



MONTANA

Popular Annual Financial Report

For the year ended June 30, 2020



Economic Condition Highlights

Agriculture

- Wheat production increased 4.4%
- Oat production increased 19.6%
- Barley production increased 1.9%
- Ranked #11 in the U.S. cattle industry
- 2019 cattle sales were \$1.4 billion

Natural Resources/Mining

- Mining & logging employment decreased 8.1%
- Oil production increased 6.6%
- Coal production decreased 10.7%

Travel

- Nonresident travel to Montana increased 2.2%
- Glacier National Park visitation increased 2.9%
- Total economic benefit of nonresident travel in Montana increased \$5.4 billion.

Long-term Financial Planning

- For the 2021 Biennium, legislation requires a macro-statewide financial analysis looking forward ten years as part of the budgeting process
- House Bill (HB) 553 was passed creating new statutory structure & ongoing funding for the financing & ongoing cash flow of new capital projects & deferred maintenance

Service Industry

- Healthcare is the largest private industry, employing 68,500
- Jobs in trade, transportation, & utilities industry declined 1.8%
- Number of jobs in the financial activities sector (financing, insurance, real estate, & rental leasing) remained constant at 25,800 jobs

The Four Seasons of Montana

Though some may say the four seasons of Montana are almost winter, winter, still winter, and construction that is not always the case...

- During the summer months, millions of tourists are attracted to Glacier and Yellowstone National Parks. The average high in July is 85 degrees Fahrenheit. The hottest temperature ever recorded in Montana was 117 degrees Fahrenheit in Glendive in July 1893, and in Medicine Lake in July 1937.
- During the fall months, Montana is home to over 150,000 hunters of mule and whitetail deer, and has the largest migratory elk herd in the nation. Elk, pronghorn, and deer populations out number the people population.
- During the winter months, Montana has achieved many world records such as the largest observed snowflake at 15 inches wide in 1972, and the greatest temperature change in 24 hours from -54 to 49 degrees Fahrenheit in Loma in 1972.
- During the spring months, the average rain fall is between 18 and 13 inches. Speaking of spring, Montana is home to the largest freshwater spring in the United States, Giant Springs.

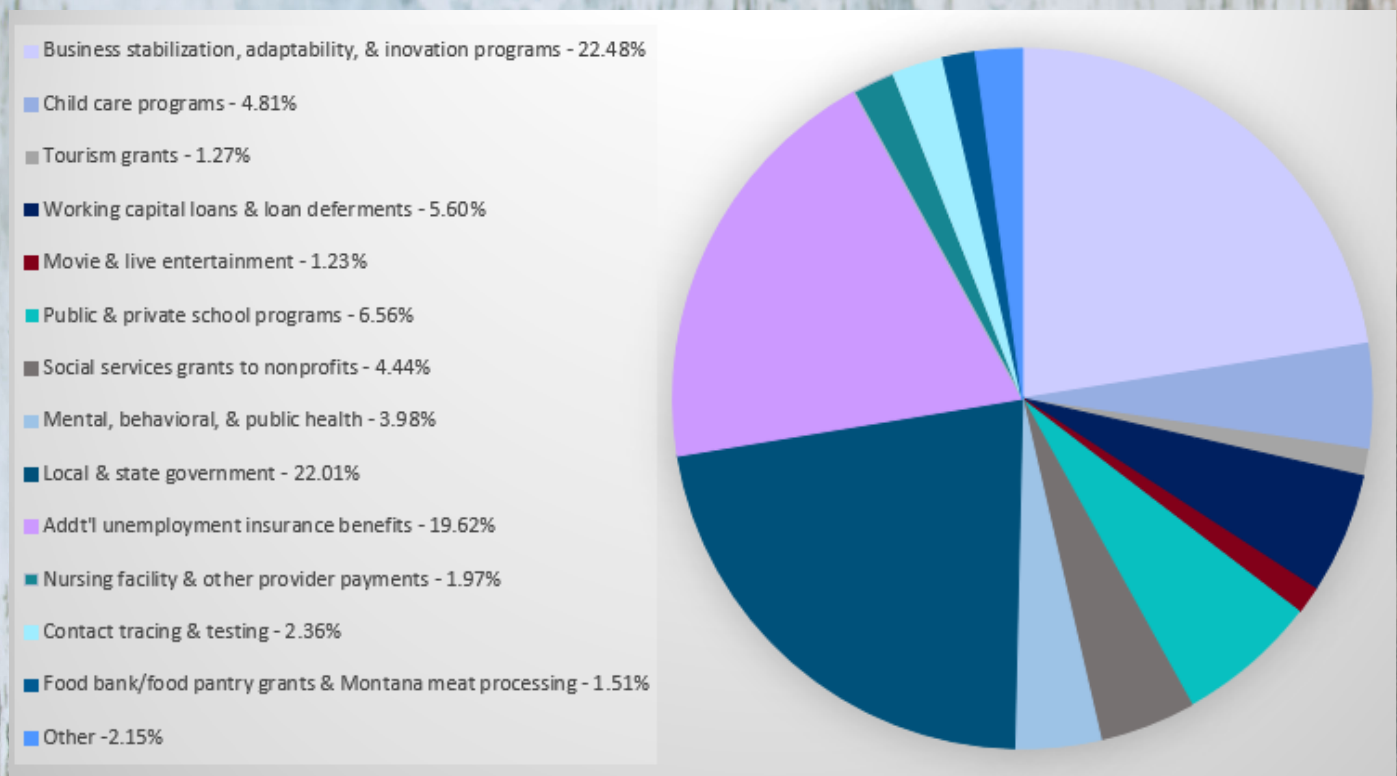
MAJOR INITIATIVES

Major Financial Highlights of the 2021 Biennium Budget

- Medicaid expansion renewal resulting in continued coverage of almost 100,000 people
- Passed Senate Bill (SB) 338 to establish the Montana Museums Act of 2020. SB 288 increased the accommodations tax to fund the act and will aid in the construction of the Montana Heritage Center and historical preservation grants
- Major maintenance aid increased by \$14.0 million for K-12 schools
- House Bill (HB) 411 requires the purchase of an aquatic invasive species prevention pass for water vessels. This is projected to result in \$5.2 million per year in revenue that will be used to fund inspection solutions and water sample testing

COVID-19 / CARES Act

The Coronavirus Aid, Relief and Economic Security Act, also known as the CARES Act, is a \$2.2 trillion economic stimulus bill passed by Congress in response to the economic fallout of the COVID-19 pandemic in the United States. Of this stimulus, the federal government granted \$1.25 billion to Montana. These funds are expected to continue to be expended during fiscal year 2021 for COVID-19 related grants and expenditures incurred. The allocation of this funding is estimated to be distributed, most notably, as follows:



Government-wide Financial Statements

Statement of Net Position

June 30, 2020

(amounts expressed in thousands)

| | Governmental Activities | Business-Type Activities |
|--------------------------------|----------------------------|-----------------------------|
| Assets | 14,395,353 | 576,438 |
| Deferred outflows of resources | 613,249 | 2,423 |
| Liabilities | 4,958,386 | 181,896 |
| Deferred inflows of resources | 219,243 | 3,645 |
| Total net position | 9,830,973 | 393,320 |

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year.

Statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

Statement of Activities

For the Fiscal Year Ended June 30, 2020

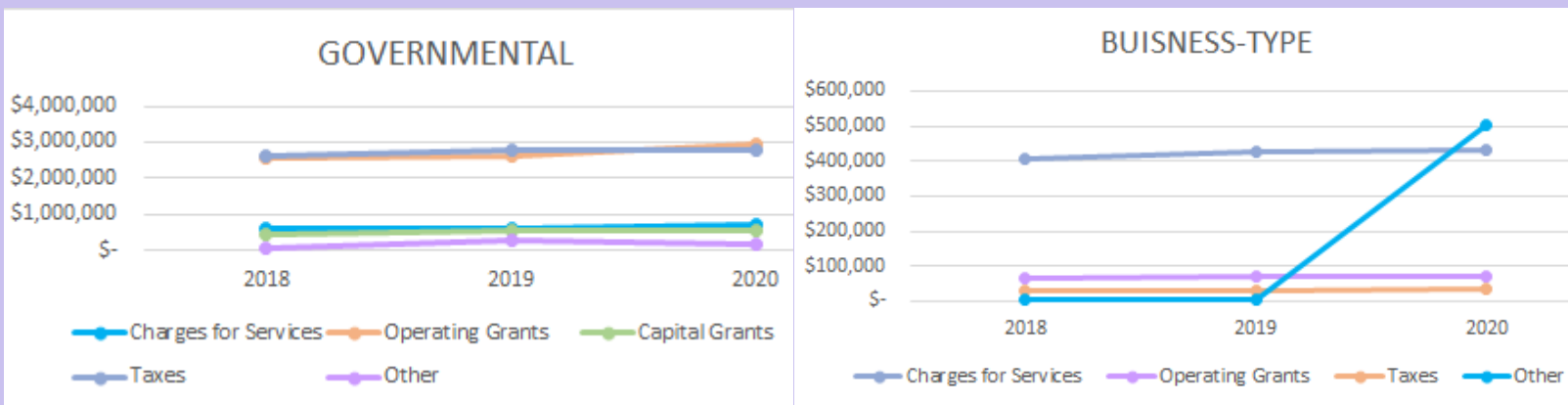
(amounts expressed in thousands)

| | Governmental Activities | Business-Type Activities |
|-------------------------------------|----------------------------|-----------------------------|
| Revenue | 7,160,478 | 1,052,745 |
| Expenses | 6,566,769 | 1,084,357 |
| Transfers | 58,703 | (58,703) |
| Change in net position | 652,412 | (90,315) |
| Beginning net position, as adjusted | 9,178,561 | 483,635 |
| Total net position | 9,830,973 | 393,320 |

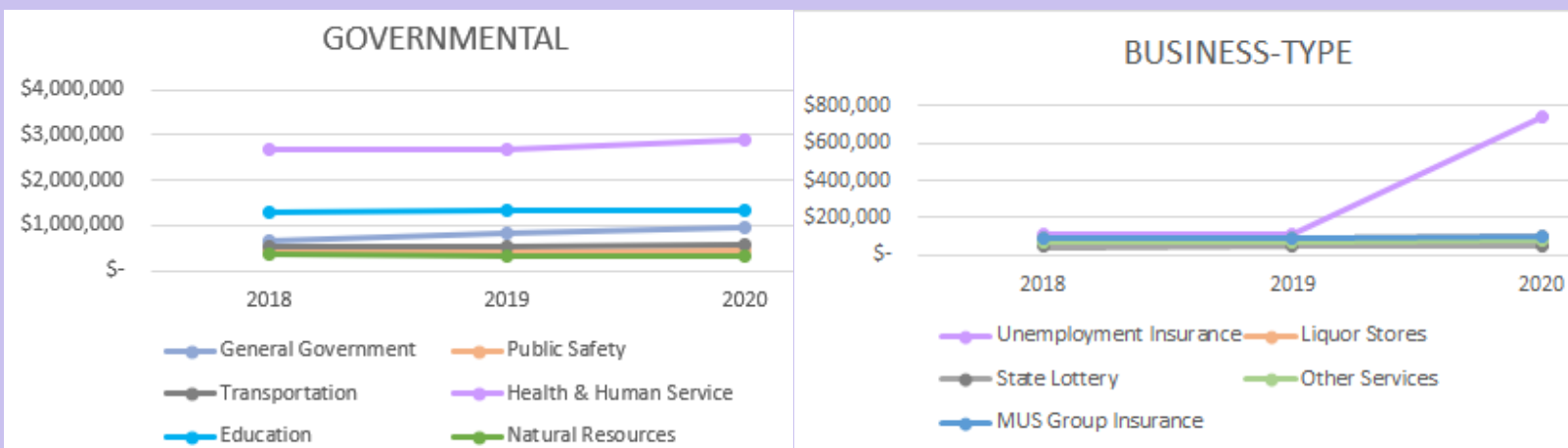
Revenue & Expense Trends

Both governmental and business-type activities' revenues have increased more than their respective expenses, resulting in an increase change in net position in each of the three years presented below. Due to the CARES Act stimulus bill passage, the State experienced a dramatic increase in business-type activities' other revenues and unemployment insurance expenses.

REVENUES



EXPENSES

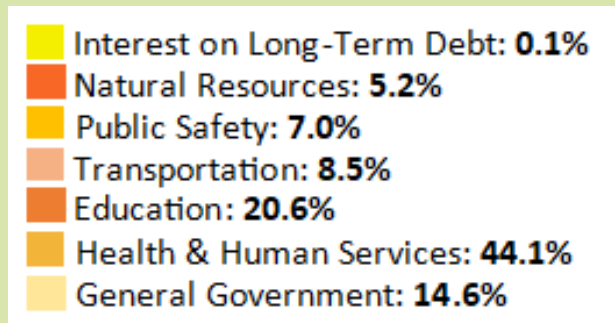


GOVERNMENTAL ACTIVITIES

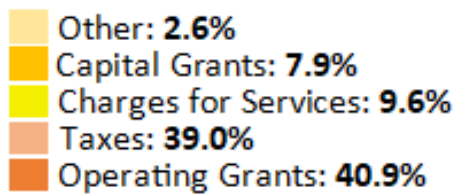
- Supported primarily by taxes and intergovernmental revenues
- Includes education, general government, health & human services, natural resources, and transportation activities
- Internal service funds are considered governmental activities
- Federal grants are considered governmental activities



EXPENSES



REVENUES



BUSINESS-TYPE ACTIVITIES

EXPENSES

| | |
|-------------------------|-------|
| Unemployment Insurance: | 68.8% |
| MUS Group Insurance: | 9.3% |
| Liquor Stores: | 9.1% |
| Gen Govt Services: | 6.9% |
| State Lottery: | 4.7% |
| Prison Funds: | 0.8% |
| Municipal Finance Prog: | 0.2% |
| Hail Insurance: | 0.1% |
| MUS Workers Comp: | 0.1% |



REVENUES

| | |
|-----------------------|-------|
| Other: | 47.9% |
| Charges for Services: | 42.1% |
| Operating Grants: | 6.8% |
| Taxes: | 3.1% |
| Capital Grants: | 0.1% |







- Major business-type activities include:
 - Unemployment Insurance Fund - employer contributions and CARES Act money deposited with the U.S. Secretary of the Treasury, in which unemployment benefits are paid to eligible recipients
 - Municipal Finance Programs Fund - assists small businesses & local governments to obtain long-term, fixed rate, financing
- Cost recovery through user fees & charges to external users of goods and services

GOVERNMENTAL FUNDS

Revenue Generated by Fund Type

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 governmental-wide financial statements. The governmental financial statements focus on near term inflows and outflows of spendable resources. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.



| | |
|--------------------------------------------------------------------------------------|---------------------------------------|
|  | Land Grant: 2.0% |
|  | State Special Revenue: 15.0% |
|  | Coal Severance Tax: 1.0% |
|  | General: 35.0% |
|  | Nonmajor: 1.0% |
|  | Federal Special Revenue: 46.0% |

General Fund Activities

Fund Balance

- Fund Balance totaled \$592.8 million
 - \$4.9 million non-spendable
 - \$117.8 million committed
 - \$89.5 million assigned
 - \$380.7 million unassigned

Revenues

- Revenues totaled \$2.4 billion

Expenditures

- Expenditures totaled \$2.3 billion
 - \$11.6 million increase in general government
 - \$46.0 million decrease in health & human services
 - \$45.8 million increase in education

About this report



The State of Montana is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. The material in this report is derived from the State of Montana's Comprehensive Annual Financial Report (CAFR), prepared in accordance with Generally Accepted Accounting Principles (GAAP) during the same reporting period. The data in the PAFR is an unaudited summary and not in accordance with GAAP, as it does not include all the financial statements, funds, component units, or other disclosures included in the CAFR. A copy of the fiscal year 2020 CAFR may be obtained on the State's website at www.sfsd.mt.gov/SAB/cafr.