\$ 753	\$ 6,960	\$ 542
2,399	38	167	26	34
—	—	—	—	75
—	—	—	—	—
—	—	—	—	—
252	79	—	—	289
—	—	—	—	1
—	—	—	—	1
96,554	13,899	920	6,986	942
15,938	4,371	—	—	50
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	118	—
—	—	—	—	—
—	—	—	953	—
—	—	—	3,432	—
—	—	—	—	—
—	—	—	(114)	—
—	—	—	4,389	—
15,938	4,371	—	4,389	50
112,492	18,270	920	11,375	992
246	10	—	933	129
2,864	22	—	284	24
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
426	—	—	2	105
—	—	—	2	2
—	—	—	10	—
252	79	—	—	1
10,663	1,987	1,077	—	—
27	9	—	120	12
14,232	2,097	1,077	418	144
—	—	—	—	—
—	—	—	3	1
—	3,247	634	—	—
100	2	—	336	19
758	—	—	2,757	339
76	19	—	393	66
934	3,268	634	3,489	425
15,166	5,365	1,711	3,907	569
176	—	—	806	45
—	—	—	4,384	—
97,396	12,916	353	—	—
—	—	(1,144)	3,211	507
\$ 97,396	\$ 12,916	\$ (791)	\$ 7,595	\$ 507

CONTINUES

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2021
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
ASSETS				
Current assets:				
Cash/cash equivalents	\$ 281	\$ 1,976	\$ 475	\$ 4,152
Receivables (net)	18	30	127	—
Interfund loans receivable	—	140	—	—
Due from other governments	—	—	—	—
Due from other funds	—	—	—	—
Inventories	965	—	—	—
Securities lending collateral	—	—	—	—
Other current assets	—	—	—	222
Total current assets	1,264	2,146	602	4,374
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	—	350	—	—
Intangible assets	—	—	—	—
Other capital assets	—	—	—	—
Less accumulated depreciation	(255)	(3,654)	—	—
Total capital assets	71	8,512	—	—
Total noncurrent assets	71	8,512	—	—
Total assets	1,335	10,658	602	4,374
DEFERRED OUTFLOWS OF RESOURCES	155	62	168	—
LIABILITIES				
Current liabilities:				
Accounts payable	36	52	28	76
Lottery prizes payable	—	—	—	—
Interfund loans payable	—	—	—	—
Due to other governments	—	—	—	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	3
Current lease liability	1	—	—	—
Amounts held in custody for others	—	—	—	—
Securities lending liability	—	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	14	18	25	—
Total current liabilities	51	70	53	79
Noncurrent liabilities:				
Lottery prizes payable	—	—	—	—
Long term lease liability	—	—	—	—
Estimated insurance claims	—	—	—	—
Compensated absences payable	33	5	55	—
Net pension Liability	439	173	499	—
Total OPEB liability	70	29	69	—
Total noncurrent liabilities	542	207	623	—
Total liabilities	593	277	676	79
DEFERRED INFLOWS OF RESOURCES	44	24	48	—
NET POSITION				
Net investment in capital assets	70	8,512	—	—
Restricted for:				
Other purposes	—	—	46	4,294
Unrestricted	782	1,909	—	—
Total net position	\$ 852	\$ 10,421	\$ 46	\$ 4,294

HUD SECTION 8 HOUSING		OTHER ENTERPRISE FUNDS		TOTAL
\$	10,489	\$	3,802	\$ 147,149
	17		354	40,529
	—		—	215
	386		—	386
	—		—	38
	—	202		6,197
	—	—		332
	66	—		336
	10,958	4,358		195,182
	—	—		20,359
	—	—		1,360
	—	—		800
	—	—		3,830
	—	40		16,379
	15	415		9,844
	—	—		1,175
	—	—		1,303
	—	—		3,432
	—	—		3,213
	(11)	(261)		(18,601)
	4	194		21,375
	4	194		43,094
	10,962	4,552		238,276
	514	442		5,662
	70	225		18,280
	—	—		3,534
	200	2,500		2,700
	355	—		355
	—	30		14,887
	—	48		2,551
	2	—		13
	—	—		30
	—	—		332
	—	—		13,803
	50	76		769
	677	2,879		57,254
	—	—		924
	1	1		8
	—	—		3,881
	105	67		1,444
	1,461	1,323		14,886
	224	197		2,406
	1,791	1,588		23,549
	2,468	4,467		80,803
	154	128		2,260
	1	194		21,360
	2,385	3		119,415
	6,468	204		20,100
\$	8,854	\$	401	\$ 160,875

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**NONMAJOR ENTERPRISE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Operating revenues:				
Charges for services	\$ 135,063	\$ —	\$ 112,327	\$ 7,005
Investment earnings	—	4	4	—
Securities lending income	—	—	—	—
Contributions/premiums	—	1,151	—	—
Grants/contracts/donations	—	—	—	—
Other operating revenues	357	1	—	17
Total operating revenues	135,420	1,156	112,331	7,022
Operating expenses:				
Personal services	3,945	218	2,957	2,582
Contractual services	199	15	13,763	223
Supplies/materials	110,293	6	1,074	2,581
Benefits/claims	5,711	528	—	—
Depreciation	105	—	51	390
Amortization	—	—	—	—
Utilities/rent	261	7	240	150
Communications	95	4	717	10
Travel	11	10	19	9
Repair/maintenance	230	—	12	447
Lottery prize payments	—	—	80,350	—
Interest expense	7	—	—	—
Other operating expenses	56	8	170	414
Total operating expenses	120,913	796	99,353	6,806
Operating income (loss)	14,507	360	12,978	216
Nonoperating revenues (expenses):				
Tax revenues	38,141	—	—	—
Gain (loss) on sale of capital assets	8	—	—	(600)
Federal indirect cost recoveries	—	—	—	—
Increase (decrease) value of livestock	—	—	—	433
Total nonoperating revenues (expenses)	38,149	—	—	(167)
Income (loss) before contributions and transfers	52,656	360	12,978	49
Capital contributions	—	—	—	—
Transfers in	—	—	—	—
Transfers out	(51,458)	—	(13,300)	—
Change in net position	1,198	360	(322)	49
Total net position - July 1 - as previously reported	6,886	1,662	(1,898)	10,454
Adjustments to beginning net position	(6)	—	—	—
Total net position - July 1 - as adjusted	6,880	1,662	(1,898)	10,454
Total net position - June 30	\$ 8,078	\$ 2,022	\$ (2,220)	\$ 10,503

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
\$ —	\$ —	\$ —	9,190	\$ 848
337	90	2	9	1
2	1	—	—	—
105,336	3,930	1,252	—	—
—	—	—	—	—
6,249	—	—	3	10
111,924	4,021	1,254	9,202	859
700	104	—	2,757	478
7,791	655	1	2,174	161
5	2	—	131	327
96,655	1,820	677	—	—
—	—	—	4	—
—	—	—	573	—
60	9	—	83	24
17	1	—	113	35
5	—	—	—	1
1	—	—	306	26
—	—	—	—	—
—	—	—	—	—
834	261	—	127	38
106,068	2,852	678	6,268	1,090
5,856	1,169	576	2,934	(231)
—	—	—	—	—
—	—	—	(8)	—
—	—	—	65	—
—	—	—	—	—
—	—	—	57	—
5,856	1,169	576	2,991	(231)
—	—	—	—	—
—	—	—	—	13
—	—	(23)	—	(6)
5,856	1,169	553	2,991	(224)
91,540	11,747	(1,314)	4,605	733
—	—	(30)	(1)	—
91,540	11,747	(1,344)	4,604	733
\$ 97,396	\$ 12,916	\$ (791)	\$ 7,595	\$ 509

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**NONMAJOR ENTERPRISE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Operating revenues:				
Charges for services	\$ 787	\$ 163	\$ 733	\$ 122
Investment earnings	—	—	—	3
Securities lending income	—	—	—	—
Contributions/premiums	—	—	—	10,728
Grants/contracts/donations	—	—	—	—
Other operating revenues	—	314	14	—
Total operating revenues	787	477	747	10,853
Operating expenses:				
Personal services	506	48	493	3
Contractual services	26	—	85	263
Supplies/materials	743	—	7	—
Benefits/claims	—	—	—	10,327
Depreciation	22	513	—	—
Amortization	—	—	—	—
Utilities/rent	43	—	12	—
Communications	22	—	7	—
Travel	3	—	—	—
Repair/maintenance	7	—	1	—
Lottery prize payments	—	—	—	—
Interest expense	—	—	—	—
Other operating expenses	36	—	(63)	8
Total operating expenses	1,408	561	542	10,601
Operating income (loss)	(621)	(84)	205	252
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	(621)	(84)	205	252
Capital contributions	883	72	—	—
Transfers in	—	14	—	—
Transfers out	—	—	—	—
Change in net position	262	2	205	252
Total net position - July 1 - as previously reported	591	10,420	(160)	4,043
Adjustments to beginning net position	—	—	—	—
Total net position - July 1 - as adjusted	591	10,420	(160)	4,043
Total net position - June 30	\$ 853	\$ 10,422	\$ 45	\$ 4,295

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
\$ —	\$ 7,314	\$ 273,552
17	2	469
—	—	3
—	—	122,397
52,299	—	52,299
—	13	6,978
52,316	7,329	455,698
1,390	2,111	18,292
1,890	3,918	31,164
40	886	116,095
47,126	—	162,844
2	33	1,120
—	—	573
122	150	1,161
74	17	1,112
24	29	111
200	355	1,585
—	—	80,350
—	—	7
258	1,978	4,125
51,126	9,477	418,539
1,190	(2,148)	37,159
—	—	38,141
—	—	(600)
—	—	65
—	—	433
—	—	38,039
1,190	(2,148)	75,198
—	—	955
—	—	27
—	(1)	(64,788)
1,190	(2,149)	11,392
7,664	2,547	149,520
—	—	(37)
7,664	2,547	149,483
\$ 8,854	\$ 398	\$ 160,875

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	\$ 130,260	\$ 2,553	\$ 111,308	\$ 6,886
Payments to suppliers for goods and services	(113,414)	(1,188)	(16,165)	(3,886)
Payments to employees	(3,881)	(330)	(2,642)	(2,858)
Grant receipts (expenses)	—	—	—	—
Cash payments for claims	(5,711)	(463)	—	—
Cash payments for prizes	—	—	(79,042)	—
Other operating revenues	357	1	—	17
Other operating payments	(56)	(8)	—	(414)
Net cash provided by (used for) operating activities	7,555	565	13,459	(255)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	38,141	—	—	—
Transfer to other funds	(51,458)	—	(11,932)	—
Transfer from other funds	—	—	—	—
Proceeds from interfund loans/advances	—	—	—	—
Payment of interfund loans and advances	—	—	(80)	—
Payment of principal and interest on bonds and notes	(7)	—	—	—
Grant receipts and Federal indirect cost recoverable	—	—	—	—
Net cash provided by (used for) noncapital financing activities	(13,324)	—	(12,012)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(52)	—	(34)	1
Proceeds from sale of capital assets	—	—	—	330
Net cash provided by (used for) capital and related financing activities	(52)	—	(34)	331
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	—	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	4	39	—
Net cash provided by (used for) investing activities	—	4	39	—
Net increase (decrease) in cash and cash equivalents	(5,821)	569	1,452	76
Cash and cash equivalents, July 1	7,358	2,818	1,553	2,025
Cash and cash equivalents, June 30	\$ 1,537	\$ 3,387	\$ 3,005	\$ 2,101

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
\$ 105,354	\$ 2,491	\$ 1,165	\$ 9,234	\$ 842
(10,146)	(315)	—	(2,766)	(483)
(749)	(105)	—	(3,071)	(376)
—	—	—	—	—
(96,292)	(344)	(1,342)	—	—
—	—	—	—	—
6,249	—	—	3	10
(834)	(267)	—	(127)	(38)
3,582	1,460	(177)	3,273	(45)
—	—	—	—	—
—	—	(23)	—	(6)
—	—	—	—	13
—	—	—	61	—
—	—	—	—	(75)
—	—	—	—	—
—	—	—	65	—
—	—	(23)	126	(68)
—	—	—	(1,288)	—
—	—	—	—	—
—	—	—	(1,288)	—
237	63	—	—	—
2	1	—	—	—
336	80	2	8	1
575	144	2	8	1
4,157	1,604	(198)	2,119	(112)
89,745	12,176	953	4,838	654
\$ 93,902	\$ 13,780	\$ 755	\$ 6,957	\$ 542

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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	\$ 784	\$ 223	\$ 648	\$ 10,851
Payments to suppliers for goods and services	(1,060)	(11)	(104)	(457)
Payments to employees	(462)	(29)	(524)	(3)
Grant receipts (expenses)	—	—	—	—
Cash payments for claims	—	—	—	(10,327)
Cash payments for prizes	—	—	—	—
Other operating revenues	—	314	77	—
Other operating payments	(36)	—	—	(8)
Net cash provided by (used for) operating activities	(774)	497	97	56
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of taxes	—	—	—	—
Transfer to other funds	—	—	—	—
Transfer from other funds	—	14	—	—
Proceeds from interfund loans/advances	—	—	—	—
Payment of interfund loans and advances	—	(140)	—	—
Payment of principal and interest on bonds and notes	—	—	—	—
Grant receipts and Federal indirect cost recoverable	—	—	—	—
Net cash provided by (used for) noncapital financing activities	—	(126)	—	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	1	(65)	—	—
Proceeds from sale of capital assets	883	—	—	—
Net cash used for capital and related financing activities	884	(65)	—	—
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	—	—	—	—
Proceeds (loss) from securities lending transactions/investments	—	—	—	—
Interest and dividends on investments	—	—	—	2
Net cash provided by (used for) investing activities	—	—	—	2
Net increase (decrease) in cash and cash equivalents	110	306	97	58
Cash and cash equivalents, July 1	174	1,672	378	4,093
Cash and cash equivalents, June 30	\$ 284	\$ 1,978	\$ 475	\$ 4,151

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
\$ 29	\$ 7,183	\$ 389,811
(2,232)	(5,292)	(157,519)
(1,459)	(1,744)	(18,233)
51,913	—	51,913
(47,126)	—	(161,605)
—	—	(79,042)
—	13	7,041
(258)	(1,978)	(4,024)
867	(1,818)	28,342
—	—	38,141
—	(1)	(63,420)
—	—	27
200	2,500	2,761
—	—	(295)
—	—	(7)
—	—	65
200	2,499	(22,728)
—	—	(1,437)
—	—	1,213
—	—	(224)
—	—	300
—	—	3
16	2	490
16	2	793
1,083	683	6,183
9,406	3,123	140,966
\$ 10,489	\$ 3,806	\$ 147,149

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 14,507	\$ 360	\$ 12,980	\$ 217
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	105	—	51	390
Amortization	—	—	—	—
Investment earnings	—	(4)	(4)	—
Securities lending income	—	—	—	—
Interest expense	7	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows :				
Decr (Incr) in accounts receivable	(4,804)	1,402	(1,057)	(80)
Decr (Incr) in due from other funds	—	—	—	(38)
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	(957)	—	(120)	(552)
Decr (Incr) in other assets	1	—	7	—
Incr (Decr) in accounts payable	1,482	(1,025)	(52)	(47)
Incr (Decr) in due to other funds	(2,835)	—	—	—
Incr (Decr) in due to other governments	—	—	—	—
Incr (Decr) in lottery prizes payable	—	—	1,306	—
Incr (Decr) in unearned revenue	(139)	(137)	36	2
Incr (Decr) in compensated absences payable	81	1	(6)	(35)
Incr (Decr) in total OPEB liability	338	5	27	230
Incr (Decr) in estimated claims	—	65	—	—
Incr (Decr) in other payables	(4)	2	—	—
Incr (Decr) in net pension liability and related accounts	(228)	(103)	294	(339)
Net cash provided by (used for) operating activities	7,554	566	13,462	(252)
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	—	—	—	—
Incr (Decr) in fair value of investments	—	—	1	—
Total noncash transactions	\$ —	\$ —	\$ 1	\$ —

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
\$ 5,857	\$ 1,170	\$ 577	\$ 2,933	(231)
—	—	—	4	—
—	—	—	573	—
(336)	(90)	(2)	(9)	(1)
(2)	(1)	—	—	—
—	—	—	—	—
12	(47)	(87)	44	(7)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	89
6	—	—	—	1
(2,321)	72	—	(77)	(14)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
26	—	—	1	8
13	—	—	46	6
36	13	—	259	52
363	357	(665)	—	—
—	—	—	2	(3)
(71)	(13)	—	(504)	55
3,583	1,461	(177)	3,272	(45)
—	—	—	—	—
265	66	—	1	1
\$ 265	\$ 66	\$ —	\$ 1	\$ 1

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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)	\$ (622)	\$ (85)	\$ 204	\$ 251
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	22	512	—	—
Amortization	—	—	—	—
Investment earnings	—	—	—	(3)
Securities lending income	—	—	—	—
Interest expense	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:				
Decr (Incr) in accounts receivable	(3)	8	(86)	1
Decr (Incr) in due from other funds	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—
Decr (Incr) in inventories	(231)	—	—	—
Decr (Incr) in other assets	—	—	—	—
Incr (Decr) in accounts payable	5	31	(12)	(197)
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	—	—	—	3
Incr (Decr) in compensated absences payable	(13)	(5)	15	—
Incr (Decr) in total OPEB liability	48	23	46	—
Incr (Decr) in estimated claims	—	—	—	—
Incr (Decr) in other payables	—	—	(1)	—
Incr (Decr) in net pension liability and related accounts	19	12	(72)	—
Net cash provided by (used for) operating activities	(775)	496	94	55
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	883	72	—	—
Incr (Decr) in fair value of investments	—	—	—	1
Total noncash transactions	\$ 883	\$ 72	\$ —	\$ 1

	HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
\$	1,190	\$ (2,147)	\$ 37,161
	2	33	1,119
	—	—	573
	(17)	(2)	(468)
	—	—	(3)
	—	—	7
	10	(132)	(4,826)
	—	—	(38)
	(386)	—	(386)
	—	(2)	(1,773)
	19	1	35
	(83)	(19)	(2,257)
	—	30	(2,805)
	107	—	107
	—	—	1,306
	—	(9)	(209)
	(42)	(7)	54
	148	139	1,364
	—	—	120
	(2)	—	(6)
	(82)	299	(733)
	864	(1,816)	28,342
	—	—	955
	3	—	338
\$	3	\$ —	\$ 1,293

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, 2021

(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
ASSETS					
Current assets:					
Cash/cash equivalents	\$ 510	\$ 6,295	\$ 140,322	\$ 4,156	\$ 56,259
Receivables (net)	—	10	10,467	104	5
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	—	—
Inventories	—	3,765	—	—	—
Securities lending collateral	—	—	614	—	—
Other current assets	—	—	2,526	96	—
Total current assets	510	10,070	153,929	4,356	56,264
Noncurrent assets:					
Long-term investments	—	—	36,495	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	19,652	191,327	—	28,863	13
Construction in progress	—	1,070	—	—	—
Intangible assets	—	—	—	—	137
Less accumulated depreciation	(10,367)	(121,537)	—	(23,396)	(9)
Total capital assets	9,285	70,860	—	5,467	141
Total noncurrent assets	9,285	70,860	36,495	5,467	141
Total assets	9,795	80,930	190,424	9,823	56,405
DEFERRED OUTFLOWS OF RESOURCES					
	109	2,969	435	5,689	541
LIABILITIES					
Current liabilities:					
Accounts payable	36	1,200	7,417	2,153	1,049
Interfund loans payable	—	—	—	—	—
Due to other funds	188	—	—	—	—
Unearned revenue	—	—	1,059	1	—
Lease/installment purchase payable	—	—	3	2,214	2
Bonds/notes payable	—	—	—	171	—
Amounts held in custody for others	—	—	—	—	—
Securities lending liability	—	—	614	—	—
Estimated insurance claims	—	—	19,467	—	13,149
Compensated absences payable	17	503	61	863	95
Total current liabilities	241	1,703	28,621	5,402	14,295
Noncurrent liabilities:					
Advances from other funds	1,303	—	—	—	—
Lease/installment purchase payable	—	—	—	2,166	—
Bonds/notes payable	—	—	—	72	—
Estimated insurance claims	—	—	197	—	36,425
Compensated absences payable	20	478	72	1,459	319
Net pension liability	269	8,513	1,316	18,082	1,697
Total OPEB liability	61	1,321	170	1,973	194
Total noncurrent liabilities	1,653	10,312	1,755	23,752	38,635
Total liabilities	1,894	12,015	30,376	29,154	52,930
DEFERRED INFLOWS OF RESOURCES					
	32	1,152	124	1,627	155
NET POSITION					
Net investment in capital assets	7,800	70,860	—	1,087	139
Unrestricted	178	(126)	160,360	(16,355)	3,721
Total net position	\$ 7,978	\$ 70,734	\$ 160,360	\$ (15,268)	\$ 3,860

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
\$ 2,611	\$ 2,533	\$ 2,126	\$ 636	\$ 2,466	\$ 621	\$ 118
—	29	15	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
11	146	—	—	—	—	—
—	—	—	—	—	—	—
—	448	1	3	37	3	—
2,622	3,156	2,142	639	2,503	624	118
—	—	—	—	—	—	—
—	—	95	—	—	—	—
—	—	1,091	—	—	—	—
26,965	2,980	965	—	74	6	—
—	—	—	—	—	—	—
—	—	—	—	289	—	—
(15,790)	(2,196)	(1,639)	—	(57)	(3)	—
11,175	784	512	—	306	3	—
11,175	784	512	—	306	3	—
13,797	3,940	2,654	639	2,809	627	118
139	654	1,083	735	2,843	631	670
107	393	613	128	636	108	206
—	—	—	—	—	—	200
1,879	—	—	—	—	—	—
—	—	—	—	—	—	—
—	76	5	3	38	3	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
25	79	175	86	467	93	93
2,011	548	793	217	1,141	204	499
5,415	—	—	—	—	—	—
—	76	1	1	39	1	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
28	162	92	220	726	224	96
380	1,725	3,059	2,301	8,496	1,983	1,911
67	335	492	266	1,103	216	297
5,890	2,298	3,644	2,788	10,364	2,424	2,304
7,901	2,846	4,437	3,005	11,505	2,628	2,803
53	187	310	210	909	190	242
3,913	631	506	—	228	—	—
2,070	929	(1,516)	(1,841)	(6,991)	(1,559)	(2,257)
\$ 5,983	\$ 1,560	\$ (1,010)	\$ (1,841)	\$ (6,763)	\$ (1,559)	\$ (2,257)

COMBINING STATEMENT OF NET POSITION**INTERNAL SERVICE FUNDS**

JUNE 30, 2021

(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
ASSETS					
Current assets:					
Cash/cash equivalents	\$ 783	\$ 706	\$ 255	\$ 2,053	\$ 754
Receivables (net)	1	—	—	8	—
Due from other governments	—	—	—	—	—
Due from other funds	—	—	—	40	—
Inventories	—	—	—	—	—
Securities lending collateral	—	—	—	—	—
Other current assets	—	—	5	219	—
Total current assets	784	706	260	2,320	754
Noncurrent assets:					
Long-term investments	—	—	—	—	—
Capital assets:					
Land improvements	—	—	—	—	—
Buildings/improvements	—	—	—	—	—
Equipment	565	—	149	4	218
Construction in progress	—	—	—	—	—
Intangible assets	—	—	—	—	—
Less accumulated depreciation	(497)	—	(145)	(1)	(149)
Total capital assets	68	—	4	3	69
Total noncurrent assets	68	—	4	3	69
Total assets	852	706	264	2,323	823
DEFERRED OUTFLOWS OF RESOURCES					
	1,269	629	94	1,137	427
LIABILITIES					
Current liabilities:					
Accounts payable	265	204	13	347	88
Interfund loans payable	—	—	—	—	—
Due to other funds	—	—	—	—	—
Unearned revenue	10	—	—	—	—
Lease/installment purchase payable	39	1	1	3	—
Bonds/notes payable	—	—	—	—	—
Amounts held in custody for others	—	—	—	—	—
Securities lending liability	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	165	102	13	190	48
Total current liabilities	479	307	27	540	136
Noncurrent liabilities:					
Advances from other funds	—	—	—	—	—
Lease/installment purchase payable	21	—	—	1	—
Bonds/notes payable	—	—	—	—	—
Estimated insurance claims	—	—	—	—	—
Compensated absences payable	374	148	3	536	101
Net pension liability	3,880	1,987	250	3,802	1,242
Total OPEB liability	496	222	48	318	176
Total noncurrent liabilities	4,771	2,357	301	4,657	1,519
Total liabilities	5,250	2,664	328	5,197	1,655
DEFERRED INFLOWS OF RESOURCES					
	601	180	27	342	146
NET POSITION					
Net investment in capital assets	9	—	3	—	68
Unrestricted	(3,739)	(1,509)	—	(2,080)	(620)
Total net position	\$ (3,730)	\$ (1,509)	\$ 3	\$ (2,080)	\$ (552)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
\$ 30	\$ 146	\$ 719	\$ 3,812	\$ 222	\$ 1,976	\$ 230,109
—	—	—	144	—	—	10,783
20	—	—	—	—	—	20
—	3	—	—	—	—	43
—	—	—	951	104	—	4,977
—	—	—	—	—	—	614
—	—	—	—	—	2	3,340
50	149	719	4,907	326	1,978	249,886
—	—	—	—	—	—	36,495
—	—	—	—	—	—	95
—	—	—	4,978	—	—	6,069
17	—	—	5,041	—	71	276,910
—	—	—	1,021	—	—	2,091
—	—	—	—	—	—	426
(13)	—	—	(5,261)	—	(64)	(181,124)
4	—	—	5,779	—	7	104,467
4	—	—	5,779	—	7	140,962
54	149	719	10,686	326	1,985	390,848
209	81	51	581	151	637	21,764
71	33	23	698	26	341	16,155
462	—	—	—	26	—	688
—	—	—	10	—	—	2,077
—	—	—	2	—	—	1,072
—	—	—	—	—	1	2,389
—	—	—	—	—	—	171
—	—	449	—	—	—	449
—	—	—	—	—	—	614
—	—	—	—	—	—	32,616
47	12	6	84	19	120	3,363
580	45	478	794	71	462	59,594
—	—	—	309	—	—	7,027
—	—	—	—	—	—	2,306
—	—	—	—	—	—	72
—	—	—	—	—	—	36,622
70	43	1	57	84	267	5,580
374	266	125	982	431	2,026	65,097
160	26	29	250	61	221	8,502
604	335	155	1,598	576	2,514	125,206
1,184	380	633	2,392	647	2,976	184,800
55	23	18	105	73	182	6,943
4	—	—	5,452	—	6	90,706
(981)	(173)	119	3,318	(244)	(541)	130,163
\$ (977)	\$ (173)	\$ 119	\$ 8,770	\$ (244)	\$ (535)	\$ 220,869

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**INTERNAL SERVICE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Operating revenues:					
Charges for services	\$ 3,785	\$ 29,045	\$ 2,685	\$ 53,681	\$ —
Investment earnings	—	—	673	—	117
Securities lending income	—	—	4	—	—
Contributions/premiums	—	—	207,727	—	22,485
Grants/contracts/donations	—	—	4,518	—	—
Other operating revenues	—	12	11,537	54	—
Total operating revenues	3,785	29,057	227,144	53,735	22,602
Operating expenses:					
Personal services	433	9,535	1,257	19,731	1,876
Contractual services	89	626	14,695	1,625	8,875
Supplies/materials	1,269	5,856	24	1,334	30
Benefits/claims	—	—	187,002	—	7,662
Depreciation	1,461	7,206	—	2,956	1
Amortization	—	—	9	—	274
Utilities/rent	50	137	268	889	89
Communications	2	5	94	6,537	23
Travel	12	22	—	52	2
Repair/maintenance	606	6,360	—	17,845	2
Grants	—	—	—	—	478
Securities lending expense	—	—	1	—	—
Interest expense	17	—	—	177	—
Other operating expenses	14	341	619	1,669	152
Total operating expenses	3,953	30,088	203,969	52,815	19,464
Operating income (loss)	(168)	(1,031)	23,175	920	3,138
Nonoperating revenues (expenses):					
Insurance proceeds	8	1	—	—	106
Gain (loss) on sale of capital assets	(83)	154	—	—	—
Federal indirect cost recoveries	—	—	—	—	—
Total nonoperating revenues (expenses)	(75)	155	—	—	106
Income (loss) before contributions and transfers	(243)	(876)	23,175	920	3,244
Capital contributions	—	80	—	158	—
Transfers in	—	—	—	—	294
Transfers out	—	—	—	(14)	(4,721)
Changes in net position	(243)	(796)	23,175	1,064	(1,183)
Total net position - July 1 - as previously reported	8,222	71,532	137,234	(16,334)	5,045
Adjustments to beginning net position	—	—	(47)	3	—
Total net position - July 1 - as adjusted	8,222	71,532	137,187	(16,331)	5,045
Total net position - June 30	\$ 7,979	\$ 70,736	\$ 160,362	\$ (15,267)	\$ 3,862

MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
\$ 4,161	\$ 11,784	\$ 11,091	\$ 2,729	\$ 16,536	\$ —	\$ 1,168
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	1,898	1
4,161	11,784	11,091	2,729	16,536	1,898	1,169
486	2,010	3,785	2,329	9,796	2,202	2,085
360	137	3,066	213	5,482	50	534
883	3,101	399	48	1,007	35	30
—	—	—	—	—	—	—
1,823	215	77	—	4	2	—
—	—	—	—	6	—	—
74	283	1,931	83	473	133	221
—	4,941	118	45	976	30	126
—	—	—	—	12	9	—
401	434	666	1	26	20	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
151	18	32	—	5	—	—
70	199	529	33	1,321	16	48
4,248	11,338	10,603	2,752	19,108	2,497	3,044
(87)	446	488	(23)	(2,572)	(599)	(1,875)
32	—	—	—	—	—	—
111	3	9	—	(11)	—	—
—	—	—	—	1,793	415	1,846
143	3	9	—	1,782	415	1,846
56	449	497	(23)	(790)	(184)	(29)
157	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	(332)	—	(10)	—	—
213	449	165	(23)	(800)	(184)	(29)
5,768	1,111	(1,171)	(1,816)	(5,962)	(1,376)	(2,227)
—	—	(3)	—	—	—	—
5,768	1,111	(1,174)	(1,816)	(5,962)	(1,376)	(2,227)
\$ 5,981	\$ 1,560	\$ (1,009)	\$ (1,839)	\$ (6,762)	\$ (1,560)	\$ (2,256)

CONTINUES

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**INTERNAL SERVICE FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Operating revenues:					
Charges for services	\$ 7,818	\$ 3,362	\$ 846	\$ 7,254	\$ 1,299
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Contributions/premiums	—	—	—	—	—
Grants/contracts/donations	—	—	—	—	—
Other operating revenues	12	—	—	—	—
Total operating revenues	7,830	3,362	846	7,254	1,299
Operating expenses:					
Personal services	4,362	1,970	326	4,095	1,560
Contractual services	1,239	461	144	1,870	69
Supplies/materials	124	29	6	193	325
Benefits/claims	—	—	—	—	—
Depreciation	24	—	—	1	11
Amortization	—	—	—	—	—
Utilities/rent	1,590	64	9	190	159
Communications	199	28	329	37	16
Travel	—	—	—	22	14
Repair/maintenance	31	577	—	7	656
Grants	—	—	—	—	—
Securities lending expense	—	—	—	—	—
Interest expense	2	—	—	—	—
Other operating expenses	217	104	20	618	25
Total operating expenses	7,788	3,233	834	7,033	2,835
Operating income (loss)	42	129	12	221	(1,536)
Nonoperating revenues (expenses):					
Insurance proceeds	—	—	—	—	—
Gain (loss) on sale of capital assets	—	—	—	—	—
Federal indirect cost recoveries	(151)	—	—	—	—
Total nonoperating revenues (expenses)	(151)	—	—	—	—
Income (loss) before contributions and transfers	(109)	129	12	221	(1,536)
Capital contributions	—	—	—	—	—
Transfers in	—	—	—	—	1,665
Transfers out	—	—	—	—	—
Changes in net position	(109)	129	12	221	129
Total net position - July 1 - as previously reported	(3,624)	(1,639)	(8)	(2,300)	(680)
Adjustments to beginning net position	—	—	—	—	—
Total net position - July 1 - as adjusted	(3,624)	(1,639)	(8)	(2,300)	(680)
Total net position - June 30	\$ (3,733)	\$ (1,510)	\$ 4	\$ (2,079)	\$ (551)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
\$ 1,327	\$ 477	\$ 208	\$ 9,164	\$ 352	\$ 4,178	\$ 172,950
—	—	—	—	—	—	790
—	—	—	—	—	—	4
—	—	—	—	—	—	230,212
—	—	—	—	—	—	4,518
—	81	—	—	—	—	13,595
1,327	558	208	9,164	352	4,178	422,069
1,440	373	143	1,801	571	2,348	74,514
27	115	35	128	164	504	40,508
13	81	2	5,401	85	250	20,525
—	—	—	—	—	—	194,664
3	—	—	466	—	1	14,251
—	—	—	—	—	132	421
78	24	2	108	50	40	6,945
11	6	19	—	12	30	13,584
4	—	—	1	—	—	150
—	—	—	169	1	1,054	28,856
—	—	—	—	—	—	478
—	—	—	—	—	—	1
—	—	—	1	—	—	403
18	13	14	312	35	101	6,488
1,594	612	215	8,387	918	4,460	401,788
(267)	(54)	(7)	777	(566)	(282)	20,281
—	—	—	—	—	—	147
—	—	—	—	—	—	183
—	—	—	—	648	—	4,551
—	—	—	—	648	—	4,881
(267)	(54)	(7)	777	82	(282)	25,162
—	—	—	—	—	—	395
—	38	—	—	22	—	2,019
—	—	(10)	—	—	—	(5,087)
(267)	(16)	(17)	777	104	(282)	22,489
(710)	(158)	135	7,992	(345)	(253)	198,436
—	—	—	—	(1)	—	(48)
(710)	(158)	135	7,992	(346)	(253)	198,388
\$ (977)	\$ (174)	\$ 118	\$ 8,769	\$ (242)	\$ (535)	\$ 220,877

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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	\$ 3,785	\$ 29,104	\$ 208,715	\$ 53,643	\$ 22,523
Payments to suppliers for goods and services	(1,997)	(12,580)	(15,218)	(30,753)	(8,341)
Payments to employees	(383)	(9,651)	(1,411)	(18,842)	(1,806)
Grant receipts (expenses)	—	—	4,518	—	(478)
Cash payments for claims	—	—	(186,320)	—	(11,925)
Other operating revenues	—	12	11,493	54	—
Other operating payments	(14)	(341)	(619)	(1,669)	(152)
Net cash provided by (used for) operating activities	1,391	6,544	21,158	2,433	(179)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	—	(14)	(4,721)
Transfer from other funds	—	—	—	—	294
Proceeds from interfund loans/advances	547	—	—	—	—
Payment of interfund loans and advances	—	—	—	—	—
Payment of principal and interest on bonds and notes	(17)	—	—	(344)	—
Net cash provided by (used for) noncapital financing activities	530	—	—	(358)	(4,427)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	8	1	—	—	106
Acquisition of capital assets	(2,205)	(6,335)	—	(951)	—
Proceeds from sale of capital assets	—	—	—	—	—
Net cash used for capital and related financing activities	(2,197)	(6,334)	—	(951)	106
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	—	(12,780)	—	—
Proceeds (loss) from securities lending transactions	—	—	4	—	—
Interest and dividends on investments	—	—	673	—	114
Payment of securities lending costs	—	—	(1)	—	—
Net cash provided by (used for) investing activities	—	—	(12,104)	—	114
Net increase (decrease) in cash and cash equivalents	(276)	210	9,054	1,124	(4,386)
Cash and cash equivalents, July 1	789	6,084	131,273	3,031	60,643
Cash and cash equivalents, June 30	\$ 513	\$ 6,294	\$ 140,327	\$ 4,155	\$ 56,257

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
\$ 4,161	\$ 11,801	\$ 11,083	\$ 2,730	\$ 16,520	\$ 7	\$ 1,168
(1,579)	(8,896)	(6,032)	(350)	(8,840)	(248)	(885)
(462)	(1,982)	(3,456)	(2,378)	(10,029)	(2,053)	(2,092)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	1,793	2,313	1,846
(70)	(199)	(529)	(33)	(1,320)	(16)	(48)
2,050	724	1,066	(31)	(1,876)	3	(11)
—	—	(332)	—	(10)	—	—
—	—	—	—	—	—	—
764	—	—	—	—	—	—
—	—	—	—	—	—	(49)
(151)	(18)	(32)	—	(5)	—	—
613	(18)	(364)	—	(15)	—	(49)
32	—	—	—	—	—	—
(2,295)	(354)	(72)	—	—	—	—
—	—	—	—	—	—	—
(2,263)	(354)	(72)	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
400	352	630	(31)	(1,891)	3	(60)
2,209	2,182	1,504	664	4,361	618	178
\$ 2,609	\$ 2,534	\$ 2,134	\$ 633	\$ 2,470	\$ 621	\$ 118

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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	\$ 7,666	\$ 3,367	\$ 845	\$ 7,048	\$ 1,299
Payments to suppliers for goods and services	(3,155)	(1,141)	(485)	(2,285)	(1,248)
Payments to employees	(4,402)	(2,097)	(288)	(3,981)	(1,573)
Grant receipts (expenses)	—	—	—	—	—
Cash payments for claims	—	—	—	—	—
Other operating revenues	12	—	—	—	—
Other operating payments	(217)	(104)	(20)	(618)	(25)
Net cash provided by (used for) operating activities	(96)	25	52	164	(1,547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	—	—	—	—	—
Transfer from other funds	—	—	—	—	1,665
Proceeds from interfund loans/advances	—	—	—	—	—
Payment of interfund loans and advances	—	—	—	—	—
Payment of principal and interest on bonds and notes	(2)	—	—	—	—
Net cash provided by (used for) noncapital financing activities	(2)	—	—	—	1,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	—
Acquisition of capital assets	(5)	—	—	—	—
Proceeds from sale of capital assets	—	—	—	—	—
Net cash used for capital and related financing activities	(5)	—	—	—	—
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	(103)	25	52	164	118
Cash and cash equivalents, July 1	884	678	201	1,889	638
Cash and cash equivalents, June 30	\$ 781	\$ 703	\$ 253	\$ 2,053	\$ 756

JUSTICE LEGAL SERVICES	PERSONAL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
\$ 1,329	\$ 478	\$ 208	\$ 9,194	\$ 352	\$ 4,191	\$ 401,217
(106)	(225)	(95)	(5,209)	(305)	(1,633)	(111,606)
(1,617)	(322)	(158)	(1,787)	(700)	(2,135)	(73,605)
(13)	3	—	—	—	—	4,030
—	—	—	—	—	—	(198,245)
—	81	—	—	648	—	18,252
(18)	(13)	(14)	(312)	(35)	(101)	(6,487)
(425)	2	(59)	1,886	(40)	322	33,556
—	—	(10)	—	—	—	(5,087)
—	38	—	—	22	—	2,019
454	—	—	309	7	—	2,081
—	—	—	—	—	—	(49)
—	—	—	(1)	—	—	(570)
454	38	(10)	308	29	—	(1,606)
—	—	—	—	—	—	147
—	—	—	(834)	—	—	(13,051)
—	—	—	—	1	—	1
—	—	—	(834)	1	—	(12,903)
—	—	—	—	—	—	(12,780)
—	—	—	—	—	—	4
—	—	—	—	—	—	787
—	—	—	—	—	—	(1)
—	—	—	—	—	—	(11,990)
29	40	(69)	1,360	(10)	322	7,057
—	100	785	2,450	236	1,650	223,047
\$ 29	\$ 140	\$ 716	\$ 3,810	\$ 226	\$ 1,972	\$ 230,104

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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)	\$ (170)	\$ (1,032)	\$ 23,174	\$ 919	\$ 3,137
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	1,461	7,206	—	2,956	1
Amortization	—	—	9	—	274
Securities lending expense	—	—	1	—	—
Investment earnings	—	—	(673)	—	(117)
Securities lending income	—	—	(4)	—	—
Interest expense	17	—	—	177	—
Federal indirect cost recoveries	—	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	—	60	781	7	38
Decr (Incr) in due from other funds	—	—	—	42	—
Decr (Incr) in due from component units	—	—	—	9	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	(126)	—	—	—
Decr (Incr) in other assets	—	—	(2,526)	(96)	—
Incr (Decr) in accounts payable	(50)	239	(6)	(895)	625
Incr (Decr) in due to other funds	71	—	—	—	—
Incr (Decr) in unearned revenue	—	—	(185)	—	—
Incr (Decr) in amounts held in custody for others	—	—	—	—	—
Incr (Decr) in compensated absences payable	5	(109)	13	207	47
Incr (Decr) in total OPEB liability	44	885	109	1,334	131
Incr (Decr) in estimated claims	—	—	682	—	(4,263)
Incr (Decr) in other payables	—	—	(3)	(2,204)	(2)
Incr (Decr) in net pension liability and related accounts	14	(579)	(218)	(26)	(50)
Net cash provided by (used for) operating activities	\$ 1,392	\$ 6,544	\$ 21,154	\$ 2,430	\$ (179)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	\$ —	\$ 80	\$ —	\$ 158	\$ —
Incr (Decr) in value of investments	—	—	256	—	19
Total noncash transactions	\$ —	\$ 80	\$ 256	\$ 158	\$ 19

MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
\$ (86)	\$ 445	\$ 487	\$ (24)	\$ (2,573)	\$ (598)	\$ (1,876)
1,823	215	77	—	4	2	—
—	—	—	—	6	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
151	18	32	—	5	—	—
—	—	—	—	1,793	415	1,846
—	(19)	(9)	—	—	—	—
—	26	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(5)	(15)	—	—	—	—	—
—	9	1	2	(16)	6	—
60	39	52	(35)	(1,189)	(21)	41
71	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
5	11	(5)	(37)	149	69	28
46	222	342	175	748	149	197
—	—	—	—	—	—	—
—	(83)	(2)	(1)	(17)	(3)	—
(14)	(146)	90	(110)	(788)	(17)	(246)
\$ 2,051	\$ 722	\$ 1,065	\$ (30)	\$ (1,878)	\$ 2	\$ (10)
\$ 157	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
\$ 157	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

CONTINUES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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)	\$ 47	\$ 130	\$ 11	\$ 221	\$ (1,536)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	24	—	—	1	11
Amortization	—	—	—	—	—
Securities lending expense	—	—	—	—	—
Investment earnings	—	—	—	—	—
Securities lending income	—	—	—	—	—
Interest expense	2	—	—	—	—
Federal indirect cost recoveries	(151)	—	—	—	—
Change in assets, deferred outflows, liabilities, and deferred inflows:					
Decr (Incr) in accounts receivable	(1)	—	—	(8)	—
Decr (Incr) in due from other funds	—	—	—	—	—
Decr (Incr) in due from component units	—	—	—	—	—
Decr (Incr) in due from other governments	—	—	—	—	—
Decr (Incr) in inventories	—	—	—	—	—
Decr (Incr) in other assets	—	6	(1)	(198)	—
Incr (Decr) in accounts payable	(53)	(59)	(5)	(99)	(54)
Incr (Decr) in due to other funds	—	—	—	—	—
Incr (Decr) in unearned revenue	10	—	—	—	—
Incr (Decr) in amounts held in custody for others	—	—	—	—	—
Incr (Decr) in compensated absences payable	78	5	3	134	1
Incr (Decr) in total OPEB liability	324	145	34	218	115
Incr (Decr) in estimated claims	—	—	—	—	—
Incr (Decr) in other payables	(22)	(1)	(1)	(3)	—
Incr (Decr) in net pension liability and related accounts	(352)	(199)	10	(102)	(83)
Net cash provided by (used for) operating activities	\$ (94)	\$ 27	\$ 51	\$ 164	\$ (1,546)
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
\$ (266)	\$ (53)	\$ (6)	777	\$ (566)	\$ (281)	20,281
3	—	—	466	—	1	14,251
—	—	—	—	—	132	421
—	—	—	—	—	—	1
—	—	—	—	—	—	(790)
—	—	—	—	—	—	(4)
—	—	—	1	—	—	403
—	—	—	—	648	—	4,551
3	1	—	9	—	—	862
—	(1)	—	—	—	—	67
—	—	—	—	—	—	9
(13)	3	—	—	—	—	(10)
—	—	—	98	3	—	(45)
—	2	—	20	—	13	(2,778)
(46)	10	7	441	(21)	174	(845)
—	—	—	10	—	—	152
—	—	—	(17)	—	—	(192)
—	—	(45)	—	—	—	(45)
(105)	10	1	20	7	56	593
106	17	19	168	28	153	5,709
—	—	—	—	—	—	(3,581)
—	—	—	—	—	(1)	(2,343)
(105)	15	(34)	(108)	(138)	75	(3,111)
\$ (423)	\$ 4	\$ (58)	1,885	\$ (39)	\$ 322	33,556
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	395
—	—	—	—	—	—	275
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	670

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, 2021

(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	\$ 84,711	\$ 552	\$ 1,579	\$ 2,618	\$ 5,498	\$ 3,555
Receivables (net):						
Accounts receivable	2,722	3	10	19	291	33
Interest	6	—	—	—	1	—
Due from primary government	—	—	—	—	—	—
Due from other PERB plans	1,734	—	—	—	—	—
Long-term notes/loans receivable	8	—	—	—	—	—
Total receivables	4,470	3	10	19	292	33
Investments at fair value:						
Equity in pooled investments	7,122,360	—	131,800	183,390	479,632	269,698
Other investments	—	7,246	—	—	—	—
Total investments	7,122,360	7,246	131,800	183,390	479,632	269,698
Securities lending collateral	41,245	—	763	1,062	2,777	1,562
Capital assets:						
Buildings/improvements	61	—	—	—	—	—
Equipment	75	—	4	3	4	4
Accumulated depreciation	(63)	—	(3)	(3)	(3)	(3)
Intangible assets	846	—	248	211	248	248
Total capital assets	919	—	249	211	249	249
Total assets	7,253,705	7,801	134,401	187,300	488,448	275,097
DEFERRED OUTFLOWS OF RESOURCES	370	—	—	—	—	—
LIABILITIES						
Accounts payable	471	—	20	17	21	25
Due to primary government	—	8	—	—	—	—
Due to other PERB plans	—	—	8	242	930	116
Unearned revenue	52	—	—	—	9	2
Securities lending liability	41,245	—	763	1,062	2,777	1,562
Compensated absences payable	420	—	—	—	—	—
Net pension liability (Note 6)	—	—	—	—	—	—
Total OPEB liability	450	—	—	—	—	—
Total liabilities	42,638	8	791	1,321	3,737	1,705
DEFERRED INFLOWS OF RESOURCES	48	—	—	—	—	—
NET POSITION						
Restricted for:						
Pensions	7,211,389	—	133,610	185,979	484,711	273,392
Postemployment benefits other than pensions	—	7,793	—	—	—	—
Total net position	\$ 7,211,389	\$ 7,793	\$ 133,610	\$ 185,979	\$ 484,711	\$ 273,392

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
\$ 5,826	\$ 6,304	\$ 3,148	\$ 3,710	\$ 1,289	\$ 63,633	\$ 4,985	\$ 187,408
249	119	6	198	427	21,634	5	25,716
1	1	—	—	—	5	—	14
17,387	18,438	—	—	—	—	—	35,825
—	—	—	—	—	—	—	1,734
—	—	—	—	—	—	—	8
17,637	18,558	6	198	427	21,639	5	63,297
544,954	586,301	46,570	—	—	5,032,461	—	14,397,166
—	—	—	409,279	662,866	—	11,902	1,091,293
544,954	586,301	46,570	409,279	662,866	5,032,461	11,902	15,488,459
3,156	3,395	270	—	—	29,142	—	83,372
—	—	—	7	4	244	—	316
3	3	3	10	8	16	—	133
(3)	(3)	(3)	(9)	(8)	(69)	—	(170)
223	220	202	202	240	996	—	3,884
223	220	202	210	244	1,187	—	4,163
571,796	614,778	50,196	413,397	664,826	5,148,062	16,892	15,826,699
—	—	—	35	15	644	12	1,076
317	21	23	378	293	140	41	1,767
—	—	—	—	—	—	—	8
99	77	262	—	—	—	—	1,734
9	3	—	2	6	—	—	83
3,156	3,395	270	—	—	29,142	—	83,372
—	—	—	52	28	224	2	726
—	—	—	—	—	1,886	35	1,921
—	—	—	42	18	281	5	796
3,581	3,496	555	474	345	31,673	83	90,407
—	—	—	5	2	184	3	242
568,215	611,282	49,641	412,953	—	5,116,849	—	15,048,021
—	—	—	—	664,494	—	16,818	689,105
\$ 568,215	\$ 611,282	\$ 49,641	\$ 412,953	\$ 664,494	\$ 5,116,849	\$ 16,818	\$ 15,737,126

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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	\$ 121,507	\$ 583	\$ 2,138	\$ 6,423	\$ 11,895	\$ 5,409
Employee	110,935	—	589	2,206	9,681	6,390
Other contributions	35,876	—	2	224	5	6
Investment earnings:						
Net increase in fair value of investments	1,633,349	1,625	29,887	42,319	108,661	60,625
Interest, dividends, and other	185	2	3	5	13	7
Securities lending income	500	—	9	13	33	19
Total investment earnings	1,634,034	1,627	29,899	42,337	108,707	60,651
Less investment costs:						
Administrative investment expenses	40,822	48	748	1,057	2,720	1,519
Securities lending expense	98	—	2	3	7	4
Net investment earnings	1,593,114	1,579	29,149	41,277	105,980	59,128
Charges for services	—	—	—	—	—	—
Other additions and miscellaneous	—	—	—	—	—	—
Total additions	1,861,432	2,162	31,878	50,130	127,561	70,933
DEDUCTIONS						
Benefits	476,443	121	4,205	13,710	24,708	9,283
Refunds	12,935	—	—	2,027	1,515	888
Administrative expenses	5,480	—	126	342	1,049	234
Local assistance	—	—	—	—	—	—
Transfer to MUS-RP	264	—	—	—	—	—
Transfer to PERS-DCRP	2,328	—	—	—	—	—
Total deductions	497,450	121	4,331	16,079	27,272	10,405
Changes in net position	1,363,982	2,041	27,547	34,051	100,289	60,528
Net position- July 1- as previously reported	5,847,344	5,752	106,066	151,968	384,295	212,910
Adjustments to beginning net position	63	—	(3)	(40)	127	(46)
Net position - July 1- as adjusted	5,847,407	5,752	106,063	151,928	384,422	212,864
Net position - June 30	\$ 7,211,389	\$ 7,793	\$ 133,610	\$ 185,979	\$ 484,711	\$ 273,392

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
\$ 8,528	\$ 8,051	\$ —	\$ 16,645	\$ 138	\$ 103,219	\$ 4,152	\$ 288,688
5,450	6,090	—	17,099	28,850	81,121	—	268,411
17,357	18,277	2,592	105	—	47,021	—	121,465
124,657	132,907	10,896	85,148	96,214	1,158,262	3,361	3,487,911
13	14	1	9,920	13,635	133	—	23,931
38	41	4	—	—	354	—	1,011
124,708	132,962	10,901	95,068	109,849	1,158,749	3,361	3,512,853
3,107	3,316	272	84	883	28,928	—	83,504
7	8	1	—	—	70	—	200
121,594	129,638	10,628	94,984	108,966	1,129,751	3,361	3,429,149
—	—	—	—	701	—	148	849
—	—	—	1,147	—	975	2	2,124
152,929	162,056	13,220	129,980	138,655	1,362,087	7,663	4,110,686
29,791	28,530	3,115	13,293	33,531	399,898	3,240	1,039,868
5,799	93	—	—	—	8,890	—	32,147
205	181	358	1,029	1,823	4,290	199	15,316
—	—	13	—	—	—	—	13
—	—	—	—	—	—	—	264
—	—	—	—	—	—	—	2,328
35,795	28,804	3,486	14,322	35,354	413,078	3,439	1,089,936
117,134	133,252	9,734	115,658	103,301	949,009	4,224	3,020,750
451,150	477,936	39,907	297,293	561,620	4,167,840	12,594	12,716,675
(69)	94	—	2	(427)	—	—	(299)
451,081	478,030	39,907	297,295	561,193	4,167,840	12,594	12,716,376
\$ 568,215	\$ 611,282	\$ 49,641	\$ 412,953	\$ 664,494	\$ 5,116,849	\$ 16,818	\$ 15,737,126



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.

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. This 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, 2021

(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	INMATE TRUST ACCOUNT	PLAN SECURITIES
ASSETS			
Cash/cash equivalents	\$ 35,958	\$ 2,555	\$ —
Investments at fair value:			
Other investments	195,544	—	—
Total investments	195,544	—	—
Other assets	—	—	29,206
Total assets	231,502	2,555	29,206
LIABILITIES			
Accounts payable	—	11	—
Total liabilities	—	11	—
NET POSITION			
Restricted for:			
Individuals, organizations, and other governments	231,502	2,544	29,206
Total net position	\$ 231,502	\$ 2,544	\$ 29,206

REGULATORY DEPOSITS	WOODVILLE HIGHWAY REPLACEMENT	OTHER PRIVATE- PURPOSE TRUSTS	TOTAL
\$ 890	\$ 52	\$ 38	\$ 39,493
10,544	—	—	206,088
10,544	—	—	206,088
758	—	—	29,964
12,192	52	38	275,545
—	—	1	12
—	—	1	12
12,192	52	37	275,533
\$ 12,192	\$ 52	\$ 37	\$ 275,533

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**PRIVATE-PURPOSE TRUST FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	CRIMINAL OFFENDER RESTITUTION	INMATE TRUST ACCOUNT	PLAN SECURITIES
ADDITIONS				
Other contributions	\$ 21,468	\$ —	\$ —	\$ —
Investment earnings:				
Net increase in fair value of investments	31,186	—	—	—
Interest, dividends, and other	—	—	—	—
Securities lending income	—	—	—	—
Total investment earnings	31,186	—	—	—
Net investment earnings	31,186	—	—	—
Other additions and miscellaneous	—	—	7,395	—
Total additions	52,654	—	7,395	—
DEDUCTIONS				
Distributions	19,832	—	6,147	4,956
Administrative expenses	883	—	—	—
Total deductions	20,715	—	6,147	4,956
Change in net position	31,939	—	1,248	(4,956)
Net position - July 1 - as previously reported	199,563	1,311	1,296	34,162
Adjustments to beginning net position	—	(1,311)	—	—
Net position - July 1 - as adjusted	199,563	—	1,296	34,162
Net position - June 30	\$ 231,502	\$ —	\$ 2,544	\$ 29,206

REGULATORY DEPOSITS	WOODVILLE HIGHWAY REPLACEMENT	OTHER PRIVATE- PURPOSE TRUSTS	TOTAL
\$ —	\$ —	\$ —	\$ 21,468
—	—	—	31,186
—	1	—	1
—	—	—	—
—	1	—	31,187
—	1	—	31,187
808	—	31	8,234
808	1	31	60,889
309	—	30	31,274
—	—	—	883
309	—	30	32,157
499	1	1	28,732
11,693	51	38	248,114
—	—	(2)	(1,313)
11,693	51	36	246,801
\$ 12,192	\$ 52	\$ 37	\$ 275,533



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, 2021

(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICIPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ASSETS			
Cash/cash equivalents	\$ 1,853,362	\$ 1,188	\$ 1,854,550
Receivables (net):			
Interest	150	37	187
Total receivables	150	37	187
Investments at fair value:			
Equity in pooled investments	—	12,953	12,953
Total investments	—	12,953	12,953
Securities lending collateral	—	234	234
Total assets	1,853,512	14,412	1,867,924
LIABILITIES			
Accounts payable	150	—	150
Securities lending liabilities	—	234	234
Total liabilities	150	234	384
NET POSITION			
Restricted for:			
Pool participants	1,853,362	14,178	1,867,540
Total net position	\$ 1,853,362	\$ 14,178	\$ 1,867,540

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	STIP LOCAL GOVERNMENT PARTICIPANTS	TFIP LOCAL GOVERNMENT PARTICIPANTS	TOTAL
ADDITIONS			
Contributions/premiums:			
Other contributions	1,536,607	—	1,536,607
Investment earnings:			
Net increase in fair value of investments	—	(186)	(186)
Interest, dividends, and other	3,837	391	4,228
Securities lending income	—	1	1
Total investment earnings	3,837	206	4,043
Net investment earnings	3,837	206	4,043
Total additions	1,540,444	206	1,540,650
DEDUCTIONS			
Distributions	1,391,262	750	1,392,012
Total deductions	1,391,262	750	1,392,012
Change in net position	149,182	(544)	148,638
Net position - July 1 - as previously reported	1,704,180	14,722	1,718,902
Net position - July 1 - as adjusted	1,704,180	14,722	1,718,902
Net position - June 30	\$ 1,853,362	\$ 14,178	\$ 1,867,540



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 are not included in the above custodial funds.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

JUNE 30, 2021

(amounts expressed in thousands)

	CHILD SUPPORT COLLECTIONS	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	ESCHEATED PROPERTY	INTER- GOVERNMENTAL	TOTAL
ASSETS						
Cash/cash equivalents	\$ 920	\$ 1,767	\$ 1,060	\$ 1,228	\$ 3,190	\$ 8,165
Receivables (net):						
Accounts receivable	587	—	—	—	34	621
Total receivables	587	—	—	—	34	621
Other assets	—	—	—	—	2,887	2,887
Total assets	1,507	1,767	1,060	1,228	6,111	11,673
LIABILITIES						
Accounts payable	280	7	4	34	2,254	2,579
Total liabilities	280	7	4	34	2,254	2,579
NET POSITION						
Restricted for:						
Individuals, organizations, and other governments	1,227	1,760	1,056	1,194	3,857	9,094
Total net position	\$ 1,227	\$ 1,760	\$ 1,056	\$ 1,194	\$ 3,857	\$ 9,094

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	CHILD SUPPORT COLLECTIONS	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	ESCHEATED PROPERTY	INTER- GOVERNMENTAL	TOTAL
ADDITIONS						
Investment earnings:						
Interest, dividends, and other	\$ —	\$ —	\$ —	\$ 2	\$ 1	\$ 3
Total investment earnings	—	—	—	2	1	3
Net investment earnings	—	—	—	2	1	3
Other additions and miscellaneous	24,179	4,747	3,250	4,398	25,077	61,651
Total additions	24,179	4,747	3,250	4,400	25,078	61,654
DEDUCTIONS						
Distributions	24,757	4,300	3,199	4,393	26,025	62,674
Administrative expenses	—	—	—	—	16	16
Total deductions	24,757	4,300	3,199	4,393	26,041	62,690
Changes in net position	(578)	447	51	7	(963)	(1,036)
Net position- July 1- as previously reported	1,805	2	1,003	1,187	4,820	8,817
Adjustments to beginning net position	—	1,311	2	—	—	1,313
Net position - July 1- as adjusted	1,805	1,313	1,005	1,187	4,820	10,130
Net position - June 30	\$ 1,227	\$ 1,760	\$ 1,056	\$ 1,194	\$ 3,857	\$ 9,094

STATE OF MONTANA

Statistical Section



SCHEDULE A-1 - NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 6,962,944	\$ 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
Restricted	3,574,995	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
Unrestricted	(111,863)	(364,374)	(423,017)	(642,952)	(971,795)	(780,527)	(642,296)	896,270	912,882	824,809
Total governmental activities net position	<u>\$10,426,076</u>	<u>\$ 9,830,973</u>	<u>\$ 9,195,927</u>	<u>\$ 8,444,063</u>	<u>\$ 7,853,172</u>	<u>\$ 7,727,031</u>	<u>\$ 7,454,518</u>	<u>\$ 8,641,680</u>	<u>\$ 7,927,968</u>	<u>\$ 7,652,903</u>
Business-type activities										
Net investment in capital assets	\$ 21,360	\$ 22,035	\$ 21,266	\$ 21,395	\$ 19,986	\$ 15,760	\$ 14,616	\$ 16,285	\$ 14,862	\$ 15,011
Restricted	520,696	350,309	442,306	397,587	367,734	347,819	333,536	295,006	253,382	206,896
Unrestricted	24,625	20,976	18,996	12,503	8,289	8,394	8,124	18,912	16,415	15,905
Total business-type activities net position	<u>\$ 566,681</u>	<u>\$ 393,320</u>	<u>\$ 482,568</u>	<u>\$ 431,485</u>	<u>\$ 396,009</u>	<u>\$ 371,973</u>	<u>\$ 356,276</u>	<u>\$ 330,203</u>	<u>\$ 284,659</u>	<u>\$ 237,812</u>
Primary government										
Net investment in capital assets	\$ 6,984,304	\$ 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
Restricted	4,095,691	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
Unrestricted	(87,238)	(343,398)	(404,021)	(630,449)	(963,506)	(772,133)	(634,172)	915,182	929,296	840,714
Total primary government net position	<u>\$10,992,757</u>	<u>\$10,224,293</u>	<u>\$ 9,678,495</u>	<u>\$ 8,875,548</u>	<u>\$ 8,248,181</u>	<u>\$ 8,099,004</u>	<u>\$ 7,810,794</u>	<u>\$ 8,971,883</u>	<u>\$ 8,212,626</u>	<u>\$ 7,900,715</u>

SCHEDULE A-2 - CHANGE IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting, amounts expressed in thousands)

Expenses	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities:					
General government	\$ 1,699,213	\$ 957,534	\$ 829,657	\$ 674,329	\$ 688,798
Public safety	544,839	458,526	428,514	429,760	454,194
Transportation	611,537	557,290	547,907	527,927	484,214
Health and human services	3,418,518	2,896,774	2,680,251	2,681,151	2,668,273
Education	1,492,682	1,352,323	1,314,785	1,299,423	1,344,121
Natural resources	361,420	338,957	302,680	379,525	295,853
Principal on long-term debt	—	—	—	—	—
Interest on long-term debt	5,026	5,365	5,454	6,743	7,484
Total governmental activities expenses	8,133,235	6,566,769	6,109,248	5,998,858	5,942,937
Business-type activities:					
Unemployment Insurance	728,476	746,508	108,507	113,843	117,788
Liquor Stores	120,913	98,324	89,971	86,118	83,313
State Lottery	99,353	51,385	48,061	45,896	43,377
Municipal Finance Programs	1,602	2,542	2,937	2,648	1,851
Hail Insurance	796	1,154	933	576	1,696
General Government Services	81,765	74,323	70,154	73,539	72,489
Prison Funds	7,042	8,506	9,307	9,130	8,140
MUS Group Insurance	106,068	100,958	88,330	88,912	81,051
MUS Workers Compensation	2,852	657	3,887	2,738	2,786
Total business-type activities expenses	1,148,867	1,084,357	422,087	423,400	412,491
Total primary government expenses	\$ 9,282,102	\$ 7,651,126	\$ 6,531,335	\$ 6,422,258	\$ 6,355,428
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 214,699	\$ 249,885	\$ 185,120	\$ 170,447	\$ 143,681
Public safety/corrections	198,475	182,773	180,998	175,999	161,380
Transportation	35,802	32,555	31,019	27,319	28,447
Health/social services	39,781	39,945	44,517	41,916	40,260
Education/cultural	3,563	2,531	2,106	13,972	32,750
Resource/recreation/environment	201,555	178,646	179,972	165,161	165,409
Operating grants and contributions	4,441,208	2,930,307	2,611,941	2,555,898	2,506,711
Capital grants and contributions	531,666	564,431	527,900	447,018	434,860
Total governmental activities program revenues	5,666,749	4,181,073	3,763,573	3,597,730	3,513,498
Business-type activities:					
Charges for services:					
Unemployment Insurance	122,626	119,523	129,394	114,678	103,928
Liquor Stores	135,369	116,583	104,456	99,059	96,475
State Lottery	112,327	59,892	60,269	56,400	52,459
Municipal Finance Programs	40	7	41	37	37
Hail Insurance	1,152	1,182	1,032	1,065	1,156
General Government Services	31,401	26,080	25,871	25,386	24,290
Prison Funds	7,005	7,532	7,864	7,733	7,648
MUS Group Insurance	105,336	108,624	97,774	100,532	99,448
MUS Workers Compensation	3,930	3,625	—	—	3,838
Operating grants and contributions	68,576	71,422	68,243	65,885	60,219
Capital grants and contributions	883	950	512	685	604
Total business-type activities program revenues	588,645	515,420	495,456	471,460	450,102
Total primary government program revenues	\$ 6,255,394	\$ 4,696,493	\$ 4,259,029	\$ 4,069,190	\$ 3,963,600

Fiscal Year				
2016	2015	2014	2013	2012
\$ 696,984	\$ 655,878	\$ 1,009,121	\$ 647,975	\$ 660,561
420,532	403,407	156,256	380,309	387,213
464,092	483,943	461,358	189,207	468,977
2,174,506	1,936,701	1,880,505	1,808,386	1,745,284
1,324,299	1,306,740	1,262,069	1,205,955	1,192,205
295,332	316,834	254,414	332,942	337,462
(1)	—	—	—	7,593
9,373	9,124	10,760	12,249	15,725
5,385,117	5,112,627	5,034,483	4,577,023	4,815,020
119,088	112,952	136,174	179,826	217,829
81,556	78,700	74,917	71,013	67,863
47,202	41,088	41,310	44,049	39,808
1,198	988	2,564	930	1,149
817	8,304	15,163	7,339	7,052
71,343	68,678	63,787	63,354	62,094
9,099	6,464	7,223	6,995	6,480
87,535	86,539	80,639	67,250	59,577
2,430	4,128	3,199	328	4,530
420,268	407,841	424,976	441,084	466,382
\$ 5,805,385	\$ 5,520,468	\$ 5,459,459	\$ 5,018,107	\$ 5,281,402
\$ 145,725	\$ 143,616	\$ 142,818	\$ 134,756	\$ 143,815
160,783	160,339	150,212	148,147	147,070
30,321	36,122	33,047	30,792	29,256
42,376	35,795	37,843	37,291	34,191
30,205	32,176	42,140	37,328	36,335
168,269	174,799	172,759	176,400	166,466
2,093,817	1,885,537	1,823,987	1,780,611	1,824,334
456,588	470,860	460,327	455,310	512,649
3,128,084	2,939,244	2,863,133	2,800,635	2,894,116
121,740	151,806	163,745	166,523	164,353
93,958	89,286	85,316	82,125	78,384
59,717	52,341	53,106	56,820	52,615
34	30	19	13	17
1,103	6,278	8,040	7,114	7,055
25,342	29,197	25,985	21,988	22,303
8,499	7,953	7,618	6,945	7,284
83,136	72,904	80,472	68,216	69,025
4,264	4,603	2,170	4,280	4,167
56,565	50,751	64,982	96,590	134,120
857	942	623	445	398
455,215	466,091	492,076	511,059	539,721
\$ 3,583,299	\$ 3,405,335	\$ 3,355,209	\$ 3,311,694	\$ 3,433,837

SCHEDULE A-2 - CHANGE IN NET POSITION - Continued

Last Ten Fiscal Years

(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Net (expense)/revenue					
Governmental activities	\$ (2,466,486)	\$ (2,385,696)	\$ (2,345,675)	\$ (2,401,128)	\$ (2,429,439)
Business-type activities	(560,222)	(568,937)	73,369	48,060	37,611
Total primary government net expense	\$ (3,026,708)	\$ (2,954,633)	\$ (2,272,306)	\$ (2,353,068)	\$ (2,391,828)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	\$ 329,585	\$ 327,629	\$ 305,126	\$ 293,530	\$ 277,254
Fuel	274,417	260,553	261,687	259,162	231,305
Natural resource	160,987	171,055	210,004	209,776	171,629
Individual income	1,712,162	1,455,150	1,416,716	1,304,715	1,160,431
Corporate Income	261,686	185,358	186,172	170,607	132,538
Other	431,603	393,466	383,267	387,287	378,976
Unrestricted grants and contributions	447	740	471	12,595	13,596
Payment from State of Montana	—	—	—	—	—
Settlements	86,092	27,906	27,713	19,794	33,824
Unrestricted investment earnings	32,902	138,435	201,926	29,241	25,125
Gain on sale of capital assets	4,750	11,070	7,320	2,595	15,640
Miscellaneous	5,866	8,043	10,640	4,876	4,895
Transfers	(138,881)	58,703	55,786	48,854	46,141
Total governmental activities	3,161,616	3,038,108	3,066,828	2,743,032	2,491,354
Business-type activities:					
Taxes					
Other	38,141	32,576	30,094	28,846	27,958
Unrestricted grants and contributions	549,317	496,499	—	233	2,845
Settlements	—	—	—	—	236
Unrestricted investment earnings	14	106	142	66	31
Gain (loss) on sale of capital assets	84	134	7	11	(274)
Miscellaneous	6,405	8,012	2,249	3,709	871
Transfers	138,881	(58,703)	(55,786)	(48,854)	(46,140)
Total business-type activities	732,842	478,624	(23,294)	(15,989)	(14,473)
Total primary government	\$ 3,894,458	\$ 3,516,732	\$ 3,043,534	\$ 2,727,043	\$ 2,476,881
Change in Net Position					
Governmental activities	\$ 695,130	\$ 652,412	\$ 721,153	\$ 341,904	\$ 61,915
Business-type activities	172,620	(90,313)	50,075	32,071	23,138
Total primary government	\$ 867,750	\$ 562,099	\$ 771,228	\$ 373,975	\$ 85,053

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2016	2015	2014	2013	2012
\$ (2,257,033)	\$ (2,173,383)	\$ (2,389,119)	\$ (1,776,387)	\$ (1,920,904)
34,947	58,250	67,114	69,975	73,339
\$ (2,222,086)	\$ (2,115,133)	\$ (2,322,005)	\$ (1,706,412)	\$ (1,847,565)

\$ 276,367	\$ 261,532	\$ 267,029	\$ 256,613	\$ 257,631
225,419	226,892	216,615	216,065	211,933
163,707	257,634	334,210	310,344	309,427
1,173,281	1,151,329	1,044,828	1,041,767	892,560
117,758	174,112	145,040	174,510	129,668
361,899	358,676	340,123	324,811	308,927
15,321	15,101	403	11	181
—	—	487	—	—
29,379	29,109	31,534	35,763	40,426
92,404	44,028	108,754	30,296	87,083
3,014	2,067	2,125	7,158	2,179
6,596	4,348	4,708	4,355	2,728
49,812	50,017	46,377	48,199	46,361
2,514,957	2,574,845	2,542,233	2,449,892	2,289,104

27,078	26,440	25,148	24,186	23,233
1,852	1,777	2	—	—
—	—	52	—	—
17	520	12	20	54
318	142	696	41	270
514	718	674	570	542
(49,813)	(50,017)	(47,864)	(48,199)	(46,361)
(20,034)	(20,420)	(21,280)	(23,382)	(22,262)
\$ 2,494,923	\$ 2,554,425	\$ 2,520,953	\$ 2,426,510	\$ 2,266,842

\$ 257,924	\$ 401,462	\$ 153,114	\$ 673,410	\$ 368,200
14,913	37,830	45,834	46,593	51,077
\$ 272,837	\$ 439,292	\$ 198,948	\$ 720,003	\$ 419,277

SCHEDULE A-3 - FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Nonspendable:					
Inventory	\$ 25,756	\$ 23,822	\$ 23,411	\$ 24,828	\$ 23,260
Permanent fund principle	1,951,182	1,886,384	1,759,594	1,607,011	1,590,023
Long-term notes/receivable	355	355	363	489	525
Prepaid expenses	1,341	1,788	848	730	4,534
Total nonspendable	<u>\$ 1,978,634</u>	<u>\$ 1,912,349</u>	<u>\$ 1,784,216</u>	<u>\$ 1,633,058</u>	<u>\$ 1,618,342</u>
Restricted:					
General government	53,194	51,766	18,815	24,215	6,449
Transportation	152,946	127,891	111,164	85,046	52,673
Health and human services	25,087	9,700	6,150	9,767	16,780
Natural resources	805,137	779,430	753,320	712,879	702,399
Public safety	179,902	198,845	204,135	219,316	235,760
Education	15,042	14,509	14,458	13,060	19,282
Total restricted	<u>\$ 1,231,308</u>	<u>\$ 1,182,141</u>	<u>\$ 1,108,042</u>	<u>\$ 1,064,283</u>	<u>\$ 1,033,343</u>
Committed:					
General government	1,103,739	852,996	778,894	691,225	717,671
Transportation	21,450	16,837	16,781	16,583	6,201
Health and human services	69,737	40,453	44,461	40,628	34,173
Natural resources	436,545	416,206	341,212	324,539	385,724
Public safety	71,674	61,203	73,059	48,094	46,352
Education	26,216	19,946	17,413	16,094	16,306
Total committed	<u>\$ 1,729,361</u>	<u>\$ 1,407,641</u>	<u>\$ 1,271,820</u>	<u>\$ 1,137,163</u>	<u>\$ 1,206,427</u>
Assigned:					
General government	1,187	836	467	23	1,292
Transportation	—	—	—	—	—
Health and human services	772	—	—	—	—
Natural resources	40	—	—	—	—
Public safety	185	208	338	592	892
Education	20	—	—	—	—
General Fund Spend Down	75,000	72,700	—	—	—
Encumbrances	20,387	16,769	17,178	7,998	11,355
Total assigned	<u>\$ 97,591</u>	<u>\$ 90,513</u>	<u>\$ 17,983</u>	<u>\$ 8,613</u>	<u>\$ 13,539</u>
Unassigned	629,059	372,907	348,552	176,581	47,933
Total fund balances	<u>\$ 5,665,953</u>	<u>\$ 4,965,551</u>	<u>\$ 4,530,613</u>	<u>\$ 4,019,698</u>	<u>\$ 3,919,584</u>

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2016	2015	2014	2013	2012
\$ 24,385	\$ 25,137	\$ 22,611	\$ 24,483	\$ 25,046
1,548,689	1,493,893	1,452,290	1,388,829	1,365,218
641	817	971	2,470	2,146
1,259	1,806	1,045	1,273	1,538
<u>\$ 1,574,974</u>	<u>\$ 1,521,653</u>	<u>\$ 1,476,917</u>	<u>\$ 1,417,055</u>	<u>\$ 1,393,948</u>
6,339	6,586	8,563	1,966	10,474
41,892	47,750	60,851	76,659	75,518
21,372	22,814	24,494	23,049	16,739
710,010	716,294	669,220	646,026	653,179
236,139	252,006	265,966	268,616	294,520
15,146	17,896	20,458	21,397	27,140
<u>\$ 1,030,898</u>	<u>\$ 1,063,346</u>	<u>\$ 1,049,552</u>	<u>\$ 1,037,713</u>	<u>\$ 1,077,570</u>
749,341	712,767	694,508	612,969	625,432
4,070	3,856	4,823	6,644	4,304
29,086	28,226	27,131	30,665	43,952
387,121	346,550	320,560	258,650	266,254
31,776	30,207	34,037	29,428	18,162
16,180	8,249	26,631	34,723	12,434
<u>\$ 1,217,574</u>	<u>\$ 1,129,855</u>	<u>\$ 1,107,690</u>	<u>\$ 973,079</u>	<u>\$ 970,538</u>
8,450	5,361	13,232	23,057	21,413
—	—	—	—	26
—	—	—	—	—
—	—	—	56	60
404	599	1,210	1,465	1,756
—	—	—	—	—
130,000	75,000	80,000	—	—
10,333	11,230	10,366	18,033	22,670
<u>\$ 149,187</u>	<u>\$ 92,190</u>	<u>\$ 104,808</u>	<u>\$ 42,611</u>	<u>\$ 45,925</u>
126,478	380,436	344,406	537,609	451,656
<u>\$ 4,099,111</u>	<u>\$ 4,187,480</u>	<u>\$ 4,083,373</u>	<u>\$ 4,008,067</u>	<u>\$ 3,939,637</u>

SCHEDULE A-4 - CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Revenues					
Licenses/permits	\$ 443,753	\$ 420,011	\$ 362,389	\$ 348,991	\$ 327,275
Taxes	3,196,362	2,753,009	2,766,544	2,597,788	2,353,081
Charges for services/fines/forfeits/settlements	237,121	157,277	175,715	174,762	206,505
Investment earnings	65,894	237,285	235,429	44,758	48,919
Sale of documents/merchandise/property	32,778	22,746	22,420	21,927	20,505
Rentals/leases/royalties	56,517	56,180	60,226	51,945	49,592
Contributions/Premiums	35,092	33,809	34,578	32,721	31,133
Grants/contracts/donations	29,203	31,028	58,542	35,274	33,678
Federal	4,712,021	3,206,031	2,877,013	2,799,149	2,718,875
Federal Indirect cost Recoveries	154,920	150,974	136,619	116,610	125,801
Other revenues	5,820	8,181	11,351	4,610	5,780
Total revenues	8,969,481	7,076,531	6,740,826	6,228,535	5,921,144
Expenditures					
General government	1,417,248	737,581	647,432	643,802	653,362
Public safety	473,140	444,483	427,185	416,829	426,994
Transportation	384,367	354,819	359,744	331,569	329,262
Health and human services	3,425,924	2,894,951	2,703,908	2,675,173	2,652,851
Education	1,495,109	1,352,665	1,315,407	1,293,647	1,345,216
Natural resources	404,916	327,243	313,012	363,303	324,081
Debt service:					
Principal retirement	20,949	34,749	27,868	31,968	33,889
Interest/fiscal charges	5,997	5,765	6,520	8,088	9,520
Capital outlay	588,326	611,539	493,067	425,183	406,949
Securities lending	76	308	414	269	343
Total expenditures	8,216,052	6,764,103	6,294,557	6,189,831	6,182,467
Excess of revenue over (under) expenditures	753,429	312,428	446,269	38,704	(261,323)
Other financing sources (uses)					
Bond proceeds	56,904	28,900	—	—	—
Refunding bonds issued	37,321	—	4,575	—	—
Bond premium	8,799	4,361	—	—	—
Payment to refunding bond escrow agent	(37,261)	—	(6,844)	—	—
Inception of lease/installment contract	4,387	15,980	808	312	184
Insurance proceeds	437	35,052	13,785	309	43
General capital asset sale proceeds	5,029	11,997	8,016	4,202	15,815
Energy conservation loans	149	632	271	1,589	1,770
Transfers in	619,566	333,141	340,824	369,536	283,004
Transfers out	(760,217)	(310,071)	(298,401)	(319,353)	(235,435)
Total other financing sources (uses)	(64,886)	119,992	63,034	56,595	65,381
Net change in fund balances	\$ 688,543	\$ 432,420	\$ 509,303	\$ 95,299	\$ (195,942)
Debt service as a percentage of noncapital expenditures	0.4 %	0.7 %	0.6 %	0.7 %	0.8 %

Source: Statewide Accounting, Budgeting, and Human Resource System

Fiscal Year				
2016	2015	2014	2013	2012
\$ 321,882	\$ 319,726	\$ 302,824	\$ 297,148	\$ 290,183
2,317,024	2,435,282	2,344,456	2,314,815	2,096,733
185,112	183,257	202,912	181,760	193,874
171,980	90,565	141,733	59,092	181,484
19,963	26,177	21,836	23,393	16,221
60,743	66,754	76,824	75,490	77,946
26,616	24,105	23,206	22,397	21,666
31,237	30,048	30,324	24,267	24,812
2,304,394	2,151,163	2,086,310	2,043,912	2,102,964
113,157	112,914	110,981	112,364	107,446
6,637	4,770	5,410	5,349	4,718
5,558,745	5,444,761	5,346,816	5,159,987	5,118,047
624,157	676,832	699,219	613,186	633,336
419,813	395,561	373,132	363,378	353,344
319,940	340,443	324,074	287,218	345,796
2,177,895	1,925,968	1,883,909	1,810,312	1,734,471
1,325,927	1,301,116	1,261,012	1,204,060	1,183,056
306,470	288,791	286,320	341,686	287,636
39,631	33,988	33,617	32,627	34,865
10,506	11,346	12,810	13,907	16,314
477,990	444,940	457,306	454,463	488,958
218	204	142	302	383
5,702,547	5,419,189	5,331,541	5,121,139	5,078,159
(143,802)	25,572	15,275	38,848	39,888
—	24,365	11,680	—	—
22,540	38,150	6,780	—	56,670
3,256	7,130	662	—	8,264
(25,557)	(42,603)	(7,190)	—	(64,421)
368	344	324	504	49
106	2,586	1,302	381	3,565
3,430	3,689	1,840	7,340	2,343
677	2,120	169	291	26,171
323,250	324,088	428,368	307,460	277,279
(274,206)	(284,180)	(383,933)	(273,502)	(235,235)
53,864	75,689	60,002	42,474	74,685
\$ (89,938)	\$ 101,261	\$ 75,277	\$ 81,322	\$ 114,573
1.0 %	0.9 %	1.0 %	1.0 %	1.1 %

SCHEDULE B-1 - PERSONAL INCOME BY INDUSTRY

Last Ten Calendar Years

(amounts expressed in thousands)

	Calendar Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Farm Earnings	\$ 1,354,378	\$ 698,313	\$ 557,745	\$ 293,049	\$ 428,532	\$ 757,623	\$ 832,648	\$ 817,733	\$ 934,509	\$ 720,138
Agricultural, forestry, fishing, and other	281,525	269,403	256,830	252,135	261,677	273,020	232,980	231,268	201,925	168,285
Mining	887,492	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
Construction/utilities	3,497,068	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
Manufacturing	1,495,645	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
Transportation and public utilities	1,381,203	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
Wholesale trade	1,398,010	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
Retail trade	2,887,409	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
Finance, insurance, and real estate	2,586,390	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
Services	12,534,391	12,302,279	11,521,141	10,645,664	10,533,036	9,917,700	8,989,666	8,682,348	8,933,237	8,615,811
Federal, civilian	1,452,470	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
Military	494,460	461,645	429,177	415,147	409,941	406,402	414,108	423,180	429,985	532,199
State and local government	4,597,884	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
Other ⁽¹⁾	22,811,833	20,761,086	19,515,964	18,056,689	15,549,265	14,343,779	13,798,057	13,496,216	13,027,496	12,184,262
Total personal income	\$57,660,158	\$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
Average effective rate ⁽²⁾	2.3 %	2.7 %	2.6 %	2.5 %	2.6 %	2.8 %	2.6 %	2.6 %	2.3 %	2.2 %

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Personal income tax revenue ⁽¹⁾	\$ 1,338,737	\$ 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
Personal income	\$ 57,660,158	\$ 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
Average effective rate ⁽²⁾	2.3 %	2.7 %	2.6 %	2.5 %	2.6 %	2.8 %	2.6 %	2.6 %	2.3 %	2.2 %

	Tax Rates on the Portion of Taxable Income in Ranges ⁽³⁾						
	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Calendar Year 2020							
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%
Income Bracket	\$0-3.1	\$3.1-5.5	\$5.5-8.4	\$8.4-11.3	\$11.3-14.5	\$14.5-18.7	\$18.7+
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+

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

Income Level	Calendar Year 2020				Calendar Year 2015			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$9,999 and under	71,221	14.54 %	\$ 498,469	0.04 %	74,072	16.16 %	\$ 791,081	0.08 %
\$10,000–\$19,999	57,059	11.64 %	\$ 5,950,317	0.44 %	68,842	15.02 %	\$ 8,969,938	0.88 %
\$20,000–\$44,999	133,463	27.24 %	\$ 86,164,604	6.33 %	123,263	26.89 %	\$ 84,336,938	8.28 %
\$45,000–\$69,999	78,804	16.08 %	\$ 139,361,637	10.24 %	70,779	15.44 %	\$ 124,351,732	12.21 %
\$70,000–\$109,999	74,393	15.18 %	\$ 239,006,850	17.56 %	67,459	14.71 %	\$ 215,411,611	21.15 %
\$110,000–\$174,999	47,696	9.73 %	\$ 277,641,870	20.39 %	35,334	7.71 %	\$ 202,073,646	19.84 %
\$175,000–\$499,999	23,341	4.76 %	\$ 304,784,393	22.39 %	16,140	3.52 %	\$ 210,617,756	20.68 %
\$500,000 and higher	4,017	0.83 %	\$ 308,053,488	22.61 %	2,576	0.55 %	\$ 171,950,315	16.88 %
Total	489,994	100.00 %	\$ 1,361,461,628	100.00 %	458,465	100.00 %	\$ 1,018,503,017	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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
General obligation bonds	\$ 127,633	\$ 90,250	\$ 73,090	\$ 84,460	\$ 98,625	\$ 115,500	\$ 134,795	\$ 127,840	\$ 139,595	\$ 156,905
Special revenue bonds	21,930	19,330	38,425	56,435	73,550	89,840	110,975	128,020	137,940	152,565
Notes payable	6,928	7,478	8,150	9,307	10,004	11,643	9,949	9,311	9,667	10,020
Lease/installment purchase payable	16,043	20,617	12,545	13,698	6,537	3,170	1,186	764	707	723
Total governmental activities	172,534	137,675	132,210	163,900	188,716	220,153	256,905	265,935	287,909	320,213
Business-type activities										
Bonds/notes payable	—	—	—	—	—	—	—	—	70	135
Lease/installment purchase payable	21	26	18	231	415	600	836	141	223	303
Total business-type activities	21	26	18	231	415	600	836	141	293	438
Total primary government	\$ 172,555	\$ 137,701	\$ 132,228	\$ 164,131	\$ 189,131	\$ 220,753	\$ 257,741	\$ 266,076	\$ 288,202	\$ 320,651
Debt as a percentage of personal income ⁽¹⁾	0.3 %	0.3 %	0.3 %	0.3 %	0.4 %	0.5 %	0.6 %	0.7 %	0.7 %	0.9 %
Amount of debt per capita ⁽²⁾	\$ 160	\$ 129	\$ 125	\$ 156	\$ 181	\$ 221	\$ 259	\$ 270	\$ 294	\$ 329

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)

Governmental Activities	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Renewable Resource Program Bond										
Revenue										
Loan repayment (principal and interest)	\$ 1,876	\$ 3,335	\$ 2,255	\$ 3,319	\$ 1,974	\$ 2,986	\$ 2,774	\$ 1,610	\$ 1,702	\$ 2,200
Northwestern Energy	—	—	—	1,074	4,241	3,945	4,445	3,670	3,340	4,095
STIP interest earnings	11	42	55	65	53	25	8	8	14	17
Debt service fund interest	595	676	748	924	904	784	809	599	619	644
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	2,482	4,053	3,058	5,382	7,172	7,740	8,036	5,887	5,675	6,956
Debt service										
Principal	\$ 9,527	\$ 4,453	\$ 2,875	\$ 6,051	\$ 4,994	\$ 5,080	\$ 4,815	\$ 4,345	\$ 3,765	\$ 4,200
Interest	339	482	586	678	808	775	808	821	801	899
Coverage ⁽¹⁾	0.3	0.8	0.9	0.8	1.2	1.3	1.4	1.1	1.2	1.4
US Highway 93 GARVEES Bond										
Revenue										
Federal Highway Administration	\$ 499,858	\$ 542,855	\$ 495,667	\$ 419,915	\$ 401,121	\$ 424,636	\$ 447,541	\$ 429,398	\$ 410,641	\$ 471,079
Less: Operating expenses	(495,934)	(527,443)	(480,253)	(404,499)	(385,705)	(409,039)	(432,041)	(413,897)	(395,056)	(455,102)
Net available revenue	\$ 3,924	\$ 15,412	\$ 15,414	\$ 15,416	\$ 15,416	\$ 15,597	\$ 15,500	\$ 15,501	\$ 15,585	\$ 15,977
Debt service										
Principal	\$ 3,390	\$ 14,265	\$ 13,660	\$ 13,080	\$ 12,270	\$ 11,625	\$ 11,110	\$ 10,630	\$ 10,175	\$ 9,740
Interest	534	1,147	1,753	2,336	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)

Governmental Activities	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Middle Creek Dam Project Note Payable										
Revenue										
Middle Creek Water Users Assoc loan payments	\$ 120	\$ 114	\$ 114	\$ 120	\$ 111	\$ 116	\$ 95	\$ 105	\$ 94	\$ 74
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	\$ 120	\$ 114	\$ 114	\$ 120	\$ 111	\$ 116	\$ 95	\$ 105	\$ 94	\$ 74
Debt service										
Principal	\$ 91	\$ 87	\$ 84	\$ 80	\$ 77	\$ 74	\$ 71	\$ 58	\$ 56	\$ 54
Interest	29	27	31	40	34	43	24	47	38	20
Coverage ⁽¹⁾	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
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	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water Conservation Note Payable										
(Little Dry Project)										
Revenue										
Little Dry Water Users Assoc loan payments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1
Debt service										
Principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1
Interest	—	—	—	—	—	—	—	—	—	—
Coverage ⁽¹⁾	—	—	—	—	—	—	—	—	—	1.0
Water Conservation Note Payable										
(Petrolia Project)										
Revenue										
Petrolia Irrigation District loan payments	\$ —	\$ —	\$ —	\$ —	\$ —	2	3	3	3	3
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	\$ —	\$ —	\$ —	\$ —	\$ —	2	3	3	3	3
Debt service										
Principal	\$ —	\$ —	\$ —	\$ —	\$ —	2	3	3	2	2
Interest	—	—	—	—	—	—	—	—	1	1
Coverage ⁽¹⁾	—	—	—	—	—	—	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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Municipal Finance Programs										
(Municipal Finance Consolidation Irrigation Dist)										
Revenue										
Principal and interest repayments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 70	\$ 66	\$ 62
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 70</u>	<u>\$ 66</u>	<u>\$ 62</u>
Debt service										
Principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 70	\$ 65	\$ 60
Interest	—	—	—	—	—	—	—	3	8	13
Coverage ⁽¹⁾	—	—	—	—	—	—	—	1.0	0.9	0.9
Municipal Finance Programs										
(Conservation Reserve Enhancement Program)										
Revenue										
Principal and interest repayments	\$ 4	\$ 4	\$ 12	\$ 35	\$ 29	\$ 33	\$ 81	\$ 71	\$ 151	\$ 162
Investment income	—	—	—	—	—	—	—	—	—	—
Less: Operating expenses	—	—	—	—	—	—	—	—	—	—
Net available revenue	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 12</u>	<u>\$ 35</u>	<u>\$ 29</u>	<u>\$ 33</u>	<u>\$ 81</u>	<u>\$ 71</u>	<u>\$ 151</u>	<u>\$ 162</u>
Debt service										
Principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	—	—	—	—	—	—	—	—	—	3
Coverage ⁽¹⁾	—	—	—	—	—	—	—	—	—	49.7

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⁾
2021	\$ 127,633	\$ 16,483	\$111,150	0.19%	\$ 103
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

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Population										
Montana (in thousands)	1,081	1,069	1,062	1,050	1,043	999	994	988	982	975
Percentage change	1.1 %	0.7 %	1.1 %	0.7 %	4.4 %	0.5 %	0.6 %	0.6 %	0.7 %	0.6 %
National (in thousands)	329,484	328,240	327,167	325,719	323,128	322,366	319,668	316,971	314,281	311,601
Percentage change	0.4 %	0.3 %	0.4 %	0.8 %	0.2 %	0.8 %	0.9 %	0.9 %	0.9 %	0.9 %
Total Personal Income										
Montana (in millions)	\$57,660	\$53,168	\$50,055	\$47,677	\$44,773	\$42,726	\$40,844	\$39,963	\$38,753	\$36,507
Percentage change	8.4 %	6.2 %	5.0 %	6.5 %	4.8 %	4.6 %	2.2 %	3.1 %	6.2 %	5.1 %
National (in billions)	\$19,607	\$18,542	\$17,573	\$16,820	\$15,913	\$15,582	\$14,683	\$14,151	\$13,729	\$12,950
Percentage change	5.7 %	5.5 %	4.5 %	5.7 %	2.1 %	6.1 %	3.8 %	3.0 %	6.0 %	4.6 %
Per Capita Personal Income										
Montana	\$53,361	\$49,747	\$47,120	\$45,385	\$42,947	\$41,204	\$39,903	\$39,366	\$39,474	\$36,573
Percentage change	7.3 %	5.6 %	3.8 %	5.7 %	4.2 %	3.3 %	1.4 %	(0.3)%	7.9 %	4.1 %
National	\$59,510	\$56,490	\$53,712	\$51,640	\$49,246	\$48,322	\$46,049	\$44,765	\$43,684	\$41,560
Percentage change	5.3 %	5.2 %	4.0 %	4.9 %	1.9 %	4.9 %	2.9 %	2.5 %	5.1 %	3.9 %
Resident Civilian Labor Force & Employment										
Civilian labor force	540,052	537,215	529,658	526,944	528,349	522,709	516,516	513,432	507,377	503,903
Employed	508,261	517,875	509,965	505,413	507,322	502,284	492,493	485,014	476,191	468,896
Unemployed	31,791	19,340	19,693	21,531	21,027	21,327	24,082	29,328	31,186	35,007
Unemployment rate	4.2 %	3.5 %	3.7 %	4.1 %	4.0 %	4.1 %	4.7 %	5.7 %	6.1 %	6.9 %
Nonfarm Wage and Salary Workers (in thousands)										
Goods-producing industries										
Natural Resources and Mining	6.7	7.3	7.4	6.9	6.8	8.2	9.1	9.5	9.3	7.9
Construction	30.6	30.0	28.5	27.8	25.7	26.5	24.8	23.9	22.9	23.0
Durable goods	11.9	12.2	11.9	11.9	11.8	11.7	11.6	11.1	10.5	9.6
Nondurable goods	8.5	8.8	8.5	8.2	8.0	7.4	7.3	7.2	7.0	7.2
Subtotal goods-producing industries	57.7	58.3	56.3	54.8	52.3	53.8	52.8	51.7	49.7	47.7
Service-producing industries										
Transp, communications, and utilities	18.4	18.6	25.1	24.9	25.5	24.8	25.1	25.0	23.6	23.3
Trade	73.8	75.5	76.7	76.4	77.3	76.1	74.3	73.3	71.6	70.2
Finance, insurance, and real estate	32.3	32.6	25.4	24.7	24.5	23.8	24.9	22.7	21.4	20.9
Service	198.4	208.6	206.9	204.2	195.7	191.9	187.6	186.3	184.3	177.2
State and local government	75.5	77.5	77.6	78.6	80.2	77.4	76.2	77.1	76.5	74.6
Federal government	13.6	13.3	13.3	13.1	12.6	13.0	12.9	13.0	13.4	13.8
Subtotal service-producing industries	412.0	426.1	425.0	421.9	415.8	407.0	401.0	397.4	390.8	380.0
Total Nonfarm Wage and Salary Employment	469.7	484.4	481.3	476.7	468.1	460.8	453.8	449.1	440.5	427.7

⁽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

Employer	2020			2011		
	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	4.78 %	22,500-23000	1	5.42 %
Federal Government	12,500-13,000	2	2.74 %	12,500-13000	2	3.47 %
Wal-Mart	4,500-5,000	3	1.02 %	4,500-5,000	3	1.16 %
Billings Clinic	4,000-4,500	4	0.91 %	3,000-3,500	4	0.79 %
Town Pump	3,000-3,500	5	0.70 %	2,000-2,500	5	0.55 %
Kalispell Regional Hospital	2,500-3,000	6	0.59 %	2,000-2,500		0.43 %
Albertson's	2,000-2,500	7	0.48 %	2,000-2,500	6	0.55 %
Benefis Healthcare	2,000-2,500	8	0.48 %	2,000-2,500	8	0.55 %
St. Patrick Hospital	2,000-2,500	9	0.48 %	1,500-2,000	10	0.42 %
Bozeman Deaconess Hospital	1,500-2,000	10	0.37 %			
St. Vincent Healthcare				1,500-2,000	7	0.43 %
Avitus Group				1,500-2,000	9	0.42 %
Total Statewide Employment	465,125			412,050		

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

Function/Program	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental:										
General government	2,564	2,659	2,676	2,951	3,003	2,979	3,058	2,995	2,999	2,914
Public safety/corrections	3,105	3,091	3,050	2,673	2,667	2,656	2,668	2,668	2,639	2,558
Transportation	2,132	2,126	2,132	2,127	2,194	2,194	2,266	2,266	2,252	2,225
Health/social services	2,982	2,975	3,086	3,053	3,106	3,040	3,044	3,029	3,019	2,974
Education/cultural	476	466	518	510	519	501	511	526	526	478
Resource/recreation/environment	2,168	2,161	2,187	2,173	2,105	2,065	2,131	2,133	2,144	1,963
Total governmental	13,427	13,478	13,649	13,487	13,594	13,435	13,678	13,617	13,579	13,112
Business-type:										
Liquor Stores	32	33	32	33	33	33	33	33	31	29
State Lottery	37	37	32	32	32	32	32	32	32	32
Municipal Finance Programs	4	4	4	4	4	4	4	4	4	4
Hail Insurance	7	7	8	6	5	6	7	7	7	7
General Government Services	99	98	100	101	101	112	118	113	115	115
Prison Funds	41	41	40	40	40	40	41	42	43	43
MUS Group Insurance	7	7	7	7	7	6	6	6	5	5
MUS Workers Compensation	1	1	1	1	1	1	1	1	1	1
Total business-type	228	228	224	224	223	234	242	238	238	236
Fiduciary:										
Pension Trust	71	71	71	71	71	70	69	69	66	66
Total fiduciary	71	71	71	71	71	70	69	69	66	66
Component unit:										
Montana Board of Housing	66	56	56	56	55	54	52	50	53	51
Facility Finance Authority	3	3	3	3	3	3	3	3	3	3
State Compensation Insurance (New Fund)	306	307	307	307	307	307	304	304	289	287
Montana State University	5,341	5,341	5,023	4,930	4,960	4,945	4,737	4,649	4,475	4,443
University of Montana	3,612	3,612	3,666	3,771	3,848	3,844	3,906	3,831	3,844	3,770
Total component unit	9,328	9,319	9,055	9,067	9,173	9,153	9,002	8,837	8,664	8,554
Total full-time equivalent employees	23,054	23,096	22,999	22,849	23,061	22,892	22,991	22,761	22,547	21,968

Source: Statewide Accounting, Budgeting, and Human Resource System

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities:					
General government					
Department of Revenue					
Electronically-filed income tax returns	583,570	479,282	501,710	494,664	490,237
Paper-filed income tax returns	49,000	44,000	57,750	73,204	76,428
Judiciary					
Supreme Court total filings ⁽¹⁾	660	597	736	744	758
District Court total filings ⁽¹⁾	61,589	60,602	59,607	53,533	50,355
Public safety/corrections					
Department of Corrections					
Incarcerated offenders	2,526	2,545	2,785	2,865	2,719
Supervised offenders	10,425	10,425	12,122	12,451	11,626
Department of Justice					
Drivers licenses issued	143,312	143,629	164,059	173,857	174,858
Vehicles registered ⁽²⁾	2,902,959	2,767,720	2,955,987	2,573,106	2,749,855
Department of Military Affairs (Army Program Facilities Office)					
Work orders received	2,271	2,388	2,773	2,684	3,102
Work orders completed	1,868	1,902	2,244	2,449	3,127
Work orders unfunded or not completed	403	486	529	265	158
Transportation					
Department of Transportation					
Paved roads (miles)	20,689	20,326	20,203	20,150	19,534
Unpaved roads (miles)	54,026	54,305	54,353	54,397	56,229
Health/social services					
Department of Public Health and Human Services					
Senior citizens receiving personal long-term care assist.	3,083	3,348	3,631	3,291	3,326
Number of households provided with energy assist.	15,694	18,754	19,893	19,908	19,617
Education/cultural					
Office of Public Instruction					
K-12 public school enrollment	149,181	149,181	147,785	146,772	146,375
Public schools	826	826	823	821	821
Commissioner of Higher Education					
Total enrollment for Montana University System 4-year Colleges	27,495	28,854	29,694	30,580	31,089
Total enrollment for Montana University System 2-year Colleges	3,850	4,155	4,457	4,597	4,794
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Revenue generated on state trust lands (millions of dollars)	\$ 92.1	\$ 92.1	\$ 99.2	\$ 87.4	\$ 86.2
Oil production (millions of bbls)	21.21	20.5	19.25	19.91	21.58
Gas production (millions of mcf)	38	40	40.36	39.34	39.79
Department of Fish, Wildlife and Parks					
License and permit sales ⁽²⁾	3,246,322	2,931,119	2,656,068	2,514,748	2,103,209
State park visitation (millions)	3.58	2.97	2.62	2.51	2.62

Fiscal Year				
2016	2015	2014	2013	2012
490,050	470,854	456,736	439,403	423,574
83,831	88,514	95,626	103,585	110,308
850	806	800	784	784
57,000	55,824	53,000	52,105	49,908
2,605	2,679	2,625	2,509	2,546
11,106	11,040	10,640	10,347	10,331
180,445	191,705	162,365	173,924	164,089
2,648,484	2,536,737	2,112,741	1,163,000	1,151,674
2,907	2,945	3,052	2,847	3,181
2,842	2,863	3,179	3,264	3,561
138	165	134	319	557
20,002	19,896	19,894	19,813	19,737
55,981	56,063	50,084	56,048	56,089
3,321	3,239	3,299	3,527	3,585
19,312	20,421	21,605	21,248	20,704
144,316	144,532	144,129	142,908	142,349
799	824	823	824	826
30,968	31,268	31,499	31,717	31,978
4,895	5,310	5,693	5,986	6,150
\$ 95.9	\$ 109.1	\$ 114.4	\$ 122	\$ 113.5
21.53	25.61	29.3	26.4	24.1
29	30.59	55	66.9	79.5
2,003,119	1,892,894	1,858,020	1,883,435	1,939,190
2.66	2.39	2.19	2.17	2.07

SCHEDULE E-2 - OPERATING INDICATORS BY FUNCTION/PROGRAM - Continued

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities (continued):					
Resource/recreation/environment (continued)					
Department of Environmental Quality					
Environmental permits and licenses	5,878	7,249	7,568	7,386	11,311
Environmental violations	1,169	3,030	2,716	4,670	4,158
Economic development/assistance					
Department of Commerce (Community Development)					
Treasure State Endowment Project – applications	48	48	48	60	38
Treasure State Endowment Project – construction awards	—	—	65	—	—
Community Development Block Grant – public facility applications	12	19	12	6	12
Community Development Block Grant – public facility awards	8	15	22	6	7
Business-type activities:					
Unemployment Insurance					
Department of Labor					
Initial claims	39,751	182,034	46,252	48,061	51,106
Average weekly benefit (dollars)	\$ 470.53	\$ 347.35	\$ 383.63	\$ 344.73	\$ 337.45
Exhaustion rate (percent)	100.0 %	41.7 %	33.3 %	35.0 %	34.0 %
Liquor Stores					
Department of Revenue					
Liquor licenses issued	5,304	5,521	5,543	5,387	5,373
Liquor cases distributed	1,069,716	935,539	858,486	833,694	807,125
State Lottery					
Department of Administration					
Total dollars in ticket sales (millions of dollars)	\$ 112	\$ 60	\$ 60	\$ 56	\$ 52
Transfer to the General Fund (millions of dollars)	\$ 12	\$ 8	\$ 12	\$ 10	\$ 9
General Government Services					
Department of Commerce (HUD Section 8)					
Applications reviewed – homebuyers assistance (dollars) ⁽³⁾	\$ 800,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Grants awarded – homebuyers assistance (dollars) ⁽³⁾	\$ 800,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000

N/A = not available

Sources: Governor's Office of Budget and Program Planning, Biennium Executive Budget

Montana Departments of Administration, Justice, Military Affairs, and Transportation

Montana Commissioner of Higher Education

Unemployment Insurance Data Summary, Employment & Training Administration, U.S. Department of Labor

Notes: ⁽¹⁾ Operating indicators are reported on a calendar-year basis.⁽²⁾ Licenses and permit sales reported by license year.⁽³⁾ Reporting method includes both single and multiple family assistance.

Fiscal Year				
2016	2015	2014	2013	2012
9,162	8,500	8,462	6,989	9,173
4,305	7,000	7,247	4,790	5,073
60	—	51	—	66
—	36	—	64	—
—	15	7	16	8
7	9	5	10	5
55,565	65,155	73,736	76,872	71,125
\$ 324.61	\$ 304.76	\$ 297	\$ 282	\$ 263.18
34.7 %	35.8 %	39.6 %	48.1 %	49.5 %
5,200	5,155	5,077	5,225	4,920
792,463	746,745	742,388	734,224	722,313
\$ 60	\$ 53	\$ 54	\$ 57	\$ 53
\$ 13	\$ 12	\$ 13	\$ 13	\$ 13
\$1,332,068	\$1,350,000	\$1,750,000	N/A	N/A
\$1,332,068	\$1,350,000	\$1,750,000	\$1,459,904	\$ 620,855

SCHEDULE E-3 - CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities:					
General government					
Department of Administration					
Buildings	57	57	57	57	57
Data processing equipment	1,585	1,540	1,509	1,463	1,115
Judiciary					
Vehicles	34	21	23	15	15
Public safety/corrections					
Department of Corrections					
Vehicles	108	97	97	93	93
Buildings	183	182	182	182	182
Department of Justice					
Vehicles	670	631	649	647	641
Laboratory/scientific equipment	280	283	291	280	284
Transportation					
Department of Transportation					
Vehicles	2,345	2,285	2,192	2,114	2,156
Buildings	912	910	900	904	985
Health/social services					
Department of Public Health and Human Services					
Vehicles	106	101	104	105	140
Buildings	155	154	154	154	154
Education/cultural					
Historical Society					
Buildings	5	5	5	5	5
Resource/recreation/environment					
Department of Natural Resources and Conservation					
Vehicles	1,126	1,119	1,048	1,001	959
Buildings	97	98	88	91	90
Department of Fish, Wildlife and Parks					
Vehicles	2,594	2,610	2,618	2,664	2,541
Buildings	959	956	950	941	871
Department of Environmental Quality					
Vehicles	32	40	40	40	46
Laboratory/scientific equipment	309	317	319	316	420
Economic development/assistance					
Department of Commerce					
Buildings	6	6	6	6	4
Business-type activities:					
State Lottery					
Department of Administration					
Vehicles	13	12	11	10	10
General government services					
Department of Administration					
Vehicles	81	80	64	60	58
Prison funds					
Department of Corrections					
Vehicles	99	98	92	91	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				
2016	2015	2014	2013	2012
59	59	59	59	59
1,710	1,700	2,087	1,434	2,057
14	15	16	25	25
131	128	128	128	128
182	252	251	248	247
622	531	548	567	577
289	284	278	279	271
2,083	2,067	2,146	2,029	2,067
978	975	962	906	939
125	139	136	167	175
154	154	154	153	153
5	5	5	5	5
942	928	872	814	810
88	84	83	83	83
2,540	2,586	2,686	2,669	2,769
865	859	854	856	850
48	52	53	51	75
407	377	509	722	761
4	5	5	5	5
10	11	11	11	11
61	59	53	44	59
89	84	79	78	77





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