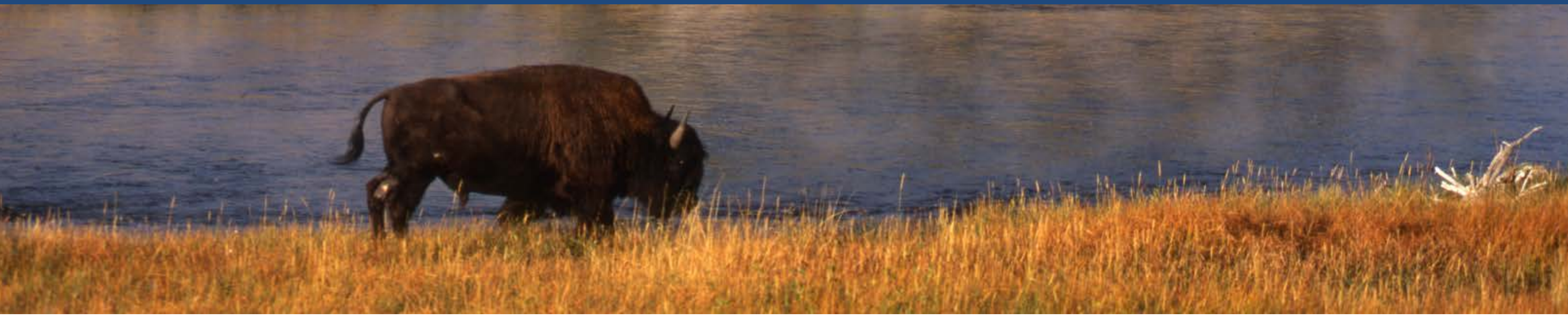
MONTANA



Comprehensive Annual Financial Report

For the year ended June 30, 2014

REPORT LAYOUT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains the transmittal letter, state organization chart, and a list of principal state officials. The Financial Section includes the independent auditor's report, the management's discussion and analysis, the basic financial statements and the combining statements and schedules. The Statistical Section included fiscal, economic, and demographic information about the State.

INTERNET ACCESS

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

http://sfsd.mt.gov/SAB/cafr

Cover photograph courtesy of Donnie Sexton, Montana Office of Tourism

STATE OF MONTANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2014

Prepared By:

Department of Administration

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State Financial Services Division

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State Accounting Bureau Chief

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Bill Hall, Accountant

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State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

INTRODUCTORY SECTION

DEPARTMENT OF ADMINISTRATION

STEVE BULLOCK, GOVERNOR
ANGELA MCLEAN, LIEUTENANT GOVERNOR

SHEILA HOGAN
DIRECTOR

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June 1, 2015

To the Citizens, Governor, and Members of the Legislature of the State of Montana:

In accordance with Title 17, Chapter 2, Part 110, Montana Code Annotated (MCA), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of Montana for the fiscal year ended June 30, 2014. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation rests with the Department of Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the State of Montana. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

DESCRIPTION OF THE CAFR

This report and the accompanying financial statements and statistical tables were prepared in accordance with standards set forth by the Governmental Accounting Standards Board (GASB).

The State of Montana (State) CAFR is divided into three main sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, an organization chart for the State, and a table of contents. 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 (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 (Old and New), Montana State University, University of Montana, Public Employees Retirement Board, and Teachers Retirement System. These component units are discretely presented in the State's financial statements.

The Montana State Fund (State Fund) component unit presentation included in this report differs from the statements issued by that entity. Following the guidance set forth in GASB Statement No. 70, as implemented for fiscal year 2014, we believe that the general fund is providing a nonexchange financial guarantee to State Fund by providing resources from which State Fund pays claims related to Old Fund pursuant to advice from the department's Chief Legal Counsel.

Pursuant to MCA 39-71-2352, if during any fiscal year which claims for injuries resulting from accidents occurring prior to July 1, 1990 are not adequately funded by Montana State Fund, any amount necessary to cover those claims must be transferred from the State's general fund to Montana State Fund. For the fiscal years 2011 – 2013 on the Statement of Net Position, a liability was reported in the governmental activities column and a long-term receivable was reported in the component unit column for the estimated future claim contribution from the general fund to State Fund related to the Old Fund claims. For fiscal year 2014, on the Statement of Net Position, the liability in the governmental activities column was reclassified as a long-term liability and no receivable is reported in the component unit column. For further information on non-exchange financial guarantees please see Note 1 (Q).

State Fund is defined in statute as a single separate legal entity with a contractual relationship to its claimants. State Fund is a single legal entity that meets GASB statement 14 and 61 requirements to be reported as a discretely presented component unit of the State of Montana. The Montana State Fund column, as reported in the CAFR, includes both New Fund and Old Fund financial information; whereas the financial statements as presented by State Fund only include New Fund activity.

We believe that State Fund is legally liable for Old Fund Claims based on legal advice received by the Department's Chief Legal Counsel and a Letter of Advice from the State Attorney General's Office. The letter of advice included the following statement:

> "While the general fund becomes the funding source to pay claims and expenses against the Old Fund in FY 12, the State Fund not the State of Montana remains the entity legally liable for such claims. This conclusion is supported both by the plain language of section 39-71-2319 and the contingency provision in section 39-71-2352(6). By providing for a transfer from the general fund to the Old Fund account, the Legislature created a payment structure that reflects the intent expressly stated in section 39-71-2319, "the State Fund shall assume liability for all outstanding claims and indebtedness of the previously existing state fund. "LAD suggests that section 39-71-2352(6) subrogates the liability for Old Fund claims to the general fund. I do not think the theory of subrogation applies to this issue. Black's Law dictionary defines subrogation to mean "the substitution of one party for another whose debt the party pays, entitling the paying party to rights, remedies, or securities that would otherwise belong to the debtor." Black's Law Dictionary (8fr ed.2004). In this instance, the State Fund is not substituted as the party bearing responsibility to pay. The State Fund's legal liability did not terminate when the Old Fund liability tax reserves were depleted. The entity responsible for payment of claims – the State Fund – remains the same. It is the funding source for payment of those claims that has changed."

PROFILE OF THE GOVERNMENT

Montana became the 41st state when it was admitted to the Union in 1889, 25 years after the attainment of territorial status. While Montana has an area of 145,552 square miles, and is the nation's fourth largest state, it is also one of the most sparsely populated, with an estimated population of just over 1 million. Montana is vast, including rolling plains, the Northern Rocky Mountains, all of Glacier National Park, four 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 organizational chart attached within this report, state government is divided into three separate branches: legislative, executive, and judicial. Montana's Legislature consists of 50 senators and 100 representatives elected from single-member districts. The Legislature meets in regular biennial sessions for 90 days in odd-numbered years. Montana is governed by its constitution, and its laws are administered by its executive branch officers and various boards and commissions. State government services provided to citizens include building and maintaining roads; providing public safety, health, and environmental protection services to protect the general welfare of the State's citizens; helping adults, children, and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

ECONOMIC CONDITION AND OUTLOOK

Montana's primary economic base remains concentrated in agriculture, mining, manufacturing, and nonresident travel. Per the 2014 Labor Day Report issued by the Montana Department of Labor and Industry, all Montana's industries have added jobs over the last year except government. Montana was the 5th fastest state for employment growth in the nation. Overall, Montana's personal income growth has outpaced the US over the last five years. Montana had the 13th fastest personal income growth among state over the last year, and had the 6th fastest personal income growth among state over the last five years.

Montana's unemployment rate has continued to remain lower than the national rate since 2001. Montana's adjusted unemployment rate decreased to 4.3% as of November 2014, as compared to 5.4% in November 2013. Montana added roughly 7,880 jobs in 2013, for a growth rate of 1.7%, faster than the national growth rate of 1.0%. In 2013, Montana's annual number of people employed in nonfarm non-adjusted jobs was approximately 447,500 for 2013, compared to 440,500 in 2012. For a more in-depth analysis of the State's overall financial position, the reader should refer to the management's discussion and analysis and the financial statements contained in the CAFR.

Agriculture

Montana's wheat yields increased in 2014, with production projected to reach 213.2 million bushels, compared to the 2013 production level of 201.6 million bushels, representing a 6% increase. Winter wheat production increased to 91.8 million bushels, 12% higher than the 2013 level of 81.7 million bushels. Spring wheat production reached 107.6 million bushels, up 3% from 2013. Durum production is estimated at 13.8 million bushels, down 10% from 2013. Yields were down for winter, spring and durum wheat.

Montana's other major agricultural commodities include oats, barley, and cattle. Oat production in Montana decreased to an estimated 1,040 thousand bushels in 2014, representing a 12% decrease from 2013 levels. Barley production is estimated at 45.7 million bushels, which is 6% higher than last year. Montana's cattle herd as of January 1, 2014 was at estimated 2.6 million head. Montana ranks tenth in the US cattle and calf industry. Montana's 2013 receipts from cattle sales exceeded $1.5 billion.

Manufacturing

When using the nonfarm non-adjusted estimates from the Montana Department of Labor, Montana's manufacturing industry grew in 2013 by 500 jobs. This is an increase of 3% from 17,500 in 2012 to 18,000 in 2013. Using the Manufacturing statistics as gathered by the Montana Bureau of Business and Economic Research the overall number of manufacturing sector jobs rose to 22,100 workers in 2013. The value of production, within the manufacturing sector was estimated at $14 billion for 2013, about 7% higher than 2012.

Montana's timber sales production volume in 2013 increased to 573 million board feet, up slightly from revised 545 million board feet in 2012, an increase of 5%. Estimated total sales value of the State's primary wood and paper products in 2013 was estimated to be $614 million, up about $56 million or 10%, from 2012. The total wood products industry estimated employment of 7,000 workers for 2013, up 2% from the 2012 level. The 2013 timber harvest was 365 million board feet, up slightly from 2012.

<u>Nonresident Travel</u>

Nonresident travel to Montana in 2013 was approximately 11.0 million visitors up 2.3% from 2012. Overall visitor numbers for the national parks were lower in 2013 than in 2012. The visitor numbers for Yellowstone Park decreased an estimated 8% from 3.5 million to 3.2 million visitors. Visits to Glacier Park were estimated at 2.2 million visitors, with a slight 1% increase from the previous year. Nonresident travelers contribute to the tax base by paying the lodging tax; excise taxes, such as those on gasoline; and indirectly, by supporting employment in industries that pay corporate taxes and whose workers pay income, property, and other taxes. Estimated non-resident direct travel expenditures in Montana totaled $3.6 billion in 2013, representing an increase of $0.3 billion. The estimated total economic benefit of nonresident travel in Montana increased from $4.2 billion for calendar year 2012 to $4.5 billion for 2013, representing an increase of 7%.

<u>Natural Resources/Mining</u>

Montana's Natural Resource/Mining Sector of the economy employed 9,500 workers at the end of calendar year 2013. This represented a 1% increase above the 9,400 workers employed at the end of December 2012. During calendar year 2014, employment in this sector has continued to increase and was 9,800 as of September 2014. The various sectors included in this category are discussed in more detail below.

As of the end of calendar year 2012 an estimated 386 million barrels of proven oil reserves existed under Montana's land. These numbers do not reflect the projected additional reserves existing in the Bakken and Tyler formations Montana shares with North and South Dakota. In 2013, the State saw an increase in production and exploration activity, with estimated crude oil production for the state at 29.3 million barrels. This represents a 11% increase from the 2012 production levels of 26.5 million barrels. Production through August 2014 is essentially the same as compared to 2013 information for the same period.

Montana's total coal reserves were estimated at 118,851 million short tons with recoverable reserves of 74,644 million short tons in 2012 (most recently released data). This represents 25% of the total, and 30% of the recoverable, reserves in the U.S. Of these reserves 960 million short tons of coal, 5% of the US total, are located at producing mine sites. During 2012, Montana's coal production decreased 13% from 42,009 to 36,694 thousand short tons.

Historically, minerals mining has been a significant 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, and bentonite, garnets and sapphires. The "rare earth" metals, now in demand in many new products, are also known to exist within the State. Exploration for these metals is underway to determine the economic feasibility of production within the State.

MAJOR INITIATIVES AND LONG TERM OUTLOOK

The 2013 Legislature completed work and adjourned in late April 2013. Upon adjournment, it was anticipated that for the 2015 biennium, general fund revenue collections would be approximately $4,966 million while general fund expenditures would be approximately $4,330 million. At the end of the fiscal year 2015, the estimated general fund balance would be approximately $298 million.

The 2015 biennium budget seeks to leave sufficient reserves in fund balance, achieve structural balance for the general fund budget, and solve (or eliminate) long-term liabilities.

The following are the major financial highlights of the 2015 biennium budget, as approved by the 2013 Legislature:

1. Governor Bullock proposed and the 2013 Legislature adopted legislation to fund the two largest retirement systems' (TRS and PERS) unfunded liabilities with a combination of state general fund, state and local employer contribution rates, employee contribution increases, and reductions in the inflationary increase in retiree benefits. Under this legislation, the amortization period for both retirement systems are now under the recommended 30 year amortization period. Legislation was also adopted to fund the outstanding liability of the Highway Patrol Officer Retirement System.

2. Governor Bullock proposed and the 2013 Legislature funded a 2% rate increase per year for most private and community-based partners that provide health care and corrections-based services on behalf of the State of Montana.

3. The 2013 Legislature and the Governor passed HB 354 which provides sweeping reform and ongoing funding for the way the state pays for wildfire suppression. The bill provides a mechanism to set aside funds to pay for the cost of wildfire suppression in a proactive way and significantly decreases the likelihood of supplemental appropriations and special sessions of the past to pay for these costs.

4. The 2013 Legislature further reduced the class 8 (business equipment) property tax rate and increased the thresholds for which taxes are due (SB 96). In addition to reducing tax liability for individuals and businesses, the bill also provides for full reimbursement, from the general fund, for the reduction in tax base caused by this bill to local governments and tax increment finance districts through entitlement share payments; school districts through school block grant payments; and the university system.

5. The 2013 Legislature funded significant one-time investments in capital infrastructure projects around the state, including funding all outstanding obligations to the Blackfeet and the Ft Belknap Tribal Water Compacts and the Dry Prairie and Central Montana Regional Water Systems. There were further investments in necessary one-time information technology projects that will improve the efficiency and effectiveness of state government.

6. The 2015 biennium budget generally funds existing core services (i.e. health and human services, corrections, and education) at estimated caseload, population, and enrollment levels.

In fiscal year 2014, the General Fund unassigned fund balance was $344 million. An additional $80 million was reported as assigned fund balance, as required by GASB Statement No. 54, due to the projected general fund spend down of fund balance in fiscal year 2015. Further detail on the breakdown of fund balance for the general fund can be found in Note 14 – Major Purpose Presentation of this report. The 2013 legislative session projected $338 million of unassigned fund balance for FY2014, without regard to an additional fund balance amount reported regarding the projected spend down in FY2015. The difference was the primarily the result from higher than anticipated revenues in FY2014, and a larger than anticipated beginning fund balance. Actual General Fund revenue receipts were $2,076 million or 1% greater ($20 million) than the official legislative estimate of $2,056 million.

The 2014 General Fund budgeted disbursements approved by the 2013 Legislature was set at $2,153 million, whereas actual disbursements were $2,193 million, with the increase largely attributed to transfers to the wildfire suppression fund due (HB 454, 2013 Legislature) to better-than-anticipated corporation income tax collections.

Both the increased revenue and expenditures reported for the year are discussed in more detail in the Management's Discussion and Analysis included in this report.

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 via 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 and/or available cash. SABHRS also provides for encumbrance accounting as a technique for accomplishing budgetary control.

General Fund Balance

For fiscal year 2014, the total fund balance of the General Fund was reported at approximately $443 million. Of this balance $4 million is non-spendable. The remaining $439 million is spendable with $4 million restricted, $0.1 million committed, $90 million assigned and $344 million unassigned. Of the assigned fund balance, $80 million pertains to the projected general fund spend down of fund balance in fiscal year 2015 as required by GASB Statement No. 54 and $10 million relates to outstanding encumbrances at the end of the fiscal year. Further detail on the breakdown of fund balance for the general fund can be found in Note 14 – Major Purpose Presentation of this report.

For June 30, 2013, the total fund balance of the General Fund was reported at $561 million. Of this fund balance $5 million was non-spendable. The remaining $555 million was spendable with $18 million assigned and $537 million unassigned. The $18 million assignment relates to outstanding encumbrances at the end of the fiscal year 2013. We did not anticipate a material spend-down of fund balance in fiscal year 2014. As a result an assignment for this was not included in the 2013 report.

Other Post Employment Benefits - Implied Rate Subsidy Liability

The State of Montana reported the "implied rate subsidy" liability, required under the Governmental Accounting Standards Board (GASB) Statement No. 45, in this financial report and the related financial statements. Although the State reported this liability, and related expenses and expenditures, the State does not agree that this represents a legal liability and further believes that the presentation of this activity in the financial statements will eventually be misleading to the users of the statements.

The State plans to continue funding the employee health insurance plan on a "pay as you go" basis, and does not intend to fund this liability. Because the State is not funding this liability, it may increase in $1/30^{th}$ increments, plus interest, and within a few years, the financial statements may reflect the impact of a very large "implied rate subsidy" liability that does not have legal substance. The total actuarially accrued liability, which, absent a change in position by GASB or a change in the funding level the State provides for retirees, will be recorded on the State accounting system over the next 30 years, is estimated at $219 and $100 million for the State and MUS systems, respectively. Accrued interest will further inflate this over time.

The liability reported for this OPEB implied rate subsidy either directly resulted in or contributed to negative overall net assets in the following internal service funds: Info Tech Services, Admin Central Services, Labor Central Services, DEQ Indirect Cost Pool, Warrant Processing, Investment Division, Aircraft Operation, and Justice Legal Services.

We submitted a request to have GASB reconsider the requirement to report the implied rate subsidy. GASB refused to revisit this issue. A copy of the letter to GASB providing our concerns with the implied rate subsidy reporting, required under GASB Statement No. 45, is available upon request.

ACKNOWLEDGEMENTS

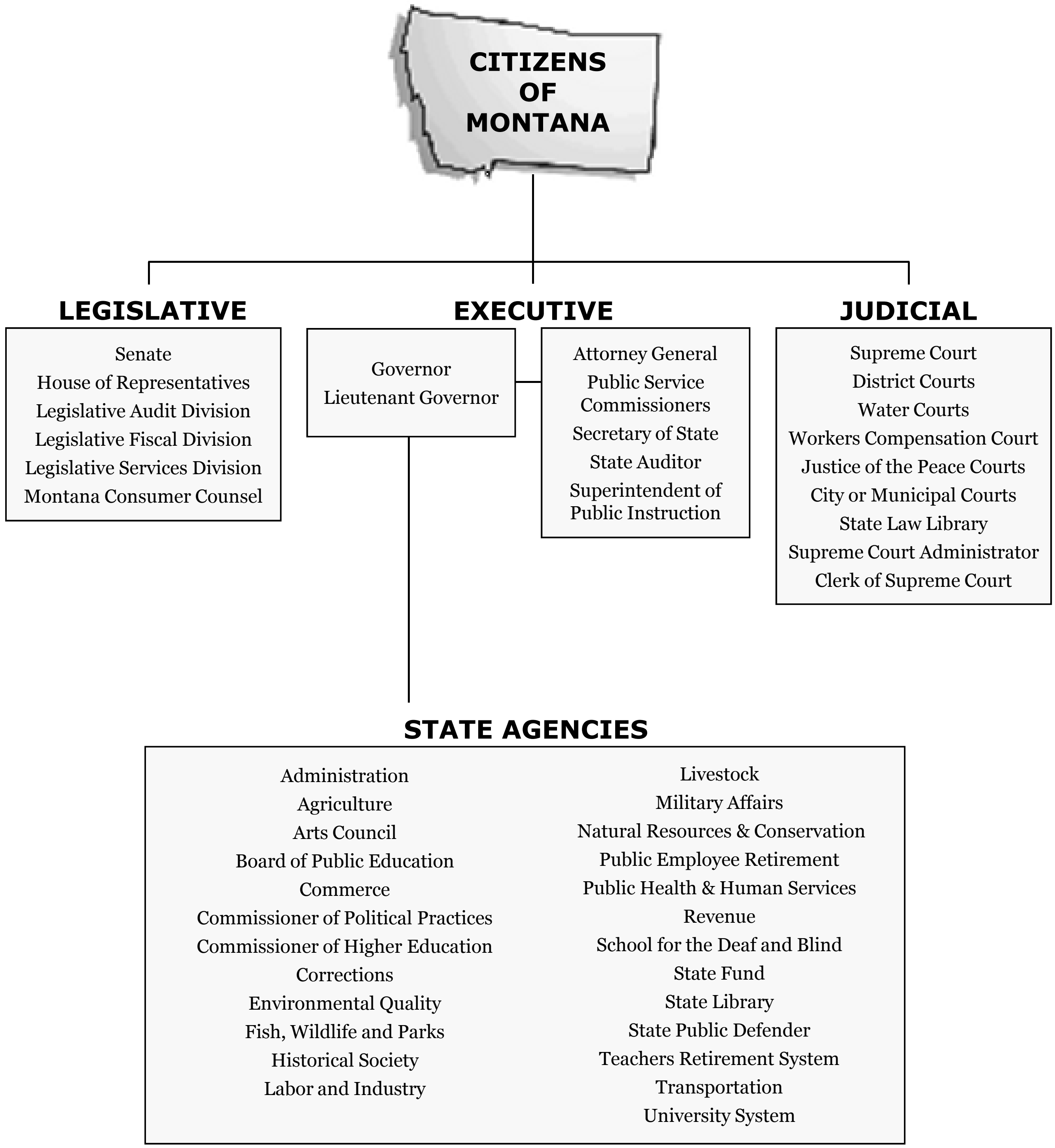
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the State Accounting Bureau – Accounting Principal and Financial Reporting Section (APFRS), the cooperation of accounting personnel at the individual state agencies and staff in the Governor's Office of Budget and Program Planning. We would like to express our appreciation to the State 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 Montana in a professional, responsible, and progressive manner.

Respectfully submitted,

/s/ Cheryl Grey

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

STATE OF MONTANA ORGANIZATION CHART



State of Montana
SELECTED STATE OFFICIALS

EXECUTIVE

Steve Bullock

Governor

Angela McLean

Lieutenant Governor

JUDICIAL

Mike McGrath

Chief Justice

LEGISLATIVE

Jeff Essmann

President of the Senate

Mark Blasdel

Speaker of the House

FINANCIAL SECTION

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angus Maciver

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying basic 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, 2014, and the related notes which collectively comprise the State'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 Balance – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Fund Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units and

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the University of Montana (UM) component units, which represent 11.65, 26.97, and 6.35 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 the 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 MSU and UM component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the state of Montana's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

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

Basis for Adverse Opinions

The state of Montana did not have sufficient internal controls over financial reporting, resulting in material misstatements and omissions in the Governmental and Business-Type Activities opinion units, as shown in the accompanying financial statements and notes, for the year ended June 30, 2014. The following identifies the misstatements:

- Transfers are omitted from the Statement of Activities. While the totals on the statement include the transfers amount, the transfers line was omitted. Governmental Activities should show a Transfer of approximately $47 million and Business-Type Activities should show a Transfer of approximately ($47) million.
- Note 5 reported Governmental Activities Total Accumulated Depreciation of $1.2 billion and it should be $210.8 million, resulting in an overstatement of approximately $1 billion.
- Four bond issuances, that total approximately $62 million, are omitted from Note 17 - Subsequent Events. This primarily affects Business-Type Activities.

The above misstatements and omissions do not conform to the requirements of Generally Accepted Accounting Principles (GAAP).

Adverse Opinions

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinions paragraph, the financial statements referred to above do not present fairly the financial position as of June 30, 2014, and the results of operations of the Governmental Activities and Business-Type Activities of the state of Montana for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

Beginning in fiscal year 2011, the General Fund became responsible for paying the remaining claims liability in the Old Fund, once Old Fund resources were exhausted. In fiscal year 2014, the General Fund paid approximately $7.4 million in claims. Under the provisions of state law, the General Fund assumed the remaining estimated $45 million in workers' compensation claim liabilities of the Old Fund, making it a general long-term debt of the primary government, not Montana State Fund. The long-term liability is reported twice on the Statement of Net Position, for the state (Governmental Activities column) and for Montana State Fund (Component Units column). In addition, the liability is included in the Component Units, Condensed Financial Statements (Note 18A) as a long-term liability. The primary government is required to report the activity of the Old Fund. As described in Note 1, management reported the Old Fund and the New Fund as Montana State Fund. Management reported a long-term liability for the Montana State Fund, component unit. This accounting treatment is not consistent with GAAP requirements and results in the following misstatements on the basic financial statements and notes to the financial statements:

Statement of Net Position	**(Under)/Overstated**
Component Unit Column	
Long-term liabilities	$45 million
Net position	($45 million)

Note 18A – Condensed Financial Statements:

Montana State Fund Column

Long-term liabilities	$45 million
Net position	($45 million)

In addition to the Old Fund reporting issue, we identified the following misstatements contributing to our qualified opinions:

- The total bonds/notes payable additions, ending balance, and amounts due within one year, and amounts due in more than one year on the Summary of Changes in Long-term Liabilities Payable table, included in Note 18I, related to component units, are overstated by approximately $100 million.
- Investment Commitments included in Note 3C for the Montana Real Estate Pool (MTRP) contain the following misstatements related to Remaining Fund Information: commitment remaining is overstated by approximately $190 million and the fair value is overstated by approximately $621 million.

The above misstatements are not consistent with Generally Accepted Accounting Principles.

Qualified Opinions

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2014, and the results of operations of the Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information of the state of Montana for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, State Special Revenue Fund, Federal Special Revenue Fund, Land Grant, Coal Severance Tax, Unemployment Insurance, and Economic Development Bonds major funds for the state of Montana, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

At June 30, 2014, the Game Wardens' and Peace Officers', Highway Patrol Officers', and Sheriffs' retirement systems were not actuarially sound. The Unfunded Actuarial Accrued Liability amortization period is infinite for the Game Wardens' and Peace Officers' and Sheriffs' retirement systems. The amortization period for the Highway Patrol Officers' Retirement System is 30.3 years. The maximum allowable amortization period is 30 years.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, and the Other Post Employment Benefits Plan Information 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. Although our opinion on the basic financial statements is not affected, the following material departures from the prescribed guidelines exist:

- Management is required to include a note in the required supplementary information to disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison. The Budgetary Comparison Schedule shows excesses of expenditures over appropriations. However, the notes to the required supplementary information state there were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.
- The 2013 net position, end of year, in the comparative condensed statement of Changes in Net Position in the Management's Discussion and Analysis does not foot and is overstated by approximately $224 million.

We do not express an opinion or provide any assurance on the information.

Old Fund Estimated Liabilities

We enter into a contract with an independent actuary to determine:

- If rates established by Montana State Fund for workers' compensation insurance are excessive, inadequate, or unfairly discriminatory, per §39-71-2362, MCA, and
- The adequacy of amounts reserved by Montana State Fund at June 30 and the reasonableness of procedures used in the claim reservation process, in accordance with §39-71-2361, MCA.

As part of the independent actuary's process, they estimate a loss and claims liability for the Old Fund. The amount estimated for the Old Fund by the independent actuary was greater than the amount estimated by the Montana State Fund actuary. For fiscal year 2014, the independent actuary estimated the net loss and loss adjustment expense reserves at $127 million. The amount estimated and reported in the Statement of Net Position is $45 million. The two estimates vary significantly and the results of the independent actuary indicates the ultimate amount of claims paid could exceed the $45 million estimate currently reported in the Statement of Net Position. Actuaries make estimates based on assumptions, and different assumptions can result in different estimates. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements. The introductory section, combining statements, and 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 to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters discussed in the "Basis for Adverse Opinions" and "Basis for Qualified Opinions" paragraphs, it is inappropriate to, and we do not, express an opinion on the combining statements or provide any assurance on them.

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 May 13, 2015, 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 this 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 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 (13-01B) on the state's basic financial statements.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

May 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Comprehensive Annual Financial Report (CAFR). This narrative overview and analysis of the financial activities of the State of Montana is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2014 by $9.0 billion (reported as net position) compared with $8.2 billion at the end of fiscal year 2013. Of this amount, $1.4 billion may be used to meet the government's general obligations to citizens and creditors. Component units reported net position of $1.7 billion for 2014 and $1.6 billion for 2013. These are discussed in more detail in the financial statement overview below.

Fund Highlights

As of the close of fiscal year 2014, the State's governmental funds reported combined ending fund balances of $4.1 billion compared with $4.0 billion at fiscal year 2013. Of this amount, $1.5 billion is not in spendable form, primarily as permanent fund principle. Thus, $2.6 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1,050.0 million restricted, $1,107.7 million committed, $104.8 million assigned and $344.4 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 2014 in the amount of $330.2 million compared with the fiscal year-end 2013 net position of $284.7 million. Of the 2014 business-type activity fund equity $16.3 million was reported as net investment in capital assets. $313.9 million of net position was in spendable form with $18.9 million unrestricted and $295.0 million restricted to expenditure for a specific purpose. This represents a $45.5 million (16%) increase in spendable net position from the fiscal year-end 2013 balance of $269.8 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities decreased by $22.9 million, from $296.8 million in fiscal year 2013 to $273.9 million, a 7.7% decrease in fiscal year 2014.

Business-type activities reported bonds and notes payable of $0 at fiscal year-end 2014. This represents a decrease of $70 thousand (100%) over the fiscal year-end 2013 reported amount of $70 thousand.

For details relating to the states long term debt see 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 (budgetary schedules and other post employment benefits plan information). These components are described below:

Basic Financial Statements
The basic financial statements include two kinds of financial statements that present different views of the State – the g*overnment-wide financial statements* and the *fund financial statements***.** These financial statements also include the *notes to the financial statements* that explain some of the information in the financial statements and provide more detail.

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. This basically means 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* 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 showing how the government's net position changed 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 (such as uncollected taxes and earned but unused vacation leave). 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 programs or activities. These three types of activities are as follow:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (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 services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

Business-type Activities – These functions are 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 Economic Development Bond Program 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 – These are operations for which the State has financial accountability, but they 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 has two authorities, one nonprofit independent public corporation and two universities that are reported as discretely presented component units of the State.

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 differently. The three categories of funds are as follows:

Governmental Funds Financial Statements – 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 Financial Statements – 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. Proprietary funds (enterprise and internal service) 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. An example is the State Lottery. An internal service fund reports activities that provide supplies and services for the State's other programs and activities such as the Motor Pool.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside state government. 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 funds use the full accrual basis of accounting. A retirement fund is an example of a fiduciary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in 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. RSI also includes the schedule of funding progress for the pension plans and other post employment benefits plan information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position improved from the last fiscal year. This improvement resulted from a continued, modest, economic recovery within the State. A sign of the improvement is evidenced by the net increase of $759 million in the State's combined net position from FY13.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $9.0 billion at the end of fiscal year 2014. Net position of the governmental activities increased $713 million (9%), and business-type activities experienced a $46 million (16%) increase. These changes are explained in detail in the major fund analysis below.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional position of the State's net portion 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 was able to report positive balances in all three categories of net position, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

Net Position
June 30, 2014
(expressed in thousands)

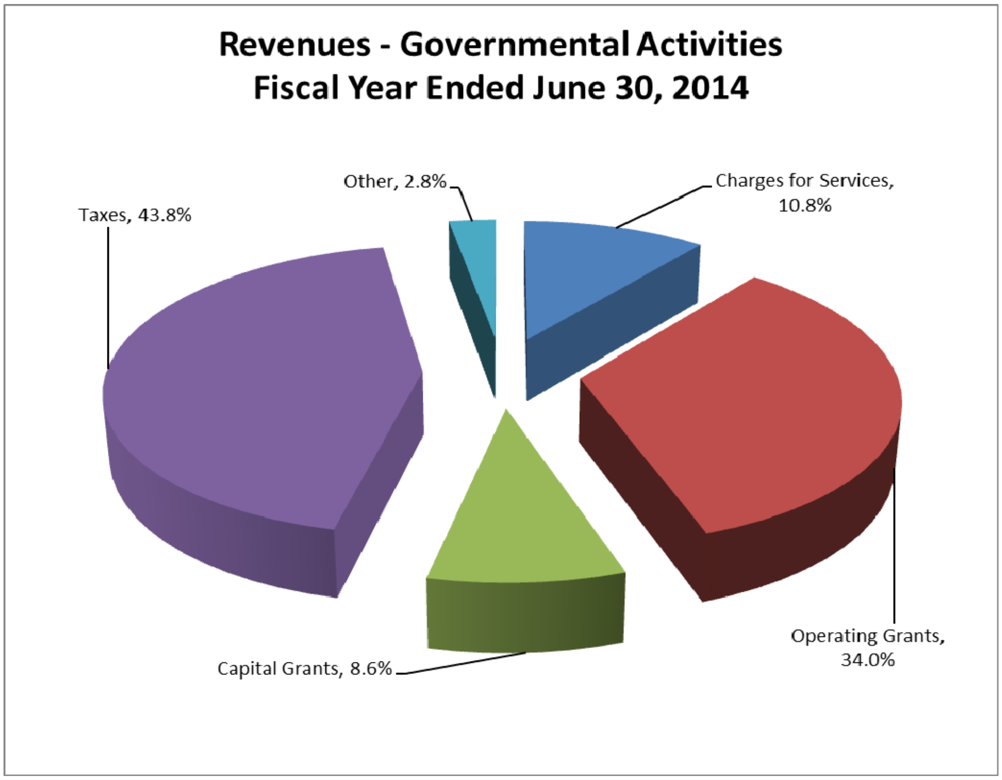
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current and other assets	$5,128,332	$5,200,297	$424,790	$472,729	$5,553,122	$5,673,026
Capital assets	4,878,963	5,230,949	15,084	16,400	4,894,047	5,247,349
Total assets	10,007,295	10,431,246	439,874	489,129	10,447,169	10,920,375
Deferred Outflows of Resources	-	584	-	-	-	584
Long-term liabilities						
Due in more than one year	759,276	558,126	8,157	8,146	767,433	566,272
Other liabilities	1,320,053	1,232,024	147,059	150,780	1,467,112	1,382,804
Total liabilities	2,079,329	1,790,150	155,216	158,926	2,234,545	1,949,076
Net investment in capital assets	4,681,042	5,049,162	14,861	16,285	4,695,903	5,065,447
Restricted	2,334,042	2,696,248	253,651	295,006	2,587,693	2,991,254
Unrestricted	912,882	896,270	16,146	18,912	929,028	915,182
Total net position	$7,927,966	$8,641,680	$284,658	$330,203	$8,212,624	$8,971,883

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:

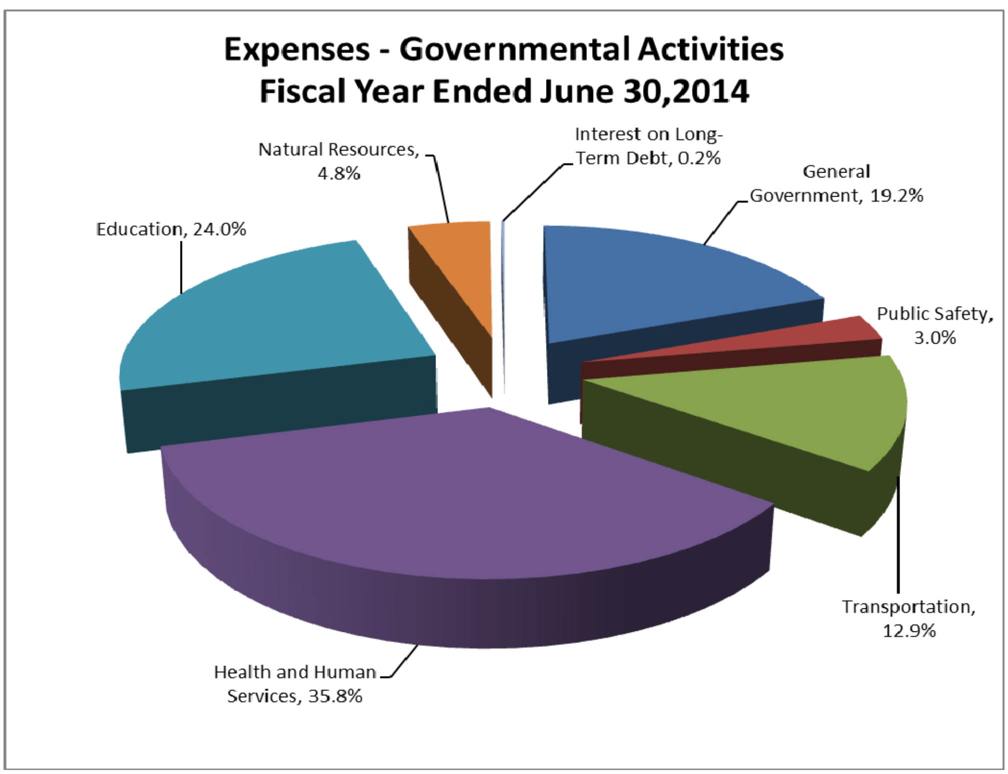
Changes in Net Position
For Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues						
Charges for services	$ 564,714	$ 578,819	$ 414,024	$ 426,471	$ 978,738	$ 1,005,290
Operating grants	1,780,611	1,823,987	96,590	64,982	1,877,201	1,888,969
Capital grants	455,310	460,814	445	623	455,755	461,437
General revenues						
Taxes	2,324,112	2,347,845	24,185	25,148	2,348,297	2,372,993
Other	77,492	147,524	631	1,436	78,123	148,960
Total revenues	5,202,239	5,358,989	535,875	518,660	5,738,114	5,877,649
Expenses:						
General government	647,974	1,009,123			647,974	1,009,123
Public safety	380,309	156,256			380,309	156,256
Transportation	413,205	461,356			413,205	461,356
Health and human services	1,808,390	1,880,505			1,808,390	1,880,505
Educational	1,205,959	1,262,069			1,205,959	1,262,069
Natural resources	332,942	254,414			332,942	254,414
Interest on long-term debt	12,249	10,760			12,249	10,760
Unemployment Insurance			179,826	136,174	179,826	136,174
Liquor Stores			71,015	74,917	71,015	74,917
State Lottery			44,049	41,310	44,049	41,310
Economic Dev Bonds			929	2,564	929	2,564
Hail Insurance			7,338	15,163	7,338	15,163
Gen Govt Services			63,349	63,787	63,349	63,787
Prison Funds			7,003	7,223	7,003	7,223
MUS Group Insurance			67,249	80,639	67,249	80,639
MUS Workers Comp			328	3,199	328	3,199
Total expenses	4,801,028	5,034,483	441,086	424,976	5,242,114	5,459,459
Increase (decrease) in net position before transfers)	401,211	324,506	94,789	93,684	496,000	418,190
Transfers	48,200	47,863	(48,200)	(47,863)		
Change in net position	449,411	372,369	46,589	45,821	496,000	418,190
Net position, beg of year (as restated)	7,254,555	8,269,311	238,069	284,382	7,716,624	8,553,693
Net position, end of year	$7,927,966	$8,641,680	$ 284,658	$ 330,203	$8,212,624	$8,971,883

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

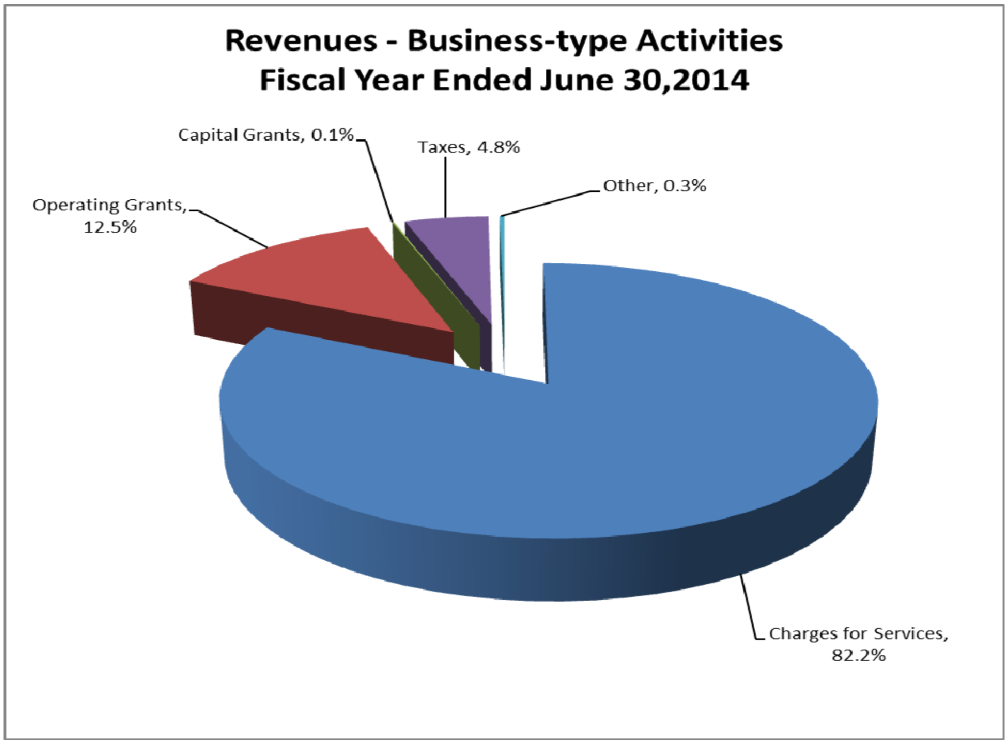


The following chart depicts expenses of the governmental activities for the fiscal year:

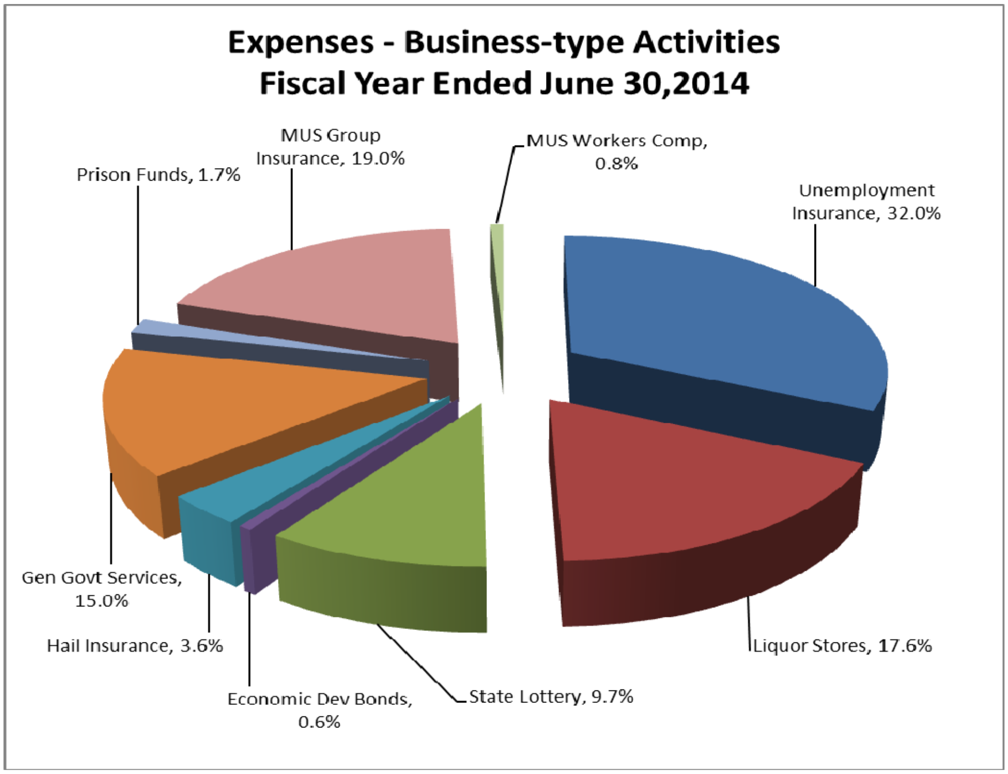


Business-type Activities

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



The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of $4.1 billion. Of this total amount, $2.6 billion (63%) constitutes spendable fund balance and $1.5 billion (37%) 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 2014, the total fund balance of the General Fund was reported at approximately $443 million. Of this balance $4 million is non-spendable. The remaining $439 million is spendable with $4 million restricted, $0.1 million committed, $90 million assigned and $344 million unassigned. This represents 17% of the $2.6 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $80 million pertains to the projected general fund spend down of fund balance in fiscal year 2015 and $10 million relates to outstanding encumbrances at the end of the fiscal year. Further detail on the breakdown of fund balance for the general fund can be found in Note 14 – Major Purpose Presentation of this report.

Unassigned fund balance decreased by $194 million when compared to the previously reported fund balance of $538 million. This decrease was primarily the result of income remaining consistent with fiscal year 2013 while expenditures continued to rise. Changes in both expenditures and revenues are discussed in detail below. The 2013 legislative session projected $338 million of unassigned fund balance for FY2014, without regard to an additional fund balance amount reported regarding the projected spend down in FY2015. The difference was the primarily the result from higher than anticipated revenues in FY2014, and a larger than anticipated beginning fund balance.

<u>Consistent Revenues</u> – Total General Fund revenues were $2,000 million for fiscal year 2014, a negligible difference from the $2,002 million reported in 2013 but leaving the general fund shy of the 2014 legislative estimation of $2,056 million. For fiscal year 2014 tax revenue closely mirrored 2013 with the exception of natural resource collections up 10% to $154 million and corporate income down 17% to $148 million.

<u>Higher General Fund Expenditures</u> – General Fund expenditures for fiscal year 2014 increased by $109 million (6%). This increase in expenditures occurred in the general government, public safety, and health and human services functions. Among the increases in expenditures the only function reporting a decrease was natural resources down $50 million (31%) from 2013. General government expenditures increased by $65 million (25%) in 2014. Public safety expenditures increased by $14 million (5%) in 2014. Health and human services expenditures increased by $32 million (8%) in 2014. Education expenditures increased by $47 million (5%) in 2014.

Transfers out increased by $85 million (108%) to $164 million in 2014. Per the 2013 Legislative Session the following transfers were made from the general fund during 2014 and accounted for most of the increase: $49.6 million was transferred to the long-range building program account in the capital projects fund type (HB 5); $20.5 million to fund operations and $11.9 to fund fire suppression was transferred to the State Special Revenue fund of the Department of Natural Resource and Conservation per HB 6 and HB 3, $11.5 million was transferred to the long-range information technology program account in the capital projects fund type (HB 10), and transfers of $33.7 million made to PERS and $25 million to TRS per HB 454.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2014, general fund appropriations that reverted to 2015 were $9.0 million.

The Department of Administration had unspent appropriations of $3.9 million for FY 2014. The vast majority of this unspent amount is attributable to general fund (statutory authority) being less than budgeted in regard to pension contributions.

The Judicial Branch had unspent appropriations of $1.2 million for FY14. The vast majority of this unspent amount is attributable unspent court administration costs.

The Department of Public Health and Human Services had unspent appropriations of $0.7 million for FY 2014. The vast majority of this unspent amount was attributable worker compensation and Medicaid costs.

The Department of Military Affairs has unspent appropriations of $0.6 million for FY 2014. The vast majority of this unspent amount is attributable to flood expenditures.

The State Auditor's Office had unspent appropriations of $0.6 million for FY2014. The vast majority for is related to Insure Montana payments.

The remaining unspent appropriation of $2.0 million was attributable to miscellaneous reversions across other business units.

State Special Revenue Fund
At the end of the current fiscal year, the fund balance of the State Special Revenue Fund was $1.5 billion. The fund balance remained increased from fiscal year 2013 by $29 million or 2%. Total revenue increased by $57 million (7%) with expenditures increasing by $58 million (6%) for fiscal year 2014.

The slight increase in total fund balance can for the most part be attributed to an increase to net transfers and bond proceeds. Transfers in increased by $40 million (23%) in 2014 and transfers out increased by $8 million (29%). $32.4 million of the transfers in related to the transfer out from the general fund pertaining to the Department of Natural Resource and Conservation as discussed in the general fund section above. During 2014, state special revenue bonds were issued; whereas no bonds were issued in 2013.

Federal Special Revenue Fund
Fund balance in the Federal Special Revenue Fund decreased by $4.9 million (25%) to $14.7 million. Revenues increased by $62.3 million (3%), expenditures increased by $40.8 million (2%), and transfers out increased by $15.8 million (60%). Because most federal programs are expenditure-driven, a direct correlation normally exists between revenues/transfers in and expenditures/transfers out. For the fiscal year increased expenditure and transfers out levels resulted in the overall decrease in fund balance. Programs such as Guaranteed Student Loan, Livestock Shell/Egg and some within the Fish Wildlife and Parks and Crime Control agencies are allowed to carry assets in their federal entities, creating a normal overall positive balance for the fund as a whole.

Coal Severance Tax Permanent Fund
Coal Severance Tax Permanent Fund increased by $40 million to $1,011 million, an increase of 4%. Total revenue increased by $31.9 million to $81.2 million, an increase of 65% from 2013. Investment earnings increased by $31.3 million (156%), of which $14.5 million was the result of investment value appreciation.

Land Grant Permanent Fund
Fund balance in the Land Grant Permanent Fund increased by $49.5 million to $638.6 million, an 8% increase. Within this fund, investment earnings increased by $25.4 million (274%). One factor for this investment revenue increase was the result of investment value appreciation of $11.3 million. Transfers out decreased by $1.7 million (2%). Capital outlay expenditures decreased by $7.4 million, as no major land purchases were completed during 2014 as compared to 2013.

Unemployment Insurance Enterprise Fund
Net position restricted for unemployment compensation increased by $50.5 million or 28%. This net position increase reflects the continued impact of lower unemployment throughout fiscal year 2014 and was also impacted by an increase in the taxable wage base from $27,000 to $27,900 in 2013. Overall unemployment fell from 5.3% in July 2013, to 4.6% in July 2014.

Economic Development Bonds Enterprise Fund
Net position decreased by $1.7 million or 24% in fiscal year 2014. Revenues from financing decreased $209 thousand while total operating expenses increased by $1.6 million (176%). Most notably, personal services expense increased by $200 thousand (115%) and interest expense increased $1.4 million (234%) from 2013. The interest expense amount represented the unamortized balance of the cost of issue as of June 30, 2013. Effective for financial statements for periods beginning after December 15, 2012, the provisions of Governmental Accounting Standards Board Statement (GASB) No. 65 – Items Previously Reported as Assets and Liabilities were implemented and the unamortized balance was expensed for the year ended June 30, 2014.

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, 2014, amounted to $7.3 billion, with related accumulated depreciation of $2.1 billion, leaving a net book value of $5.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, 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 $0.3 billion or 7% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration
Montana receives excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA) and Fitch Ratings (AA+).

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

The State of Montana's general obligation debt decreased from $139.6 million at June 30, 2013 to $127.8 million at June 30, 2014. $5.2 million of cash is available in debt service funds to service general obligation debt leaving a balance of $122.6 million in net general obligation debt outstanding.

The below table contains the ratio of general obligation debt and all State debt to personal income and the amount of debt per capita:

	Amount *(in thousands)*	Percentage of Personal Income (1)	State Debt Per Capita (2)
General obligation debt	$127,840	0.28%	$109
Total State debt	$265,171	0.70%	$270

(1) Personal income is for calendar year 2013.
(2) Based on estimated 2014 Montana population.

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

ECONOMIC CONDITION AND OUTLOOK

Montana's primary economic base remains concentrated in agriculture, mining, manufacturing, and nonresident travel. Per the 2014 Labor Day Report issued by the Montana Department of Labor and Industry, all Montana's industries have added jobs over the last year except government. Montana was the 5th fastest state for employment growth in the nation. Overall, Montana's personal income growth has outpaced the US over the last five years. Montana had the 13th fastest personal income growth among state over the last year, and had the 6th fastest personal income growth among state over the last five years.

Montana's unemployment rate has continued to remain lower than the national rate since 2001. Montana's adjusted unemployment rate decreased to 4.3% as of November 2014, as compared to 5.4% in November 2013. Montana added roughly 7,880 jobs in 2013, for a growth rate of 1.7%, faster than the national growth rate of 1.0%. In 2013, Montana's annual number of people employed in nonfarm non-adjusted jobs was approximately 447,500 for 2013, compared to 440,500 in 2012. For a more in-depth analysis of the State's overall financial position, the reader should refer to the management's discussion and analysis and the financial statements contained in the CAFR.

The 63nd Legislative Session adjourned in late April 2013. Upon adjournment, it was anticipated that for the biennium, general fund revenue would be approximately $4,966 million while general fund expenditures would be approximately $4,330 million, thereby leaving an estimated general fund balance of approximately $298 million at the end of fiscal year 2015.

The 2015 biennium budget seeks to leave sufficient reserves in fund balance, achieve structural balance for the general fund budget, and solve (or eliminate) long-term liabilities.

The following are financial highlights of the 2015 biennium budget, as approved by the 2013 legislature:

1. Governor Bullock proposed and the 2013 Legislature adopted legislation to fund the two largest retirement systems' (TRS and PERS) unfunded liabilities with a combination of state general fund, state and local employer contribution rates, employee contribution increases, and reductions in the inflationary increase in retiree benefits. Under this legislation, the amortization period for both retirement systems are now under the recommended 30 year amortization period. Legislation was also adopted to fund the outstanding liability of the Highway Patrol Officer Retirement System.

2. Governor Bullock proposed and the 2013 Legislature funded a 2% rate increase per year for most private and community-based partners that provide health care and corrections-based services on behalf of the State of Montana.

3. The 2013 Legislature and the Governor passed HB 354 which provides sweeping reform and ongoing funding for the way the state pays for wildfire suppression. The bill provides a mechanism to set aside funds to pay for the cost of wildfire suppression in a proactive way and significantly decreases the likelihood of supplemental appropriations and special sessions of the past to pay for these costs.

4. The 2013 Legislature further reduced the class 8 (business equipment) property tax rate and increased the thresholds for which taxes are due (SB 96). In addition to reducing tax liability for individuals and businesses, the bill also provides for full reimbursement, from the general fund, for the reduction in tax base caused by this bill to local governments and tax increment finance districts through entitlement share payments; school districts through school block grant payments; and the university system.

5. The 2013 Legislature funded significant one-time investments in capital infrastructure projects around the state, including funding all outstanding obligations to the Blackfeet and the Ft Belknap Tribal Water Compacts and the Dry Prairie and Central Montana Regional Water Systems. There were further investments in necessary one-time information technology projects that will improve the efficiency and effectiveness of state government.

6. The 2015 biennium budget generally funds existing core services (i.e. health and human services, corrections, and education) at estimated caseload, population, and enrollment levels.

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 less than 30 years. As of June 30, 2014, the Sheriffs Retirement System (SRS), Game Warden & Peace Officers Retirement System (GWPORS), and Highway Patrol Officers' Retirement System (HPORS) were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in less than 30 years as of fiscal year end 2014.

The actuarial condition of these plans are fully disclosed and reported as required by Generally Accepted Accounting Principles (GAAP), and explained 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, State Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2014
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 1,466,989	$ 320,622	$ 1,787,611	$ 360,888
Receivables (net)	407,042	43,500	450,542	135,264
Due from primary government	-	-	-	1,885
Due from other governments	264,789	310	265,099	24,998
Due from component units	1,090	2,424	3,514	113
Internal balances	5,526	(5,526)	-	-
Inventories	25,472	3,850	29,322	5,673
Advances to component units	18,755	15,100	33,855	-
Long-term loans/notes receivable	369,716	47,715	417,431	522,785
Equity in pooled investments (Note 3)	2,148,492	25	2,148,517	47,456
Investments (Note 3)	334,729	41,927	376,656	2,049,423
Securities lending collateral (Note 3)	146,268	39	146,307	181,652
Unamortized bond issuance	106	-	106	-
Other assets	11,323	2,743	14,066	68,064
Capital assets (net) (Note 5)	5,230,949	16,400	5,247,349	783,677
Total assets	10,431,246	489,129	10,920,375	4,181,878
DEFERRED OUTFLOWS OF RESOURCES	584	-	584	11,642
LIABILITIES				
Accounts payable	572,525	18,402	590,927	78,913
Lottery prizes payable	-	3,687	3,687	-
Due to primary government	-	-	-	3,516
Due to other governments	59,532	4	59,536	111
Due to component units	1,885	-	1,885	113
Advances from primary government	-	-	-	33,856
Unearned revenue	47,175	6,986	54,161	74,018
Amounts held in custody for others	35,395	40	35,435	12,714
Securities lending liability (Note 3)	146,268	39	146,307	181,652
Other liabilities	2,315	(1)	2,314	11,448
Short-term debt (Note 11)	-	106,450	106,450	-
Long-term liabilities (Note 11):				
Due within one year	155,593	11,443	167,036	174,710
Due in more than one year	558,126	8,146	566,272	1,786,699
OPEB implicit rate subsidy (Note 7)	211,336	3,730	215,066	99,142
Total liabilities	1,790,150	158,926	1,949,076	2,456,892

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 5,049,162	$ 16,285	$ 5,065,447	$ 527,556
Restricted for:				
General government	7,103	-	7,103	-
Transportation	33,960	-	33,960	-
Health and human services	16,983	-	16,983	-
Natural resources	447,538	-	447,538	-
Public safety	232,603	-	232,603	-
Education	5,042	-	5,042	-
Funds held as permanent investments:				
Nonexpendable	1,447,344	-	1,447,344	300,908
Expendable	505,675	-	505,675	-
Unemployment compensation	-	230,406	230,406	-
Housing authority	-	-	-	151,744
Other purposes	-	64,600	64,600	194,018
Unrestricted	896,270	18,912	915,182	562,402
Total net position	$ 8,641,680	$ 330,203	$ 8,971,883	$ 1,736,628

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	$ 1,009,121	$ 142,818	$ 161,624	$ 6	$ (704,673)
Public safety	156,256	150,212	22,032	243	16,231
Transportation	461,358	33,047	51,570	446,818	70,077
Health and human services	1,880,505	37,843	1,295,643	-	(547,019)
Education	1,262,069	42,140	176,115	763	(1,043,051)
Natural resources	254,414	172,759	117,003	12,984	48,332
Interest on long-term debt	10,760	-	-	-	(10,760)
Total governmental activities	5,034,483	578,819	1,823,987	460,814	(2,170,863)
Business-type activities:					
Unemployment Insurance	136,174	163,745	23,148	-	50,719
Liquor Stores	74,917	85,316	-	-	10,399
State Lottery	41,310	53,106	14	-	11,810
Economic Development Bonds	2,564	19	810	-	(1,735)
Hail Insurance	15,163	8,040	5	-	(7,118)
General Government Services	63,787	25,985	40,239	623	3,060
Prison Funds	7,223	7,618	-	-	395
MUS Group Insurance	80,639	80,472	741	-	574
MUS Workers Compensation	3,199	2,170	25	-	(1,004)
Total business-type activities	424,976	426,471	64,982	623	67,100
Total primary government	$ 5,459,459	$ 1,005,290	$ 1,888,969	$ 461,437	$ (2,103,763)
Component units:					
Housing Authority	$ 27,212	$ 1,170	$ 26,442	$ -	$ 400
Facility Finance Authority	871	498	46	-	(327)
Montana State Fund	182,638	165,272	-	-	(17,366)
Montana State University	522,698	240,260	176,952	4,416	(101,070)
University of Montana	413,562	177,692	128,401	3,441	(104,028)
Total component units	$ 1,146,981	$ 584,892	$ 331,841	$ 7,857	$ (222,391)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,170,863)	$ 67,100	$ (2,103,763)	$ (222,391)
General revenues:				
Taxes:				
Property	267,029	-	267,029	-
Fuel	216,615	-	216,615	-
Natural resource	334,210	-	334,210	-
Individual income	1,044,828	-	1,044,828	-
Corporate income	145,040	-	145,040	-
Other (Note 1)	340,123	25,148	365,271	-
Unrestricted grants and contributions	403	2	405	504
Settlements	31,534	52	31,586	-
Unrestricted investment earnings	108,754	12	108,766	121,939
Payment from State of Montana	-	-	-	217,679
Gain (loss) on sale of capital assets	2,125	696	2,821	209
Miscellaneous	4,708	674	5,382	184
Contributions to term and permanent endowments	-	-	-	23,863
Total general revenues, contributions, and transfers	2,543,232	(21,279)	2,521,953	364,378
Change in net position	372,369	45,821	418,190	141,987
Total net position - July 1 - as previously reported	7,927,966	284,659	8,212,625	1,638,333
Prior period adjustments (Note 2)	341,345	(277)	341,068	(43,692)
Total net position - July 1 - as restated	8,269,311	284,382	8,553,693	1,594,641
Total net position - June 30	$ 8,641,680	$ 330,203	$ 8,971,883	$ 1,736,628

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for all governmental financial resources, except for those required to be accounted for in another fund.

State Special Revenue Fund

This 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

This fund accounts for activities funded from federal sources used in the operation of state government.

Coal Severance Tax Fund

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

Land Grant Fund

This fund is 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 Funds

Nonmajor governmental funds are presented in more detail, by fund type, within the Supplementary Information section.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 453,617	$ 719,548	$ 57,552
Receivables (net) (Note 4)	266,685	97,190	18,302
Interfund loans receivable (Note 12)	54,501	67,595	-
Due from other governments	12,124	1,040	251,617
Due from other funds (Note 12)	47,067	6,738	238
Due from component units	12	961	-
Inventories	2,672	19,939	-
Equity in pooled investments (Note 3)	-	394,768	-
Long-term loans/notes receivable	24	341,388	5,902
Advances to other funds (Note 12)	21,389	10,211	-
Advances to component units	(9)	10,662	-
Investments (Note 3)	15,136	132,144	5,633
Securities lending collateral (Note 3)	-	34,928	3,594
Other assets	2,517	7,308	161
Total assets	875,735	1,844,420	342,999
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable (Note 4)	245,247	122,740	152,453
Interfund loans payable (Note 12)	-	5,681	114,384
Due to other governments	245	58,635	652
Due to other funds (Note 12)	170	34,183	102
Due to component units	29,838	390	1,314
Advances from other funds (Note 12)	-	14,892	21,799
Unearned revenue	136,807	34,557	33,945
Amounts held in custody for others	20,948	14,284	14
Securities lending liability (Note 3)	-	34,928	3,594
Other liabilities	4	390	3
Total liabilities	433,259	320,680	328,260
Fund balances (Note 14):			
Nonspendable	3,994	21,098	49
Restricted	3,569	1,003,425	14,690
Committed	141	492,103	-
Assigned	90,366	7,114	-
Unassigned	344,406	-	-
Total fund balances	442,476	1,523,740	14,739
Total liabilities and fund balances	$ 875,735	$ 1,844,420	$ 342,999

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ 40,173	$ 11,766	$ 111,555	$ 1,394,211
12,423	1,816	7,324	403,740
-	-	-	122,096
-	-	-	264,781
-	-	2,493	56,536
95	-	22	1,090
-	-	-	22,611
821,842	625,086	306,796	2,148,492
-	-	22,402	369,716
-	-	12,090	43,690
8,102	-	-	18,755
130,166	44	6,744	289,867
41,740	31,727	15,671	127,660
-	-	-	9,986
1,054,541	670,439	485,097	5,273,231
-	-	3,902	524,342
1,525	-	325	121,915
-	-	-	59,532
36	-	551	35,042
-	-	-	31,542
-	-	11,530	48,221
-	-	504	205,813
-	147	-	35,393
41,740	31,727	15,671	127,660
-	-	-	397
43,301	31,874	32,483	1,189,857
527,907	638,565	285,304	1,476,917
-	-	27,868	1,049,552
483,333	-	132,114	1,107,691
-	-	7,328	104,808
-	-	-	344,406
1,011,240	638,565	452,614	4,083,374
$ 1,054,541	$ 670,439	$ 485,097	$ 5,273,231

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013
(amounts expressed in thousands)

	Total Governmental Fund	(A) Internal Service Fund	(B) Capital Assets Balances	(C) Debt Related Balances	(D) Other Measurement Focus	(E) Internal Balances Elimination	Statement of Net Position Totals
ASSETS							
Cash and cash equivalent	$ 1,394,211	$ 72,778	$ -	$ -	$ -	$ -	$ 1,466,989
Receivables	403,740	3,027	-	-	275	-	407,042
Interfund loans receivable	122,096	15	-	-	-	(122,111)	-
Due from other governments	264,781	8	-	-	-		264,789
Due from other funds	56,536	54	-	-	-	(56,590)	-
Due from component units	1,090	-	-	-	-		1,090
Inventories	22,611	2,861	-	-	-		25,472
Internal balances	-	-	-	-	-	5,526	5,526
Equity in pooled investments	2,148,492	-	-	-	-		2,148,492
Securities lending collateral	127,660	18,608	-	-	-		146,268
Advances to other funds	43,690	240	-	-	-	(43,930)	-
Advances to component units	18,755	-	-	-	-	-	18,755
Investments	289,867	44,862	-	-	-	-	334,729
Deferred charges	-	-	-	-	106	-	106
Capital assets	-	95,461	5,135,488	-	-	-	5,230,949
Long-term loans/notes receivable	369,716	-	-	-	-	-	369,716
Other assets	9,986	1,333	-	-	4	-	11,323
Total assets	$ 5,273,231	$ 239,247	$ 5,135,488	$ -	$ 385	$ (217,105)	$ 10,431,246
DEFERRED OUTFLOWS OF RESOURCES		-	-	-	584	-	584
LIABILITIES							
Current liabilities:							
Accounts payable	524,342	14,793	-	-	33,390	-	572,525
Interfund loans payable	121,915	130	-	-		(122,045)	-
Due to other government	59,532	-	-	-	-		59,532
Due to other funds	35,042	923	-	-	771	(36,736)	-
Due to component units	31,542	-	-	-	(29,657)		1,885
Advances from other funds	48,221	2,946	-	-	7,157	(58,324)	-
Unearned revenue	205,813	2,047	-	-	(160,685)		47,175
Amounts held in custody for others	35,393	3	-	-	(1)	-	35,395
Securities lending liability	127,660	18,608	-	-	-	-	146,268
Other current liabilities	397	-	-	-	1,918 -	-	2,315
Long-term liabilities:							
Due within one year	-	30,509	-	125,084	-	-	155,593
Due in more than one year	-	15,731	-	542,395	-	-	558,126
OPEB implicit rate subsidy	-	11,913	-	199,423	-	-	211,336
Total liabilities	$ 1,189,857	$ 97,603	$ -	$ 866,902	$ (147,107)	$ (217,105)	$ 1,790,150
NET POSITION:							
Net investment in capital assets	-	91,551	5,135,488	(177,877)	-	-	5,049,162
Restricted for:							
General government	8,563	-	-	(47,726)	46,266	-	7,103
Transportation	60,851	-	-	(26,588)	(303)	-	33,960
Health and human services	24,494	-	-	(6,721)	(790)	-	16,983
Natural resources	669,220	-	-	(240,707)	19,025	-	447,538
Public safety	265,966	-	-	(33,364)	1	-	232,603
Education	20,458	-	-	(2,291)	(13,125)	-	5,042
Funds held as permanent investments:							
Nonexpendable	1,452,290	-	-	-	(4,946)	-	1,447,344
Expendable	-	-	-	-	505,675	-	505,675
Unrestricted	1,581,532	50,093	-	(331,628)	(403,727)	-	896,270
Total net position	$ 4,083,374	$ 141,644	$ 5,135,488	$ (866,902)	$ 148,076	$ -	$ 8,641,680

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

Differences between the Balance Sheet-Governmental Funds and Governmental Activities on the Government Wide Statement of Net Position

(A) Internal Services funds: Management uses Internal Services funds (ISF) to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets, liabilities and the net position of the ISF are included in the governmental activities on the government-wide Statement of Net Position. ISF are reported using proprietary fund-type accounting in the fund-level financial statements. A list of ISF can be found in the respective Supplementary Information section.

(B) Capital assets balances: Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund level financial statements. However, capital assets are economic resources and are reported in the government-wide Statement of Net Position.

(C) Debt related balances: Long-term liabilities such as leases, bonds, notes, mortgages, and certificate of participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund–level financial statements. However, from an economic perspective these liabilities reduce net position and are reported in the Statement of Net Position. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term liabilities balance is related to pollution remediation, bonds/notes payables and OPEB implicit rate subsidy.

(D) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to Fiduciary funds are reported on the fund-level Balance Sheet-Governmental funds as due from/to other funds. On the government–wide Statement of Net Position, these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level Balance Sheet-Governmental funds. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government–wide Statement of Net Position when the revenue is recognized on the government-wide Statement of Activities.
- Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government–wide Statement of Net Position, but they are not reported on the fund-level Balance Sheet-Governmental Funds.

(E) Internal balances: All interfund activities such as interfund loan receivable\payables, due from\due to and advances to\from other fund balances shown on the fund-level Balance Sheet–Governmental Funds are reported as internal balances on the governmental-wide Statement of Net Position. Per GAAP these balances should be eliminated from the governmental-wide Statement of Net Position to avoid double counting.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	**STATE**	**FEDERAL**
REVENUES (Note 14)			
Licenses/permits	$ 117,751	$ 183,440	$ -
Taxes:			
Natural resource	154,409	141,146	-
Individual income	1,038,284	-	-
Corporate income	148,471	3	-
Property	251,897	15,132	-
Fuel	-	216,615	-
Other	211,545	126,667	1
Charges for services/fines/forfeits/settlements	38,460	105,873	44,709
Investment earnings	3,382	28,019	355
Securities lending income	88	183	5
Sale of documents/merchandise/property	411	5,623	7
Rentals/leases/royalties	28	1,206	3
Contributions/premiums	23	23,183	-
Grants/contracts/donations	8,979	20,897	9
Federal	26,271	7,979	2,052,060
Federal indirect cost recoveries	154	39,824	71,003
Other revenues	-	4,260	223
Total revenues	2,000,153	920,050	2,168,375
EXPENDITURES			
Current:			
General government	328,281	254,413	113,070
Public safety	281,126	80,684	11,278
Transportation	-	223,948	100,126
Health and human services	446,097	152,793	1,283,910
Education	936,813	112,422	211,752
Natural resources	32,083	183,648	65,278
Debt service:			
Principal retirement	14	507	18
Interest/fiscal charges	189	528	5
Capital outlay	4,464	76,889	351,994
Securities lending	-	29	-
Total expenditures	2,029,067	1,085,861	2,137,431
Excess of revenue over (under) expenditures	(28,914)	(165,811)	30,944
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	2	322	-
Insurance proceeds	-	1,301	1
General capital asset sale proceeds	51	153	3
Refunding bond issued	-	-	-
Payment to refunding bond escrow agent	-	-	-
Bond premium	-	150	-
Bond proceeds	-	11,680	-
Energy conservation loans	-	169	-
Transfers in (Note 12)	75,436	216,617	5,003
Transfers out (Note 12)	(164,245)	(35,007)	(42,067)
Total other financing sources (uses)	(88,756)	195,385	(37,060)
Net change in fund balances	(117,670)	29,574	(6,116)
Fund balances - July 1 - as previously reported	561,016	1,494,473	19,667
Prior period adjustments (Note 2)	(615)	(2,434)	1,188
Fund balances - July 1 - as restated	560,401	1,492,039	20,855
Increase (decrease) in inventories	(255)	2,127	-
Fund balances - June 30	$ 442,476	$ 1,523,740	$ 14,739

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

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ -	$ 1,633	$ -	$ 302,824
29,483	-	8,988	334,026
-	-	-	1,038,284
-	-	-	148,474
-	-	-	267,029
-	-	-	216,615
-	-	1,814	340,027
-	-	13,870	202,912
51,413	34,639	23,926	141,734
310	232	109	927
-	12,125	3,670	21,836
-	75,587	-	76,824
-	-	-	23,206
-	439	-	30,324
-	-	-	2,086,310
-	-	-	110,981
-	-	-	4,483
81,206	124,655	52,377	5,346,816
-	-	3,455	699,219
-	-	44	373,132
-	-	-	324,074
-	-	1,109	1,883,909
-	-	25	1,261,012
-	5,309	2	286,320
-	-	33,078	33,617
-	-	12,088	12,810
-	-	23,959	457,306
54	40	19	142
54	5,349	73,779	5,331,541
81,152	119,306	(21,402)	15,275
-	-	-	324
-	-	-	1,302
-	1,627	6	1,840
-	-	6,780	6,780
-	-	(7,190)	(7,190)
-	-	512	662
-	-	-	11,680
-	-	-	169
19	6	131,287	428,368
(41,582)	(71,446)	(29,586)	(383,933)
(41,563)	(69,813)	101,809	60,002
39,589	49,493	80,407	75,277
971,651	589,072	372,187	4,008,066
-	-	20	(1,841)
971,651	589,072	372,207	4,006,225
-	-	-	1,872
$ 1,011,240	$ 638,565	$ 452,614	$ 4,083,374

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, 2014
(amounts expressed in thousands)

	Total Governmental Fund	(A) Internal Service Fund	(B) Capital Asset Related Items	(C) Long-term Debt Transactions	(D) Other Measurement Focus	Statement of Activities Total
REVENUES						
License/permits	$ 302,824	$ -	$ -	$ -	$ 7	$ 302,831
Taxes:	-					
Natural resource	334,026	-	-	-	184	334,210
Individual income	1,038,284	-	-	-	6,544	1,044,828
Corporate income	148,474	-	-	-	(3,434)	145,040
Property	267,029	-	-	-	-	267,029
Fuel	216,615	-	-	-	-	216,615
Other	340,027	-	-	-	96	340,123
Charges for services/fines/forfeits/settlements	202,912	-	-	-	(18,591)	184,321
Investment earnings	141,734	1,007	-	-	(33,987)	108,754
Securities lending income	927	-	-	-	(927)	-
Sale of documents/merchandise/property	21,836	-	-	-	-	21,836
Rentals/leases/royalties	76,824	-	-	-	-	76,824
Contributions/premiums	23,206	-	-	-	16	23,222
Insurance proceeds	1,302	-	-	-	17	1,319
Gain (loss) on sale of capital assets	-	-	2,125	-	-	2,125
Operating grants and donations	30,324	-	-	-	48,970	79,294
Federal	2,086,310	-	-	-	(452,195)	1,634,115
Federal indirect cost recoveries	110,981	-	-	-	-	110,981
Capital grants and contributions	-	-	-	-	460,814	460,814
Other revenues	4,483	-	-	-	225	4,708
Total revenues	5,348,118	1,007	2,125	-	7,739	5,358,989
EXPENDITURES						
Current	4,827,666	29,729	184,391	-	(18,063)	5,023,723
Debt service:						
Principal	33,617	-		(33,617)	-	-
Interest/fiscal charges	12,810	66		(2,116)	-	10,760
Capital outlay	457,306	-	(457,306)	-		-
Securities lending	142	-	-	-	(142)	-
Total expenditures	5,331,541	29,795	(272,915)	(35,733)	(18,205)	5,034,483
Excess of revenue over (under) expenditures	16,577	(28,788)	275,040	35,733	25,944	324,506
OTHER FINANCING SOURCES (USES)						
Inception of lease/installment contract	324	-	-	(324)	-	-
General capital asset sale proceeds	1,840	-	(1,840)	-	-	-
Refunding bonds issued	6,780	-	-	(6,780)	-	-
Payment to refunding bond escrow agent	(7,190)	-	-	7,190	-	-
Bond premium	662	-	-	(662)	-	-
Bond proceeds	11,680	-	-	(11,680)	-	-
Energy conservation loans	169	-	-	(169)	-	-
Transfers	44,435	3,428	-	-	-	47,863
Total other financing sources (uses)	58,700	3,428	(1,840)	(12,425)	-	47,863
Net change in net position	$ 75,277	$ (25,360)	$ 273,200	$ 23,308	$ 25,944	$ 372,369

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

Differences between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Governmental Activities on the Government-Wide Statement of Activities

(A) Internal Service funds: Management uses the Internal Services funds (ISF) to report charges for and the costs of goods and services sold by state agencies solely within the state. ISF are intended to operate on the cost reimbursement basis and should break even each period. If an ISF makes a profit, the other funds of the state have been overcharged. If an ISF has an operating loss the other funds of the state have been undercharged. In order to show the true cost of services purchased from ISF, an adjustment is made that allocates the net revenue/expense of each ISF to the programs that purchased the services. Investment income, debt service, and transfers of the ISF are not allocated. A list of ISF can be found in the respective Supplementary Information section.

(B) Capital asset related items: The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental funds because they are not current financial resources. However, such donations increase net position and are reported on both the government–wide Statement of Net Position and Statement of Activities.
- Depreciation is not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds, but it is reported for the economic perspective on which the government–wide Statement of Activities is presented.
- Expenditures reported for capital outlay on the fund-level Statement of Revenues, Expenditures and changes in Fund Balances-Governmental funds are generally reported as a conversion of cash to a capital asset on the government-wide Statement of Net Position. They are not reported as expenses on the government–wide Statement of Activities.
- On the fund–level Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental funds all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide Statement of Activities the reported gain or loss on sale is based on the carrying value of the assets as well as the cash received.

(C) Long-term debt transactions: The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental funds. These payments are reported as reduction of lease, bonds and other debt liability balances on the government–wide Statement of Net Position and are not reported on the government–wide Statement of Activities.
- Amortization of issuance cost, debt premium/discount, gains/loss on refunding debts are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds, but are reported on the government–wide Statement of Activities.
- Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources at the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental funds. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds reported as liabilities on the government-wide Statement of Net Position and are not reported on the government–wide Statement of Activities.

(D) Other measurement focus adjustments include;

- Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level Balance Sheet-Governmental funds; however, from a full accrual perspective, changes in the fund–level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide Statement of Activities.
- Expenditures that primarily benefit present period are classified as current expenditures. In Governmental funds, capital outlays are included as part of the current expenditures for each functional activity within that fund.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Unemployment Insurance

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.

Economic Development Bonds

The Economic Development Bonds Fund accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses, local governments, and state agencies in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Nonmajor Funds

Nonmajor Enterprise funds are presented in more detail within the Supplementary Information section.

Governmental Activities – 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. These funds are presented in more detail within the Supplementary Information section.

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	$ 224,694	$ 24,374	$ 71,554	$ 320,622	$ 72,778
Receivables (net) (Note 4)	6,293	8,862	28,345	43,500	3,027
Interfund loans receivable (Note 12)	-	-	-	-	15
Due from other governments	129	-	181	310	8
Due from other funds (Note 12)	-	1,494	1	1,495	54
Due from component units	-	2,424	-	2,424	-
Inventories	-	-	3,850	3,850	2,861
Short-term investments (Note 3)	-	1,570	-	1,570	-
Securities lending collateral (Note 3)	-	1	39	40	18,608
Other current assets	-	-	1,000	1,000	1,333
Total current assets	231,116	38,725	104,970	374,811	98,684
Noncurrent assets:					
Advances to other funds (Note 12)	-	7,477	-	7,477	240
Advances to component units	-	15,100	-	15,100	-
Long-term investments (Note 3)	-	6,667	33,714	40,381	44,862
Long-term notes/loans receivable	3,396	44,149	172	47,717	-
Other long-term assets	-	-	1,742	1,742	-
Capital assets (Note 5):					
Land	-	-	800	800	236
Land improvements	-	-	3,830	3,830	95
Buildings/improvements	-	-	7,514	7,514	4,703
Equipment	-	4	9,900	9,904	218,925
Infrastructure	-	-	1,162	1,162	-
Construction in progress	-	-	3,257	3,257	6,122
Intangible assets	-	-	250	250	1,114
Other depreciable assets	-	-	4,154	4,154	-
Less accumulated depreciation	-	(1)	(14,470)	(14,471)	(135,734)
Total capital assets	-	3	16,397	16,400	95,461
Total noncurrent assets	3,396	73,396	52,025	128,817	140,563
Total assets	234,512	112,121	156,995	503,628	239,247

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	$ 4,039	$ 75	$ 14,288	$ 18,402	$ 14,793
Lottery prizes payable	-	-	2,377	2,377	-
Interfund loans payable (Note 12)	50	15	1	66	130
Due to other governments	-	-	4	4	-
Due to other funds (Note 12)	-	-	14,192	14,192	923
Unearned revenue	17	-	6,969	6,986	2,047
Lease/installment purchase payable (Note 10)	-	-	82	82	95
Short-term debt (Note 11)	-	106,450	-	106,450	-
Amounts held in custody for others	-	-	39	39	3
Securities lending liability (Note 3)	-	1	39	40	18,608
Estimated insurance claims (Note 8)	-	-	10,484	10,484	26,855
Compensated absences payable (Note 11)	-	36	832	868	3,559
Arbitrage rebate tax payable (Note 11)	-	8	-	8	-
Total current liabilities	4,106	106,585	49,307	159,998	67,013
Noncurrent liabilities:					
Lottery prizes payable	-	-	1,310	1,310	-
Advances from other funds (Note 12)	-	-	240	240	2,946
Lease/installment purchase payable (Note 10)	-	-	59	59	31
Estimated insurance claims (Note 8)	-	-	7,270	7,270	12,799
Compensated absences payable (Note 11)	-	37	780	817	2,901
Arbitrage rebate tax payable (Note 11)	-	1	-	1	-
OPEB implicit rate subsidy (Note 7)	-	60	3,670	3,730	11,913
Total noncurrent liabilities	-	98	13,329	13,427	30,590
Total liabilities	4,106	106,683	62,636	173,425	97,603
NET POSITION					
Net investment in capital assets	-	3	16,282	16,285	91,551
Restricted for:					
Unemployment compensation	230,406	-	-	230,406	-
Other purposes	-	1,564	63,036	64,600	-
Unrestricted	-	3,871	15,041	18,912	50,093
Total net position	$ 230,406	$ 5,438	$ 94,359	$ 330,203	$ 141,644

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, 2014
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
Operating revenues:					
Charges for services	$ 8	$ 19	$ 154,905	$ 154,932	$ 133,228
Investment earnings	4,985	47	769	5,801	974
Securities lending income	-	-	-	-	33
Financing income	-	763	-	763	-
Contributions/premiums	163,737	-	107,529	271,266	172,224
Grants/contracts/donations	18,163	-	40,284	58,447	1,558
Other operating revenues	-	-	998	998	3,738
Total operating revenues	186,893	829	304,485	492,207	311,755
Operating expenses:					
Personal services	-	370	14,734	15,104	54,474
Contractual services	-	30	18,048	18,078	29,392
Supplies/materials	-	9	76,633	76,642	24,860
Benefits/claims	134,227	12	140,162	274,401	180,603
Depreciation	-	-	1,156	1,156	11,180
Amortization	-	-	6	6	503
Utilities/rent	-	46	1,486	1,532	15,941
Communications	-	7	1,075	1,082	12,525
Travel	-	3	333	336	514
Repairs/maintenance	-	-	792	792	11,033
Grants	-	-	-	-	520
Lottery prize payments	-	-	29,548	29,548	-
Arbitrage rebate tax	-	(4)	-	(4)	-
Dividend expense	-	-	7	7	-
Interest expense	-	2,037	21	2,058	66
Other operating expenses	1,947	53	2,453	4,453	4,961
Total operating expenses	136,174	2,563	286,454	425,191	346,572
Operating income (loss)	50,719	(1,734)	18,031	67,016	(34,817)
Nonoperating revenues (expenses):					
Tax revenues	-	-	25,148	25,148	-
Insurance proceeds	-	-	-	-	61
Gain (loss) on sale of capital assets	-	-	694	694	(66)
Federal indirect cost recoveries	-	-	-	-	6,032
Increase (decrease) value of livestock	-	-	222	222	-
Total nonoperating revenues (expenses)	-	-	26,064	26,064	6,027
Income (loss) before contributions and transfers	50,719	(1,734)	44,095	93,080	(28,790)
Capital contributions	-	-	609	609	816
Transfers in (Note 12)	-	-	157	157	4,245
Transfers out (Note 12)	-	-	(48,020)	(48,020)	(817)
Change in net position	50,719	(1,734)	(3,159)	45,826	(24,546)
Total net position - July 1 - as previously reported	179,956	7,156	97,546	284,658	163,240
Prior period adjustments (Note 2)	(269)	16	(28)	(281)	2,950
Total net position - July 1 - as restated	179,687	7,172	97,518	284,377	166,190
Total net position - June 30	$ 230,406	$ 5,438	$ 94,359	$ 330,203	$ 141,644

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 164,268	$ 19	$ 260,165	$ 424,452	$ 305,555
Payments to suppliers for goods and services	1,095	(150)	(93,943)	(92,998)	(92,011)
Payments to employees	-	(323)	(15,517)	(15,840)	(56,723)
Grant receipts (expenses)	18,542	-	40,140	58,682	1,031
Cash payments for claims	(134,227)	-	(140,400)	(274,627)	(170,446)
Cash payments for prizes	-	-	(29,611)	(29,611)	-
Other operating revenues	-	15	998	1,013	9,770
Other operating payments	(1,947)	-	(2,461)	(4,408)	(4,960)
Net cash provided by (used for) operating activities	47,731	(439)	19,371	66,663	(7,784)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	-	-	25,148	25,148	-
Transfer to other funds	-	-	(48,020)	(48,020)	(818)
Transfer from other funds	-	-	157	157	4,329
Proceeds from interfund loans/advances	-	-	-	-	65
Payment of interfund loans and advances	50	-	(116)	(66)	2,037
Payment of principal and interest on bonds and notes	-	(829)	(21)	(851)	(66)
Net cash provided by (used for) noncapital financing activities	50	(829)	(22,853)	(23,632)	5,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	61
Acquisition of capital assets	-	(3)	(948)	(951)	(11,747)
Net cash provided by (used for) capital and related financing activities	-	(3)	(948)	(951)	(11,686)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	(8,229)	(11,789)	(20,018)	(1,943)
Proceeds (loss) on sales or maturities of investments	-	4,723	-	4,723	-
Proceeds (loss) from securities lending transactions/investments	-	-	-	-	254
Interest and dividends on investments	4,985	27	768	5,780	1,046
Collections of principal and interest on loans	-	25,911	-	25,911	-
Cash payment for loans	-	(28,746)	-	(28,746)	-
Net cash provided by (used for) investing activities	4,985	(6,314)	(11,021)	(12,350)	(643)
Net increase (decrease) in cash and cash equivalents	52,766	(7,585)	(15,451)	29,730	(14,566)
Cash and cash equivalents, July 1	171,928	31,959	87,005	290,892	87,344
Cash and cash equivalents, June 30	$ 224,694	$ 24,374	$ 71,554	$ 320,622	$ 72,778

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 50,719	$ (1,734)	$ 18,031	$ 67,016	$ (34,817)
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	-	-	1,156	1,156	11,180
Amortization	-	-	6	6	502
Investment earnings	(4,985)	(810)	(769)	(6,564)	(973)
Securities lending income	-	-	-	-	(33)
Interest expense	-	571	21	592	67
Interest expense realted to prior year restatement	-	1,465	-	1,465	-
Federal indirect cost recoveries	-	-	-	-	6,033
Arbitrage rebate tax	-	(4)	-	(4)	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	523	-	(2,031)	(1,508)	(176)
Decr (incr) in due from other funds	-	15	(1)	14	44
Decr (incr) in due from other governments	379	-	(144)	235	(7)
Decr (incr) in inventories	-	-	284	284	337
Decr (incr) in other assets	-	-	(261)	(261)	236
Incr (Decr) in accounts payable	1,095	-	3,272	4,367	2,311
Incr (Decr) in due to other funds	-	8	353	361	478
Incr (Decr) in due to other governments	-	-	(56)	(56)	-
Incr (Decr) in lottery prizes payable	-	-	(63)	(63)	-
Incr (Decr) in unearned revenue	-	-	742	742	(431)
Increase (Decr) in amounts held in custody for others	-	-	(1)	(1)	-
Incr (Decr) in compensated absences payable	-	40	127	167	404
Incr (Decr) in OPEB implicit rate subsidy	-	10	(370)	(360)	(968)
Incr (Decr) in estimated claims	-	-	(844)	(844)	8,104
Incr (Decr) in lease installment	-	-	(81)	(81)	(75)
Net cash provided by (used for) operating activities	$ 47,731	$ (439)	$ 19,371	$ 66,663	- (7,784)
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	-	-	609	609	816
Incr (decr) in fair value of investments	-	(13)	(278)	(291)	(209)
Total noncash Transactions	$ -	$ (13)	$ 331	$ 318	$ 607

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trust Funds

These funds provide retirement, disability, death, and lump-sum payments to retirement system members.

Private-Purpose Trust Funds

These funds are used 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.

Investment Trust Fund

This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds

Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments.

Individual funds are presented in more detail, by fund type, within the Supplementary Information section.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	INVESTMENT TRUST	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 237,427	$ 143,390	$ 484,514	$ 10,947
Receivables (net):				
Accounts receivable	25,788	1	-	592
Interest	10,694	2	48	-
Due from primary government	29,658	-	-	-
Due from other PERB plans	818	-	-	-
Long-term loans/notes receivable	20	-	-	-
Total receivables	66,978	3	48	592
Investments at fair value:				
Equity in pooled investments (Note 3)	9,610,927	-	-	-
Other investments (Note 3)	566,608	137,942	5,370	2
Total investments	10,177,535	137,942	5,370	2
Securities lending collateral (Note 3)	413,001	19	363	-
Capital Assets:				
Land	35	-	-	-
Buildings/improvements	186	-	-	-
Equipment	279	-	-	-
Construction work in progress	2,592	-	-	-
Accumulated depreciation	(310)	-	-	-
Total capital assets	2,782	-	-	-
Other assets	-	33,496	-	436
Total assets	10,897,723	314,850	490,295	11,977
LIABILITIES				
Accounts payable	2,381	30	48	2,366
Due to primary government	2,069	-	-	-
Due to other PERB plans	819	-	-	-
Unearned revenue	136	-	-	-
Amounts held in custody for others	5	1	-	9,611
Securities lending liability (Note 3)	413,001	19	363	-
Compensated absences payable	580	-	-	-
OPEB implicit rate subsidy	742	-	-	-
Total liabilities	419,733	50	411	11,977
NET POSITION				
Held in trust for pension benefits and other purposes	$ 10,477,990	$ 314,800	$ 489,884	$ -

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, 2014
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS			
Contributions/premiums:			
Employer	$ 216,909	$ -	$ -
Employee	216,932	-	-
Other contributions	127,848	41,813	867,265
Net investment earnings:			
Investment earnings	1,569,110	(1,162)	663
Administrative investment expense	(55,013)	-	(138)
Securities lending income	2,029	-	1
Securities lending expense	(316)	-	-
Charges for services	231	-	-
Other additions	258	6,196	-
Total additions	2,077,988	46,847	867,791
DEDUCTIONS			
Benefits	682,483	-	-
Refunds	18,964	-	-
Distributions	-	31,771	872,743
Administrative expenses:			
Personal services	4,622	-	-
Contractual services	2,656	339	-
Supplies/materials	161	-	-
Depreciation	32	-	-
Utilities/rent	339	-	-
Communications	240	-	-
Travel	72	-	-
Repair/maintenance	30	-	-
Other operating expenses	266	-	-
Local assistance	14	-	-
Transfers to MUS-RP	174	-	-
Transfers to PERS-DCRP	1,028	-	-
Total deductions	711,081	32,110	872,743
Change in net position	1,366,907	14,737	(4,952)
Net position - July 1 - as previously reported	9,111,096	300,063	494,836
Prior period adjustments (Note 2)	(13)	-	-
Net position - July 1 - as restated	9,111,083	300,063	494,836
Net position - June 30	$ 10,477,990	$ 314,800	$ 489,884

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).

The Montana State Fund (State Fund) component unit presentation included in this report differs from the statements issued by that entity. Following the guidance set forth in GASB Statement No. 70, as implemented for fiscal year 2014, we believe that the general fund is providing a nonexchange financial guarantee to State Fund by providing resources from which State Fund pays claims related to Old Fund.

State Fund is defined in statute as a single separate legal entity. State Fund is a single legal entity that meets GASB statement 14 and 61 requirements to be reported as a discretely presented component unit of the State of Montana. State Fund handles all administration of the claims including: determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid.

The Montana State Fund column, as reported in the CAFR, includes both New Fund and Old Fund financial information; whereas the financial statements as presented by State Fund only include New Fund activity. Per 39-71-2321 MCA, State Fund is required to track the Old Fund and New Fund claims separately. The account name “Old Fund” is used to represent claims that occurred before July 1, 1990 and the account name “New Fund” is used to represent claims that occurred beginning July 1, 1990.

Pursuant to MCA 39-71-2352, if during any fiscal year which claims for injuries resulting from accidents occurring prior to July 1, 1990 are not adequately funded by Montana State Fund, any amount necessary to cover those claims must be transferred from the State’s general fund to Montana State Fund. For the fiscal years 2011 – 2013 on the Statement of Net Position, a liability was reported in the governmental activities column and a long-term receivable was reported in the component unit column for the estimated future claim contribution from the general fund to State Fund related to the Old Fund claims. For fiscal year 2014, on the Statement of Net Position, the liability in the governmental activities column was reclassified as a long-term liability and no receivable is reported in the component unit column. For further information on non-exchange financial guarantees please see Note 1 (Q).

A. Reporting Entity

For financial reporting purposes, the State of Montana has included all funds which comprise primary government and its component units. The component units are entities 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 (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The component unit columns of the condensed financial statements include the financial data of the following entities.

Complete financial statements for each of the individual discretely presented component units may be obtained at the following addresses:

Montana Board of Housing (Authority) 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

Facilities Financial Authority 2401 Colonial Drive, 3rd Floor PO Box 200506 Helena, MT 59620-0506	Universities and Colleges Commissioner of Higher Education 2500 Broadway Street Helena, MT 59620-3201

Montana Board of Housing (Authority) – This authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor. It was created in 1975 to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income. The authority 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. The authority is audited annually by the State's Legislative Audit Division.

Facilities Finance Authority – This authority, 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 authority assists all eligible, non-profit 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. The authority issues revenue bonds to fulfill its purposes. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. Individual audit reports are issued every two years by the State's Legislative Audit Division.

Montana State Fund (New Fund and Old Fund) - New Fund and Old Fund are one legally separate entity, thus a single component unit with separate accounting funds. The Montana State Fund column, as reported in the CAFR, includes both New Fund and Old Fund financial information. Montana State Fund is a nonprofit, independent public corporation governed by a board of directors appointed by the Governor. State Fund is audited annually by the State's Legislative Audit Division. New Fund provides workers compensation insurance for claims incurred after June 30, 1990, and is financed by member (employer) premiums.

Old Fund covers worker compensation claims that were incurred before July 1, 1990. Administrative operations and budgets may be reviewed by the Governor and the Legislature, but they have no authority over budgets or costs. In any fiscal year that Old Fund claims are not adequately funded, any amount necessary to pay claims must be transferred from the general fund to Old Fund. For the fiscal year ended June 30, 2014, the general fund was required to transfer $8.6 million to the Montana State Fund to support their activities to settle Old Fund claims.

Following the guidance set forth in GASB Statement No. 70, as implemented for fiscal year 2014, this transaction has been reported as a nonexchange financial guarantee. On the Statement of Net Position, the liability in the governmental activities column was reclassified as a long-term liability. No receivable was reported in the component unit column. For further information on non-exchange financial guarantees please see Note 1 (Q).

Universities and Colleges – The State Board of Regents has responsibility for the following institutions: The University of Montana - Missoula and the units under it including Montana Tech of the University of Montana, The University of Montana - Western and Helena College University of Montana; and 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. 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 higher education units, 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 non-profit corporation; and (3) the Student Assistance Foundation of Montana, a private non-profit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The State and Federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund and Federal Special Revenue Fund.

Fiduciary Fund Component Units
Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers Retirement System	Public Employees' Retirement System
1500 East Sixth Avenue	100 North Park, Suite 200
PO Box 200139	PO Box 200131
Helena, MT 59620-0139	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 members of Montana's public teaching profession. The administrative costs of the Teachers Retirement System are paid from investment earnings of the fund. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The board is a discretely presented component unit. The plan is audited annually by the State's Legislative Audit Division.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The board is appointed by the Governor and administers ten separate retirement plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; the Volunteer Firefighters' Compensation Act; and the State of Montana Deferred Compensation Program (457 Plan). The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members.

The Public Employees' Retirement System (PERS) includes the Public Employees' Defined Benefit Retirement Plan and the Public Employees' Defined Contribution Retirement Plan, and is funded by member and employer contributions, investment earnings and contributions from the State General Fund. The Judges' Retirement System is funded by member and state employer contributions, and investment earnings. The Highway Patrol Officers' Retirement System is funded by member and state employer contributions, state contributions, and investment earnings. The Sheriffs' Retirement System is funded by member and employer contributions, and investment earnings. The Game Wardens' and Peace Officers' Retirement System is funded by member and employer contributions, and investment earnings. The Municipal Police Officers' Retirement System is funded by member and employer contributions, State General Fund contributions, and investment earnings. The Firefighters' Unified Retirement System is funded by member and employer contributions, and investment earnings, as well as State General Fund contributions from a portion of insurance premium taxes collected by the State of Montana. The Volunteer Firefighters' Compensation Act is funded by state contributions, from the State General Fund, which are a percentage of fire insurance premium taxes collected. The State of Montana Deferred Compensation Program is funded by member contributions and investment earnings. The State and thirty-five non-state entity employers contribute to the 457 Plan on behalf of their employees. The OPEB disablility plan is funded through an employer contribution of 0.3% of a member's compensation. The PERS also accounts for the administrative costs, paid from investment earnings, of the plan. These are allocated out to all plans.

The board is a discretely presented component unit responsible for the ten separate public employee retirement plans, including the Deferred Compensation Program, and one Other Post Employment Benefit plan. These are reported as pension and other employee benefit trust funds. The board is audited annually by the State's Legislative Audit Division.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the 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 effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Fiduciary fund statements are reported only in the fund financial statements. Major individual governmental and major individual enterprise funds are reported as separate columns 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 (except for agency fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met. Agency funds have no measurement focus. These funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

As a general rule, material interfund revenues 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.

The State does not allocate indirect expenses to functions in the Statement of Activities.

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 and 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 (SSRF) accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the SSRF. The respective effect on fund balance is $75 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 those only earnings, not principal, may be used for the purposes of supporting the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund.

Proprietary Funds

Enterprise Funds – To account for operations; (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government.

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

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 – These funds report 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 such as firefighters, police officers, teachers etc., and other post employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. For detail on the individual plans, see Note 6.

Private-Purpose Trust Funds – These funds are used to account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. Examples include the State's escheated property fund, unliquidated security bonds held on deposit from self-insured employers, environmental reclamation, and bonds held in trust.

Investment Trust Fund – This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds – Account for assets held by the State as an agent for individuals, private organizations, and other governments. For example, various agencies hold deposits pending compliance with performance agreements. Other examples include monies belonging to state institution residents and child support payments from parents.

Major Governmental Funds
The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Tax Trust Permanent Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds
The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

The Economic Development Bonds Fund (EDB) accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions. Separately issued EDB 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. For 2014, certain investments in STIP were reclassified as long-term investments. Further detail relating 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 relating to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method generally be appropriate for most agencies.

Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, significant amounts of inventory 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. Restricted Net Position

Certain investments of the Economic Development Bonds Enterprise Fund are classified as restricted net position on the Statement of Fund Net Position for proprietary funds because their use is limited by applicable bond indenture agreements. Net postion associated with Unemployment Insurance is also classified as restricted.

I. Equity in Pooled Investments

The Montana Board of Investments manages the State's Unified Investment Program, which includes several internal investment pools. Participation in the pools is restricted to permanent funds, private-purpose trust funds, investment trust funds, pension trust funds, Montana University System Units, and specific funds established within the State Special Revenue Fund. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail on Cash/Cash Equivalents and Investments is provided in Note 3.

J. Investments

In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Rule," the State of Montana invests in various types of securities for each portfolio it manages. 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. Most investments are reported at fair value in the Balance Sheet or Statement of Net Position. Investments are reported by type in the disclosure of custodial credit risk for each investment portfolio. Further detail on Cash/Cash Equivalents and Investments is provided in Note 3.

K. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure capital assets are capitalized and reported in 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 and higher education units is capitalized. The State has chosen to use the depreciation approach for infrastructure assets and is reporting accumulated depreciation in the Statement of Net Position and depreciation expense in the Statement of Activities for these assets. Further detail on 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. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 7 to 20 years for building improvements, 3 to 10 years for equipment, and 10 to 50 years for infrastructure. 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.

The capitalization limit for buildings and building/land improvements is $25,000. The capitalization threshold for infrastructure and internally-generated software is $500,000. The capitalization threshold for intangible assets is $100,000. The capitalization limit for other capital assets is set at $5,000. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

L. 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.

A portion of deferred inflows of resources in the government-wide, proprietary fund and fiduciary fund financial statements relate to unearned revenue. Unearned revenue in the governmental fund financial statements relates to both unearned and unavailable revenue. A liability for unavailable revenue is recorded when assets are recognized in connection with a transaction, but those assets are not considered available to finance expenditures of the current fiscal period.

M. Long-term Obligations

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

N. Capital Leases

A capital lease is a lease which transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, in 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. In the governmental fund financial statements, because the modified accrual basis of accounting is used, no asset or liability is recorded related to assets under capital leases. Rather, in the governmental fund financial statements, at the inception of a capital lease, capital outlay expenditure and an other financing source (inception of lease/installment contract) are recorded at the net present value of the minimum lease payments. Further detail on Capital Leases is provided in Note 10.

O. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the current period for governmental funds in the fund financial statements. Bond proceeds and bond premiums are reported as an other financing source, and bond discounts are reported as another 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.

P. 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. Based on a review, the adjusted ending balance of the pool for June 30, 2013, was 21,696 hours. For fiscal year 2014, 1,210 sick leave hours, 200 annual leave hours, and 2,721 excess annual leave hours were contributed to the sick leave pool, and 3,814 hours were withdrawn, leaving a balance of 22,013 hours in the pool. No liability is 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 in 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 on Compensated Absences is provided in Note 11.

Q. Nonexchange Financial Guarantee

Per GASB Statement 70, governments may extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements.

R. 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 in tact 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 and 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 can constraints be removed or changed by a similar action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the state's legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. An example of an assignment is money deposited into an account within the State Special Revenue fund by management and later appropriated by the legislature. The revenue source is not restricted or committed by legislation but is assigned by executive branch management and later appropriated by the legislature for a specific purpose. 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. Based on the Governor's budget proposal, the FY14 ending fund balance will be spent down by $80 million when comparing the FY14 actual to FY15 enacted/proposed budget. This represents management's intention to fund supplementals and other one-time-only expenditures.

Unassigned fund balance is the residual classification for the government's 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 of Montana 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 comingled 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.

Minimum General Fund - Fund Balance

The State does not maintain a stabilization fund. However, statute provides a minimum fund balance amount as follows: § 17-7-140, MCA, defines minimum ending fund balance (i.e. "deficit" or 1% of expenditures) and specifies the procedures that must be followed to make expenditure reductions if a projected ending fund balance drops below minimum statutory requirements.

The law requires; if the Budget Director determines that a deficit exists, reductions <u>must</u> be made to assure that the projected ending fund balance is at least 1% of general fund appropriations for the biennium. Under circumstances when a deficit is projected during a biennium, the Governor may direct reductions from any general fund expenditure not exempted by § 17-7-140, MCA, including 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 35% 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 represent the difference between assets and liabilities. 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 or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of $3.0 billion.

S. Property Taxes

Real property taxes are normally levied in October and are normally 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.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

T. Other Taxes

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

	General Fund	State Special Revenue Fund	Other Governmental Funds	Business-Type	Total
Accommodations	$ 17,877	$ 24,459	$ 1	$ 19	$ 42,356
Agriculture sales	-	6,898	-	-	6,898
Cigarette/tobacco	36,560	48,038	1,812	-	86,410
Contractors gross receipts	887	-	-	-	887
Energy tax	7,398	-	-	-	7,398
Fire protection	-	3,610	-	-	3,610
Insurance premium	60,839	26,186	-	-	87,025
Liquor tax	5,276	2,075	-	25,129	32,480
Livestock	-	4,384	-	-	4,384
Other taxes	6,073	6,081	-	-	12,154
Public service commission	-	4,963	-	-	4,963
Telephone license	19,549	-	-	-	19,549
Video gaming	57,148	9	-	-	57,157
Total other taxes	$211,607	$126,703	$1,813	$25,148	$365,271

U. Service Concession Arrangements

A Service Concession Arrangement (SCA) is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from a third party. No material service concession arrangements were found.

NOTE 2. OTHER ACCOUNTING ISSUES

A. New Accounting Guidance Implemented

For the year ended June 30, 2014, the State of Montana implemented the provisions of GASB Statement 65 - "Items Previously Reported as Assets and Liabilities." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

For the year ended June 30, 2014, the State of Montana implemented the provisions of GASB Statement 66 – "Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62" The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Government Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

For the year ended June 30, 2014, the State of Montana implemented the provisions of GASB Statement 67 – "Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25." The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. No employer pension reporting is impacted by the implementation of this statement.

For the year ended June 30, 2014, the State of Montana implemented the provisions of GASB Statement 70 – "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

B. Prior Period Adjustments

Prior period adjustments reported in the accompanying financial statements relate to corrections of errors, changes in accounting policy from prior periods and/or reclassifications due to the recognition of capitalized infrastructure. The three most significant adjustments affected the governmental activities column in the Statement of Activities. One is related to Montana Department of Transportation infrastructure in the amount of $219 million. The methodology for recording construction work in progress was changed from prior years. In prior years construction work in progress was recorded on a project by project basis with costs over $500 thousand per project. As of 2014, construction work in progress is recorded for all project costs. The second adjustment relates to the Other Post Employment Benefit (OPEB) Implicit Rate Subsidy in the amount of $54 million. This resulted in a restatement of the beginning balances for the related long-term liability as indicated in Note 11(E). The final adjustment relates to the beginning balance for Pollution Remediation was restated in the Summary of Changes in Long-term Liabilities Payable, Note 11(E). This was due to an overstatement of Pollution Remediation Liability recorded by Department of Justice in fiscal year 2013 of $221 million.

For the fiscal years 2011 – 2013 on the Statement of Net Position, a long-term receivable was reported in the component unit column for the estimated future claim contribution from the general fund to State Fund related to the

Old Fund claims. Following the guidance set forth in GASB Statement No. 70, as implemented for fiscal year 2014, this transaction qualifies as a nonexchange financial guarantee. On the Statement of Net Position for the year ended 2014, no receivable is reported in the component unit column and a prior period adjustment of $45 million was made.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

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

Cash/cash equivalents	$ 3,024,777
Equity in pooled investments	$ 11,806,900
Investments	$ 3,136,001

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

The Board of Investments (BOI) was created by the Legislature to manage the Unified Investment Program established by the State Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities may only invest in the Short Term Investment Pool (STIP) portion of the Program. BOI manages the Investment Program pursuant to the “Prudent Expert Principle” mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Currently, only the nine retirement funds and the Montana State Fund (Workers’ Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither State law nor the State Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of BOI pursuant to the “Prudent Expert Principle.”

To facilitate management of the Investment Program, the BOI created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification not otherwise possible. Some Pools are dedicated solely to the state’s nine retirement funds, while others are open to other state and local government funds. State agencies, ineligible to participate in a long term investment pool, have direct fixed income, equity and loan investments. These investments are combined and reported as All Other Funds (AOF) Investments Managed. The Pools, AOF Investments Managed, Pool creation date and eligible participants are shown below:

Pool/Investments Managed Name	Creation Date	Eligible Participants
Retirement funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Investment Pool (TFIP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds and Local Governments
All Other Funds (AOF) Investments Managed	NA	Non-Pool State Agency Investments

Separately issued external 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

(1) 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, un-deposited 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. In addition to the State Treasurer’s pooled cash account, there is the STIP maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. 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.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, the BOI has as policy that STIP is managed in a manner consistent with the SEC Rule 2a7. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net position. The portfolio may include asset-backed securities, commercial paper, corporate, US government direct obligations, US government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they have rate reset dates. The portfolio is carried at amortized cost or book value with a constant unit value of $1.00.

State agencies that are allowed to retain their interest earnings within their funds are required to invest in STIP. Local government participation in STIP is voluntary.

(2) Investment securities are reported by investment portfolio and type in Table 2–Cash Equivalents, Table 3–Equity in Pooled Investments, and Table 4–Investments. The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR), equity derivatives, and commingled funds. The MDEP portfolio is limited to domestic stock investments, while the MTIP portfolio includes holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges as depositary receipts. The MTIP portfolio invests in both developed and emerging markets. The MPEP portfolio includes venture capital, leveraged buyout, mezzanine, distressed debt, special situation, and secondary investments. The MTRP portfolio includes investments in private core, value-added, and opportunistic real estate. The STIP portfolio may include asset-backed securities, commercial paper, corporate, U.S. Government direct obligations, U.S. Government agency securities, repurchase agreements, institutional money market funds, certificates of deposit, and variable-rate (floating-rate) instruments. The State also invests in cash equivalents to provide a diversified investment portfolio and an overall competitive rate of return.

The value of stocks and bonds are recorded at both “book” and “fair” value. The book or carrying value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the “amortized” cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers’ valuation reports. The book or carrying value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Position Value are at “fair” value.

Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or "convert" the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer's common stock. ADR investments are receipts issued by a US depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. Equity derivatives, such as futures and options, "derive" their value from underlying equity instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together to reduce management and administration costs. The investor buys shares in the fund.

These investments are made via limited partnership agreements in which BOI and other institutional investors invest as limited partners in funds managed by a general partner. These investments are riskier with higher potential return than public equity investments, and are less liquid because the funds are usually committed for at least ten years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only.

Real estate core investments are the least risky with the lowest return, and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through limited partnership agreements.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. US Government direct-backed securities include direct obligations of the US Treasury and obligations explicitly guaranteed by the US Government. US Government indirect-backed obligations include US Government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of US Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable-rate securities reset to LIBOR (London Interbank Offered Rate).

BOI is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust, "the 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 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. BOI and the Bank split the earnings, 80/20% respectively, on security lending activities. BOI retains all rights and risks of ownership during the loan period.

During fiscal year 2014, the Bank lent BOI public securities and received as collateral: US dollar cash; US Government and government sponsored agency securities; US corporate debt securities and structured securities rated AA-/Aa3 or higher; sovereign debt securities of the G10 nations; and debt securities issued by certain supranational agencies. The 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 2014. 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 2014 resulting from a borrower default.

During fiscal year 2014, BOI and the borrowers maintained the right to terminate all securities lending transactions on notice. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of June 30, 2014, the Quality D Short Term Investment Fund (STIF) liquidity pool had an average duration of 37 days and an average weighted final maturity of 104 days for US dollar collateral. The duration pool had an average duration of 42 days and an average weighted final maturity of 1,770 days for US dollar collateral. As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of 41 days and an average weighted final maturity of 114 days for US dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 548 days for US dollar collateral. 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. At year-end 2014, BOI's credit risk exposure to borrowers was indemnified by State Street Bank. The private equity and real estate pools do not participate in securities lending.

(3) Investment risk disclosures are described in the following paragraphs and are identified by the specific pools or securities to which they pertain, when applicable.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of US Government securities, the pools' fixed income instruments have credit risk as measured by major credit rating services. This is the risk that the issuer of a fixed income security may default with regard to the timely payment of interest and principal. BOI policy requires TFIP fixed income investments "be rated investment grade securities (Baa3/BBB- or higher) with the exception up to 10% of the pool may be invested in below investment grade securities. Credit risk for the internal and external managers for the RFBP is detailed as follows:

1. Core Internal Bond Pool (CIBP) – "Securities must be rated investment grade, or no lower than triple-B-minus, by two NRSROs at the time of purchase with the exception of non-rated securities or guaranteed by agencies or instrumentalities of the U.S. government."
2. Reams Asset Management Company LLC – "At time of purchase, securities must be rated at least single-B by one major credit rating agency. At least 80% of portfolio holdings shall be rated investment grade by one major credit rating agency at time of purchase."
3. Aberdeen Asset Management Inc. formerly Artio Global Management LLC – "At time of purchase, securities must be rated at least double-B by one major credit rating agency. At least 80% of portfolio holdings shall be rated investment grade by one major credit rating agency at time of purchase."
4. Neuberger Berman Fixed Income LLC – "At time of purchase, securities must be rated at least triple-C by one major credit rating agency. Securities rated below single-B will be limited to 25% of portfolio value."
5. Post Advisory Group LLC – "At time of purchase, securities must be rated at least triple-C by one major credit rating agency. Securities rated below single-B will be limited to 25% of portfolio value."

As stated in the STIP Investment Policy, "the STIP portfolio will minimize credit risk by:

1. limiting investments to Permissible Securities on the Approved List
2. prequalifying the financial institutions, brokers/dealers, intermediaries and advisers with whom the STIP will conduct business; and
3. diversifying the portfolio so potential losses on individual securities will be minimized."

The US Government securities are guaranteed directly or indirectly by the US Government. Obligations of the US Government or obligations explicitly guaranteed by the US Government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the tables later in this note are provided by the S&P rating service. If an S&P rating is not available, a Moody's rating has been used.

Neither the MTIP, MDEP or MTRP investment policies address credit risk for the MTIP and MDEP external managers' cash equivalents investment in custodial bank's Short Term Investment Fund (STIF) or the MTRP STIP investment. As of June 30, 2014, the MTIP STIF balance was $5,748,968, while the MDEP STIF balance was $34,685,311. The June 30, 2014, MTRP STIP investment totaled $15,012,213. The STIF and STIP cash equivalent funds have not been rated by a NRSRO. One MDEP manager has a $227,075 cash equivalent investment as of June 30, 2014 in the T. Rowe Price Reserve Investment Fund with an average credit rating of AAA.

Of the 18 individual Investment Policy Statements for the funds categorized as the AOF, eight funds have specific policies associated with credit risk. The remaining funds have no policy addressing credit risk. One fund requires "corporate securities be rated A3/A- or higher by Moody's/S&P rating agencies to qualify for purchase." One fund requires fixed income investments, at the time of purchase, to be rated investment grade as defined either by Moody's or by Standard & Poor's (S&P) rating services. This fund's investment policy, revised in February 2013, states "the maximum fixed income credit risk will be limited to 2% of the total securities portfolio in any one name." Five funds require, at the time of purchase, "the quality rating of any corporate bond shall be in the top of the single-A rating classification or better at the time of purchase (e.g. A1/A+ or higher) and have at least two ratings. Exposure to the securities of any one U.S. Agency is limited to 5% and in no event will an agency security be purchased if it carries a rating that is less than top-rated (AAA) at the time of purchase." One fund requires "fixed income securities must be rated at least A- or A3 at the time of purchase."

Asset-backed securities held in the Bond Pools, AOF and STIP portfolios are based on the cash flows from principal and interest payments emanating from a Trust containing a pool of underlying auto loan, credit card or other receivables. These securities, while sensitive to prepayments due to interest rate changes, generally have less credit risk than unsecured bonds. Their credit risk is based on the structure itself rather than balance sheet risk. This includes such factors as default rates, overcollateralization, and quality of collateral.

Custodial Credit Risk

Deposits

Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. As of June 30, 2014, BOI recorded cash deposits of $4,023,223; of this balance, $1,175,899, represented foreign cash deposits, at fair value, held in sub-custodial banks. These deposits are uninsured and the balances are exposed on the basis of no collateralization.

In November 2008, the Federal Deposit Insurance Corporation's (FDIC) Board of Directors established a program called the 'Temporary Liquidity Guarantee Program' (TLGP). This program was designed to assist in the stabilization of the nation's financial system. Under the Transaction Account Guarantee (TAG) program, a component of the TLGP, the FDIC guarantees all funds held in qualifying noninterest bearing transaction accounts at participating insured depository institutions. Effective June 22, 2010, an amendment to the 12 CFR 370, in part, extended the TAG program until December 31, 2010, with the possibility of an additional extension of up to 12 months upon the determination by the FDIC's Board of Directors. Pursuant to the Dodd-Frank Provision, all funds in noninterest bearing accounts are insured in full by the FDIC from December 31, 2010 through December 31, 2012. As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least $250,000. Excluding the foreign cash deposits, the remaining custodial bank cash deposits are fully insured by the FDIC. The MTRP interest bearing checking account for the direct real estate investments is insured by the FDIC up to $250,000. BOI does not have a policy addressing deposit custodial risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, BOI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of BOI's custodial bank, State Street Bank. The Equity Index funds, US Bank repurchase agreement, real estate, mortgage and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of the Montana Board of Investments. BOI does not have a policy addressing custodial risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the US Government are excluded from the concentration of credit risk requirement. In October 2008, the US government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, BOI had no concentration of credit risk exposure to Fannie Mae and Freddie Mac in either the Bond Pools or STIP.

Bond Pools

Both the RFBP Core Internal Bond Pool and TFIP Investment Policy Statements (IPS) provide for a 2% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations (Yankee bonds) and a 3% portfolio limit in non-agency Mortgage Pass-through (MBS) securities. The four RFBP external managers are limited to debt obligations of domestic and foreign corporations up to 3% of portfolio assets per issuer.

STIP

The STIP Investment Policy specifies concentration of credit risk exposure by limiting portfolio investment types by 2% per non-government issuer except up to 3% may be invested per issuer as long as not more than 2% is invested in securities maturing in more than seven days.

AOF

With the exception of eight funds, the 18 investment policy statements for various AOF state agencies do not address concentration of credit risk. One fund provides for a concentration limitation pertaining to repurchase obligations. The policy for another fund states, "the fixed income holdings rated lower than 'A3 or A- are limited to 25% of the fixed income portfolio at the time of purchase. This same fund is limited to stock investments not to exceed 12% of the book value of its total invested assets. In addition, this fund's and another fund's IPS provides for a 2% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations (Yankee bonds) and a 3% portfolio limit in non-agency Mortgage Pass-through (MBS) securities." The policy for five funds sets "investment limits to reduce the risk of loss on individual corporate bonds, investment purchases in any one credit will be limited to 1% of the market value of the fund at the date of purchase or 2% of the lowest projected fund balance before the securities mature, whichever is lower". Limits are also set by corporate bond sector for these five funds. Investments by various governmental agencies, pooled as AOF, are excluded from the concentration of credit risk requirement. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2014.

This concentration of credit risk includes the rated securities from Table 2 – Cash Equivalents and Table 4 – Investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Although the MTIP, RFBP and MTRP do not have a formal policy to limit foreign currency risk, the MTIP policy provides for the "external managers to hedge currency in a defensive manner. The managers are not allowed to engage in currency speculation, such as over-hedging, reverse hedging, cross-hedging or other trading activity not specifically aimed at minimizing risk versus their benchmark or preserving the US dollar value of investments. The Managers' Investment Guidelines provide for currency hedging and emerging market limitations. At the pool level, MTIP will be managed on an un-hedged basis". The MPEP policy does not address foreign currency risk, but identifies "country risk as including all of the risks associated with international alternative investments along with the political, economic and currency risks associated with investing outside of the United States." As of the June 30, 2014 exchange date, BOI's foreign currency exposure by forward contracts, deposits and investment type are reported, in US dollars, at fair value in the tables in section C of this note excluding the foreign investments denominated in US dollars for the American Depositary Receipts (ADRs) and commingled index funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement 40, BOI uses effective duration as a measure of interest rate risk for the Bond Pool and AOF portfolios. BOI's analytic software uses "an option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. Duration is defined as the average percentage change in a bond's price for a given change in interest rates. Prices move inversely to interest rates. The effective duration method incorporates the effect of embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities)." The TFIP and CIBP's duration is to remain within 20% of the established Index duration. Duration for two fixed income external managers must be within 25% of the established Index duration. With the exception of three funds, the AOFs' investment policies do not formally address interest rate risk. One fund limits securities three years to maturity and repurchase agreements seven days to maturity. A second fund's policy sets an average duration range of 2-5 years for fixed income securities except in extraordinary circumstances where a shorter duration may be advisable. A third fund's policy limits securities to 1-5 year US Treasury/Agency securities tolerating modest interest rate risk. Eight funds are described as having the "ability to assume interest rate risk." 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. investing funds primarily in short-term maturities of money market securities; and
3. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities)."

The STIF fund has an effective duration of .11. One MDEP investment manager invested $227,075 in the T. Rowe Price Reserve Investment Fund with duration of .10. The MDEP and MTIP investment policy statements do not address interest rate risk for cash equivalent (debt pool) investments.

The fixed coupon holdings in the Bond Pools and AOF bonds pay a fixed rate of interest until maturity while floating rate securities pay a variable rate of interest until maturity. As of June 30, 2014, these three portfolios and the STIP portfolio held certain variable rate issues. Interest payments on these securities are based on an underlying proxy, e.g., LIBOR.

Bond Pool and AOF investments are categorized to disclose credit and interest rate risk as of June 30, 2014. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). The credit quality ratings have been calculated excluding non-rated investment types. NA (not applicable) indicates if duration has not been calculated.

STIP investments are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2014. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. The short-term credit ratings, provided by S&P's rating services are presented. An A1+ rating is the highest short-term rating by the S&P rating service. 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. The WAM is calculated in days.

<u>Legal and Credit Risk</u>

STIP

In January 2007, BOI purchased a $25 million par issue of Orion Finance USA. In April 2007, BOI purchased two issues of Axon Financial Funding totaling $90 million par and another $25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of $139,991,131 representing 5.02% of the total portfolio. At the time of purchase and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by Standard & Poor's and Aaa by Moody's. Since June 30, 2008 and through June 30, 2010, these issues carried a D rating by Standard & Poor's. On November 20, 2007, an insolvency event was declared by Axon Financial Funding. Orion Finance USA declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of $140 million. BOI has determined that it is currently in the best interest of the STIP to continue to hold these securities in the investment portfolio.

Axon Financial Funding payments totaled $27,462,743 since November 2008. On July 6, 2010, Axon Financial Funding foreclosed with the issuance of a promissory note for $66,832,436 from AFF Financing LLC with a July 5, 2011 maturity date. Fiscal year 2014 payments from AFF Financing LLC totaled $6,783,298 consisting of $6,712,723 in principal and $70,575 in interest. On June 3, 2014, BOI elected to extend the AFF Financing LLC promissory note maturity date to July 2, 2015. In June and December 2009, BOI applied $13.5 million, in total, from the STIP reserve to the outstanding principal for the Axon Financial Funding securities. As of June 30, 2014, the AFF Financing LLC, classified as an Other Asset Backed security, has an outstanding amortized cost balance of $22,848,774. Refer to Note 17–Subsequent Events for additional information.

On October 14, 2009, BOI received its initial payment from Orion Finance USA. From this date through November 2010, payments from Orion Finance USA included principal of $13,433,642 and interest compensation of $1,804,738 in excess of the $903,922 accrued interest receivable for a total of $16,142,302. In November 2010, Orion Finance Corporation “granted a security interest in substantially all of its assets (the Collateral) to the Bank of New York Mellon, as Security Trustee.” On December 8, 2010, the Security Trustee conducted “a public sale of 60 structured credit and 7 financial securities including but not limited to asset backed securities, collateralized debt obligations, collateralized loan obligations and residential mortgage backed securities included within the Collateral.” BOI participated in the sale and collectively holds these individual securities as Orion Finance. From December 2010 through June 2014, BOI received principal and interest payments of $13,474,851 and $2,392,067, respectively. In June and December 2009, BOI applied $7.5 million, in total; from the STIP reserve to the outstanding principal for the Orion Finance USA securities. As of June 30, 2014, the Orion Finance collective holding, classified as Other Asset Backed, has an outstanding amortized cost balance of $15,591,507. Refer to Note 17–Subsequent Events for additional information.

STIP, Bond Pool and AOF
The Federal National Mortgage Association and Federal Home Loan Mortgage Corp. remain in conservatorship from September 7, 2008.

Bond Pool and AOF
On September 14, 2008, Lehman Brothers filed for Chapter 11 bankruptcy. The Bond Pool and AOF portfolios held a $15 million position in a Lehman Brothers Holdings, Inc., variable rate security with a May 25, 2010 maturity. The AOF portfolio also includes a $5 million position in Lehman Brothers Holdings, Inc., 5% rate, and January 14, 2011 maturity. As of September 30, 2008, the book value of these bond positions was written down to 80% of par. On October 30, 2008, the book value of these bonds was further written down to 65% of par. Four additional write downs occurred during fiscal year 2009. In May 2009, the BOI sold a $5 million position in Lehman Brothers Holdings, Inc., variable rate security, held by the RFBP internal bond pool. This holding, written down to $1 million, was sold at a loss of $312,500. As of June 30, 2011, the book value of the remaining bonds represented 20% of par.

The BOI sold the $5 million AOF position in Lehman Brothers Holdings, Inc. 5% rate, January 14, 2011 maturity at a price of $26 on December 6, 2011. Because the bonds were previously written down to a price of $20, this sale generated a gain of $322,300. For the remaining $10 million variable rate position in Lehman Brothers Holdings, Inc. held in the TFIP and AOF portfolios, the BOI applied $519,119 in principal from the October 2013 bankruptcy payment resulting in a book value of $1 each as of June 30, 2014. The $55,931 October 2013 payment balance and the April 2014 payment of $638,206 were recorded to gain.

A foreign currency forward is a contract to purchase one currency and sell another at an agreed upon exchange rate. Fair value represents the unrealized appreciation/depreciation on foreign currency forward transactions pending as of year-end and is the difference between the execution exchange rate and the prevailing exchange rate as of the report date. Index futures long is an agreement to buy, on a stipulated future date, a specific amount of an indexed financial instrument. Rights represent a privilege granted to existing shareholders to subscribe to shares of a certain security at a specified price. Warrants are a security type, usually issued together with a bond or preferred stock, entitling the owner to purchase additional securities from the issuer.

<u>Credit Risk</u>
Credit risk is the risk that the counterparty will not fulfill its obligations.

<u>STIP Reserve</u>
The STIP Reserve account was established in November 2007. Income is distributed to STIP participants based on accrued interest and discount amortization. To avoid distributing cash to participants based on accrued interest on certain SIVs that may be uncollectible; the accrued interest amount was deposited in this account. Additional accrued income was deposited in the account to pay for any incidental direct expenses incurred as a part of any SIV restructuring activity not to be paid from SIV assets. Accrued income was also deposited in the account to offset any potential principal loss on these securities in the future.

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% 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	$137,867
Uninsured and uncollateralized cash	5,142
Undeposited cash	570
Cash in US Treasury	224,549
Cash in MSU component units	6,531
Cash in UM component units	5,820
Less: outstanding warrants	(63,327)
	$317,152

As of June 30, 2014, the carrying amount of deposits for component units was $196,588,028 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. Cash equivalents may be under the control of the Board of Investments (BOI) or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value	Credit Quality Rating	WAM in Days
Asset Backed commercial paper	$ 777,418	A1	30
Corporate commercial paper	138,958	A1	39
Corporate - variable	658,894	A1	38
Certificate of deposit – fixed	100,000	A1	219
Certificate of deposit – variable	391,996	A1+	32
Other asset backed	38,440	NR	NA
US government agency fixed	124,741	A1+	194
US government agency variable	200,003	A1+	31
Money market fund unrated	267,915	NR	1
Money market fund rated	21,000	A1+	1
Repurchase agreement (1)	10,349	0	0
US Government Direct Obligations	39,959	0	NA
Less: STIP included in pooled investment balance	(62,048)	NR	NA
Total cash equivalents (4)	$ 2,707,625		43
Securities lending collateral investment pool (2)	$ 1,862	NR	(See note 3)

(1) As of June 30, 2014, the repurchase agreement was collateralized at 102% for $10,555,693 by two Federal Loan Mortgage Corporation Gold securities maturing July 1, 2024 and November 1, 2024. These securities carry an AA+ credit quality rating.

(2) As of June 30, 2014, the fair value of the cash equivalents was $1,822,162. Collateral provided for the cash equivalents totaled $1,861,747 in cash. See also the Table 4 disclosed in Note 3 D – Investments.

(3) As of June 30, 2014, the Securities Lending Quality Trust liquidity pool has an average duration of 41 days and an average weighted final maturity of 114 days for US dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 548 days for US dollar collateral.

(4) As of June 30, 2014, local governments invested $489,883,980 and component units of the State of Montana invested $582,479,302 in STIP.

C. Equity in Pooled Investments

These securities consist of investments held by pooled investment funds. The Montana Domestic Equity Pool (MDEP), Trust Funds Investment Pool (TFIP), Retirement Funds Bond Pool (RFBP), Montana International Equity Pool (MTIP), Montana Private Equity Pool (MPEP), and Montana Real Estate Pool (MTRP) 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)

	Carrying Amount	Fair Value
MDEP:		
Domestic equity pool	$2,491,555	$ 3,835,790
TFIP:		
Trust funds investment pool	2,060,978	2,188,659
RFBP:		
Retirement funds bond pool	2,097,741	2,142,497
MTIP:		
International equity pool	1,335,041	1,747,475
MPEP:		
Private equity pool	877,756	1,031,448
MTRP:		
Real estate pool	786,064	841,169
Total pooled investments	9,649,135	11,787,038
Pool adjustments (net)	19,862	19,862
Total equity in pooled investments	$9,668,997	$11,806,900

As of June 30, 2014, the fair value of the underlying securities on loan was $852,489,288. Collateral provided for the securities on loan totaled $868,929,086, consisting of $524,244,969 in cash and $344,684,117 in securities.

As of June 30, 2014, component units of the State of Montana had equity in pooled investments with a book value of $5,396,399,298 and a fair value of $9,750,001,483, as included in Table 3.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2014, as required for applicable pools. Credit risk reflects the bond quality rating, by investment type, as of June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). The credit quality ratings have been calculated excluding non-rated investment types. If duration has not been calculated, duration is indicated by NA (not applicable).

TFIP
Credit Quality Rating and Effective Duration as of June 30, 2014
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating	Effective Duration
Core real estate	$ 155,334	NR	NA
Corporate bonds (rated)	944,877	A+	5.20
Corporate bonds (unrated)	969	NR	NA
High yield bond fund	109,785	B	3.70
Municipal government bonds (rated)	829	AA	0.09
Sovereign bonds	14,808	A+	7.82
US government direct obligations	435,527	AA+	6.57
US government agency	480,049	AA+	4.43
STIP	46,481	NR	.12
Total fixed-income investments	$2,188,659	AA-	5.13
Securities lending collateral investment pool	$ 111,403	NR	(1)

(1) As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of .11 and an average weighted final maturity of .31 for US dollar collateral. The duration pool had an average duration of .09 and an average weighted final maturity of 1.50 for US dollar collateral.

RFBP
Credit Quality Rating and Effective Duration as of June 30, 2014
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating	Effective Duration
Corporate bonds (rated)	$1,116,730	A-	4.89
Corporate bonds (unrated)	1,015	NR	12.41
International government	12,196	BBB+	4.57
Municipal government bonds	4,130	AA-	10.88
Sovereign bonds	31,502	AA-	5.33
US government direct obligations	471,749	AA+	6.50
US government agency	419,853	AA+	4.75
Montana mortgages	10,573	NR	NA
State Street (STIF)	73,733	NR	.11
STIP	555	NR	.12
Total fixed-income investments	$2,142,036	A+	5.07
Preferred Stock	453	BBB-	
Common Stock (1)	8		
Total Investment	$2,142,497		
Securities lending collateral Investment pool	$ 158,456	NR	(2)

(1) Due to a May 2012 bankruptcy restructuring, the RFBP received 259 shares of common stock and 400 warrants for its investments in General Maritime Corporation. In addition to the common stock and warrants, the RFBP held 4,400 shares of Southern Cal Ed as a preferred stock as of June 30, 2014.

(2) As of June 30, 2014, the Securities Lending Quality D Short Term Investment Fund liquidity pool had an average duration of .10 and an average weighted final maturity of .28 for US dollar collateral. The duration pool had an average duration of .11 and an average weighted final maturity of 4.85 for US dollar collateral.

The derivative instrument disclosures are described in the following paragraphs. The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2014, classified by type, and the changes in the fair value of such derivative instruments for the year ended June 30, 2014, as reported in the 2014 financial statements, are as follows (in thousands):

	Change in Fair Value		Fair Value at June 30, 2014		
Investment Derivatives	Classification	Amount	Classification	Fair Value Amount	Notional
Currency forward contracts	Investment Revenue	$ (818)	LT debt/equity	$(210)	$41,943
Index futures long	Investment Revenue	2,173	Futures	-	4
Index futures short	Investment Revenue	-			
Rights	Investment Revenue	31	Equity	39	40
Warrants	Investment Revenue	2	Equity	-	-
Total derivatives		$1,388		$(171)	

Credit risk is the risk that the counter party will not fulfill its obligations. The tables below depicts the BOI's credit risk exposure to its investment derivatives and the applicable counterparty credit ratings.

Maximum Loss before and after Netting and Collateral (in thousands)		
Maximum amount of loss BOI would face in case of default of all counterparties i.e. aggregated (positive) fair value of Over-the-Counter positions as of June 30, 2014.	$	193
Effect of collateral reducing maximum exposure		-
Liabilities subject to netting arrangements		-
Resulting net exposure	$	193

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Deutsche Bank London	25%	A	A+	A2
JP Morgan Chase Bank	25%	A+	A+	Aa3
Westpac Banking Corp	17%	AA-	AA-	Aa2
Credit Suisse London	14%	A	A	A1
Royal Bank of Scotland	14%	A-	A	Baa1
Morgan Stanley Capital	4%	A-	A	Baa2
State Street Bank	1%	AA-	A+	Aa3

As of the June 30, 2014 exchange date, BOIs' foreign currency exposure by forward contracts, deposits and investment type are reported, in US dollars, at fair value in the tables below excluding the foreign investments denominated in US dollars for the American Depositary Receipts (ADRs), sovereign debt and commingled index funds.

Foreign Currency Exposure by Country
(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	Equities	Rights	Private Equity	Real Estate
Australian Dollar	$ 37	$ 1,130	$ 13,691	$ -	$ -	$ -
Brazilian Real	126	2,254	5,981	-	-	-
Canadian Dollar	49	127	30,067	-	-	-
Danish Krone	15	-	6,137	-	-	-
EMU – Euro	160	4,095	123,285	24	26,187	19,199
Hong Kong Dollar	104	-	32,907	-	-	-
Hungarian Forint	1	-	-	-	-	-
Indonesian Rupiah	1	-	1,915	-	-	-
Israeli Shekel	21	-	924	-	-	-
Japanese Yen	339	-	86,365	-	-	-
Korean Fortnit	-	-	14,186	14	-	-
Malaysian Ringgit	5	-	2,045	-	-	-
Mexican Peso	98	2,195	4,607	-	-	-
New Zealand Dollar	4	1,673	83	-	-	-
Norwegian Krone	36	-	8,466	-	-	-
Philippine Peso	1	-	1,097	-	-	-
Polish Zloty	9	-	790	-	-	-
Singapore Dollar	34	-	3,760	-	-	-
South African Rand	-	-	3,653	-	-	-
South Korean Won	41	-	-	-	-	-
Swedish Krona	20	-	14,466	-	-	-
Swiss Franc	13	-	32,525	-	-	-
New Taiwan Dollar	4	-	9,356	-	-	-
Thailand Baht	8	-	1,288	-	-	-
Turkish Lira	-	-	1,194	-	-	-
UK Pound Sterling	50	722	67,509	-	-	-
Total Cash and Securities	$1,176	$12,196	$466,297	$38	$26,187	$19,199

Investment Commitments

Investments in private equity and private real estate 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 table below shows the remaining Board commitments to private equity funds. For further details on the balances as of June 30, 2014 as shown below, please refer to the Montana Board of Investments separately issued external investment pool financial statements: (in thousands)

	Original Commitment	Commitment Remaining	Carrying Value	Fair Value
MPEP Commitments	$2,035,721	$671,586	$832,494	$964,757
MTRP Commitments	$555,604	$327,451	$327,550	$964,589

D. Investments

Article VIII of Montana's Constitution, with supporting statutes, authorizes the Board of Investments (BOI) to manage the State's unified investment program. Long-term investments are administered by the following agencies, as allowed by state law, Title 17, Chapter 6, Part 201, MCA:

Long-term Investments

Department	Percent Administered
Board of Investments	62.76%
PERA (Public Employee Retirement Administration)	21.94
Board of Housing	3.74
College Savings Plan	4.90
Montana State University/University of Montana	3.16
Other (1)	3.50
Total	100.00%

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Natural Resources and Conservation, the Department of Public Health and Human Services, 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. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable.

The PERS Defined Contribution Retirement Plan and the deferred compensation plan’s fixed assets were invested and managed on behalf of the plans by Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC) and a third-party insurer, Transamerica. The third party record keeper, Great-West Retirement Services, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies. When participants invest in the fixed investment, they are guaranteed a rate of return. All money invested in the Montana Stable Value Fixed Fund of the PERS-DCRP and Deferred Compensation Plan are invested in the Pooled Trust. The Pooled Trust assets are invested by PIMCO based on an investment guideline schedule as agreed upon in the Pooled Trust Contract and approved by the PERB, PIMCO, and any third party insurers, such as Transamerica. Variable investments are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories.

Table 4 – Investments
(in thousands)

	Carrying Amount	Fair Value
Primary government		
Corporate bonds (rated) (1)	$ 53,753	$ 54,582
US govt agency (1)	92,352	94,857
US govt direct (rated) (1)	9,293	10,130
Government securities	13,774	14,007
STIP/SIV investments	5,718	5,717
Mortgages	137,919	129,722
Other equities	66,027	67,436
Total	$ 378,836	$ 376,451
Component units/fiduciary funds		
Corporate bonds (rated) (1)	$ 649,560	$ 684,225
Corporate bonds (unrated)	-	969
US govt agency (1)	297,547	307,236
US govt direct (rated) (1)	168,423	177,328
Government Securities	77,333	78,377

Table 4 – Investments
(in thousands)

	Carrying Amount	Fair Value
STIP/SIV Investments	$ 9,874	$ 9,874
Loans	20,970	20,856
Other equities	80,352	167,515
Deferred compensation	432,457	432,457
Defined contribution	127,741	127,741
529 College Savings Plan	125,175	125,175
VEBA	3,673	4,048
Investments of MSU component units	205,970	205,970
Investments of UM component units	226,453	226,454
Real Estate	70,000	74,073
Other	98,917	104,759
State Auditor	12,562	12,493
Total	$ 2,607,007	$ 2,759,550
Total investments (1)	$ 2,985,843	$ 3,136,001
Securities lending collateral investment pool (2)	$ 202,372	$ 202,372

(1) The credit quality rating and duration are included below for the rated investments.

(2) As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of .11 and an average weighted final maturity of .31 for U.S. dollar collateral. The duration pool had an average duration of .09 and an average weighted maturity of 1.50 for U.S. dollar collateral.

As of June 30, 2014, the fair value of the investments on loan was $326,568,663. Collateral provided for the investments on loan totaled $332,873,695 consisting of $288,509,659 in cash and $44,364,036 in securities.

All Other Funds - Rated Securities
Credit Quality Rating and Effective Duration as of June 30, 2014
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating	Effective Duration
Corporate bonds (rated) (1)	$ 738,806	A	3.56
Corporate bonds (unrated) (1)	969	NR	NA
Sovereign bonds	20,856	AA-	5.51
US government direct obligations (1)	228,009	AA+	4.55
US government agency(1)	451,523	AA+	3.30
US Bank sweep repurchase agreement (1)(2)	10,349	NR	0.00
	$1,450,512	AA-	3.66

(1) These rated securities are reported on both Table 2–Cash Equivalents and Table 4–Investments.

(2) The US Bank repurchase agreement, per contract, was collateralized at 102% for $10,555,693 by two Federal Home Loan Mortgage Corporation Gold securities maturing July 1, 2024 and November 1, 2024. This security carries AA+ credit quality ratings.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE AND PAYABLE

A disaggregation of the net receivables and accounts payable (by fund type) as of June 30, 2014, follows (in thousands):

A. Receivables

	Governmental Funds					
	General	State Special Revenue	Federal Special Revenue	Coal Severance Tax Permanent	Land Grant Permanent	Nonmajor Governmental
Licenses and permits	$ -	$ 9,171	$ -	$ -	$ -	$ -
Taxes	287,360	78,204	-	7,133	-	1,809
Charges for services/fines/forfeitures	407	8,659	3,950	-	-	-
Investment income	2,317	3,778	-	5,290	1,816	984
Contributions/premiums	-	17,198	-	-	-	-
Reimbursements/overpayments	8,560	9,731	1,228	-	-	-
Grants/contracts/donations	-	45	51	-	-	-
Other	5,654	207	15,138	-	-	4,532
Total receivables	304,298	126,993	20,367	12,423	1,816	7,325
Less: allowance for doubtful accounts	(37,613)	(29,803)	(2,065)	-	-	(1)
Receivables, net	$266,685	$97,190	$18,302	$12,423	$1,816	$7,324

	Proprietary Funds			
	Unemployment Insurance	Economic Development Bonds	Nonmajor Enterprise	Internal Service
Charges for services	$ -	$ -	$22,488	$ 260
Investment income	-	8,862	122	209
Contributions/premiums	6,635	-	5,963	2,561
Reimbursements/overpayments	2,762	-	-	-
Other	-	-	41	-
Total receivables	9,397	8,862	28,614	3,030
Less: allowance for doubtful accounts	(3,104)	-	(269)	(3)
Receivables, net	$6,293	$8,862	$28,345	$3,027

B. Payables

	Governmental Funds			
	General	State Special Revenue	Federal Special Revenue	Nonmajor Governmental
Tax refunds	$140,740	$ -	$ -	$ -
Vendors/individuals	89,323	108,314	146,500	3,891
Payroll	15,184	14,426	5,953	11
Payables, net	$245,247	$122,740	$152,453	$3,902

	Proprietary Funds			
	Unemployment Insurance	Economic Development Bonds	Nonmajor Enterprise	Internal Service
Vendors/individuals	$4,039	$ -	$13,630	$12,310
Payroll	-	18	653	2,483
Accrued interest	-	57	5	-
Payables, net	$4,039	$75	$14,288	$14,793

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2014, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not being depreciated:				
Land	$ 624,264	$ 17,227	$ (5,008)	$ 636,483
Construction Work In Progress	713,273	857,604	(680,268)	890,609
Easements	142,893	1,541	-	144,434
Museum & Art	64,920	340	(8)	65,252
Other	11,350	439	-	11,789
Total Capital Assets not being depreciated	1,556,700	877,151	(685,284)	1,748,567
Capital assets being depreciated:				
Infrastructure	4,295,135	385,403	(154,762)	4,525,776
Land Improvements	45,056	9,688	(723)	54,021
Buildings/Improvements	562,635	10,127	(9,077)	563,685
Equipment	360,662	27,483	(40,789)	347,356
Easements - Amortized	1,815	-	(73)	1,742
Other	6,398	230	-	6,628
Total Capital Assets being depreciated	5,271,701	432,931	(205,424)	5,499,208
Less Accumulated Depreciation for:				
Infrastructure	(1,436,487)	(159,388)	100,961	(1,494,914)
Land Improvements	(13,842)	(6,239)	185	(19,896)
Buildings/Improvements	(299,633)	(22,527)	5,139	(317,021)
Equipment	(239,578)	(22,443)	39,326	(222,695)
Other	(4,870)	(244)	-	(5,114)
Total accumulated depreciation	(1,994,410)	(210,841)	145,611	(2,059,640)
Total capital assets being depreciated net	3,277,291	222,090	(59,813)	3,439,568
Intangible Assets	44,972	12,871	(15,029)	42,814
Governmental activities capital assets net	$4,878,963	$1,112,112	$(760,126)	$5,230,949

(1) The increases and decreases noted above include adjustments related to prior periods and corrections 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	2,449	3,237	(2,429)	3,257
Other	3,416	4,154	(3,416)	4,154
Total Capital Assets not being depreciated	6,665	7,391	(5,845)	8,211
Capital assets being depreciated:				
Infrastructure	951	211	-	1,162
Land Improvements	3,830	-	-	3,830
Buildings/Improvements	7,499	15	-	7,514
Equipment	9,471	452	(19)	9,904
Total Capital Assets being depreciated	21,751	678	(19)	22,410
Less Accumulated Depreciation for:				
Infrastructure	(647)	(18)	-	(665)
Land Improvements	(1,170)	(149)	-	(1,319)
Buildings/Improvements	(5,287)	(205)	-	(5,492)
Equipment	(6,229)	(785)	19	(6,995)
Total accumulated depreciation	(13,333)	(1,157)	19	(14,471)
Total capital assets being depreciated net	8,418	(479)		7,939
Intangible Assets	1	252	(3)	250
Business Type activities capital assets net	$15,084	$7,164	$(5,848)	$16,400

(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):

	Amount
General Government	$ 10,669
Public Safety	7,752
Transportation including depreciation of the highway system maintained by the state.	1,175,277
Health and Human Services	2,428
Education	435
Natural Resources (including depreciation of the state's dams)	16,079
Depreciation on capital assets held by the internal revenue service funds is charged to the various functions based on their usage of the assets	11,180
Total Governmental Activities Accumulated Depreciation	$1,223,820

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

	Amount
Liquor Stores	$ 137
State Lottery	514
Prison Funds	288
Other Enterprise Funds	217
Total Depreciation Expense - Business-Type Activities	$1,156

The Governmental and Business-type depreciation expenses noted above include adjustments related to prior periods and correction of errors.

NOTE 6. RETIREMENT PLANS

A. General

The Public Employees' Retirement Board (PERB), a discretely presented component unit of the State of Montana, administers nine defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), Volunteer Firefighters Compensation Act (VFCA) and the Public Employee Retirement Benefit Defined Contribution Disability Other Post Employment Benefit (PERS-DCRP Disability) plan. The PERB also administers two defined contribution plans: The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation Plan (457). The PERB prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for PERS-DBRP, PERS-DCRP Disability, JRS, HPORS, SRS, GWPORS, MPORS, FURS, VFCA, as well as the two defined contribution plans, PERS-DCRP and Deferred Compensation Plan. Separately issued financial statements can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131.

The financial statements for PERS-DBRP include activity for the defined benefit and the associated education funds. The PERS-DCRP financial statements include activity for the defined contribution and the associated education funds.

Additional disclosures related to the PERS-DCRP Disability plan are contained within Note 7 of this financial report as an other post employment benefit plan type.

The Teachers Retirement System (TRS) is a discretely presented component unit of the State of Montana and a defined benefit plan, administered by the Teachers Retirement Board. The plan prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements can be obtained at 1500 Sixth Avenue, P O Box 200139, Helena, MT 59620-0319.

The funding policies for each plan provide for periodic employer and employee contributions (except VFCA) 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 payrolls.

All pension plans, except for the PERS-DCRP Disability plan, provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability plan only provides disability benefits to a member, and no beneficiaries, until they can attain retirement benefits from PERS-DCRP plan. A summary of the plan eligibility and benefits are found on the Summary of Defined Benefit Plan Provisions on the following pages. Related disclosures for the PERS-DCRP Disability plan can be found within Note 7 of this report. Benefits are established by state law and can only be amended by the Legislature.

B. Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15 states 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.

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, over no more than 30 years. As of June 30, 2014, the Sheriffs Retirement System (SRS), Game Warden & Peace Officers Retirement System (GWPORS), Highway Patrol Officers' Retirement System (HPORS) and the Public Employee Retirement Benefit Defined Contribution Disability Other Post Employment Benefit (PERS-DCRP Disability) plan were not in compliance and do not amortize within 30 years.

C. Public Employee Defined Benefit Retirement Plans.

(1) State as the Single Employer

JRS – Judges' Retirement System **–** The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, Chapters 2 & 5 of the MCA. This system provides benefits for all Montana judges of the district courts, justices of the Supreme Court, and the Chief Water Judge or 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. A brief summary of eligibility and benefits are found on the Summary of Defined Benefit Plan Provisions on the following pages.

HPORS – Highway Patrol Officers' Retirement System – The HPORS is a single-employer, defined benefit plan established July 1, 1945, and governed by Title 19, Chapters 2 & 6 of the MCA. This system 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 beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits are found on the Summary of Defined Benefit Plan Provisions on the following pages.

Eligible members, retired prior to July 1, 1991, or their survivors may be eligible for an annual supplemental lump-sum payment distributed each September. Many factors must be considered for eligibility, including 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. This lump-sum payment is funded by a statutory appropriation requested by PERB from the general fund. This enhancement is limited to non-GABA (Guaranteed Annual Benefit Adjustment) retirees.

Single Employer Pension Plan
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
JRS						
6/30/2014	78,463	50,599	(27,864)	155.1%	6,355	(438.46)%
HPORS						
6/30/2014	117,226	183,400	66,174	63.9%	14,149	467.69%

Multiyear schedule can be found in the Required Supplemental Information (RSI) section.

Single Employer Systems Pension Plan Information:

	JRS (1)	HPORS
Contributions (in thousands):		
Employer	$ 1,651	$ 5,474
Employee	469	1,456
State (General Fund)		262
Actuarial valuation date	6/30/14	6/30/14
Actuarial cost method	Entry Age Normal	Entry Age Normal
Remaining amortization period	0 years	30.3 years
Asset valuation method	4-year smooth market	4-year smooth market
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	4.00%	4.00%
includes inflation factor	3.00%	3.00%
Merit	None	0.00% -7.30%
Benefit adjustments:		
GABA	3% after 1 year	3% after 1 year
Non-GABA	Biennial increase to salary of active member in like position	Varied based on statutorily guaranteed minimum not to exceed 5%

(1) Assets are larger than the past service liability, creating an unfunded credit; the credit is amortized over future costs.

(2) State as an Employer Contributor to Cost-Sharing Multiple-Employer Plan

A summary of government employers participating in PERS-DBRP, SRS, GWPORS, MPORS, FURS, TRS, and VFCA by employer type at June 30, 2014, follows:

Employers	PERS-DBRP	SRS	GWPORS	MPORS	FURS	TRS	VFCA
State agencies	34	1	4		1	9	
Counties	55	56					
Cities/towns	98			32	16		
Rural fire districts					8		
Colleges/universities	5		3			5	
High schools	6						
School districts	232					351	
Other agencies	111						
Participating companies							218
Total	541	57	7	32	25	365	218

A brief summary for all pension plans of eligibility and benefits are found on the Summary of Defined Benefit Plan.

PERS-DBRP – Public Employees Retirement System - Defined Benefit Retirement Plan – The PERS-Defined Benefit Retirement Plan (DBRP) is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members from the universities also have a third option to join the Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contribution will be used to maintain the funding of the PERS-DBRP. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

SRS – Sheriffs Retirement System – The SRS 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 based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

GWPORS – Game Wardens & Peace Officers Retirement System – The GWPORS is a multiple-employer, cost-sharing defined benefit plan established in 1963 and governed by Title 19, Chapters 2 & 8, MCA. This system provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

MPORS – Municipal Police Officers Retirement System – The MPORS is a multiple-employer, cost-sharing defined benefit plan established in 1974 and is governed by Title 19, Chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are based on eligibility, years of service, and compensation. Rights for death and disability are vested immediately for any active member. All other rights are vested after five years of service.

As of July 1, 2002, eligible members of MPORS have the opportunity to participate in the Deferred Retirement Option Plan (DROP) by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, part 12, MCA. An eligible member must have completed at least 20 years of membership service. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only 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 the participation in the DROP, all mandatory contributions continue to be made to the retirement plan. A monthly benefit is calculated based on salary and years of service to the date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

FURS – Firefighters Unified Retirement System – The FURS 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 (MANG) on or after October 1, 2001. Benefits are based on eligibility, years of service, and compensation. Rights for death and disability are vested immediately for any active or retired member. All other member rights are vested after five years of service.

VFCA – Volunteer Firefighters Compensation Act – The VFCA is a statewide retirement and disability plan. This compensation plan was established in 1965 and is governed by Title 19, Chapter 17, MCA. All members are unpaid volunteers and the State of Montana is the only contributor to the plan. The VFCA provides pension, disability, and survivorship benefits for all 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 of Montana. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. 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. A returning retired member may not be considered an active member accruing credit for service.

TRS – Teachers Retirement System – The Teachers' Retirement Board is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan, which 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. TRS as an employer does not participate in the plan and acts only as the administrator of the plan.

D. Public Employee Defined Contribution Retirement Plans

PERS-DCRP – Public Employees Retirement System - Defined Contribution Retirement Plan – The PERS Defined Contribution Retirement Plan (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 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. Members may not be members of both the defined contribution and defined benefit retirement plans. Member and employer contribution rates are established by state law and may be amended only by the Legislature. At June 30, 2013, there were 2,188 active plan members.

The employer rate of 8.17% is allocated as follows: 4.19% to the member's retirement account, 2.64% to the defined benefit plan choice rate, 0.04% to the defined contribution education fund and 0.30% to the long term disability plan.

The PERS-DCRP also administers an other post-employment benefit (OPEB) disability plan. See Note 7 for additional information related to this portion of the plan.

457-Deferred Compensation Plan – The Deferred Compensation (457) Plan is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) §457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. 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.

The record keeper for the plan is Great-West Retirement Services (Great-West). Participants elect to defer a portion of their salary, within Internal Revenue Code 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. At June 30, 2014, there were 8,519 participating plan members.

E. Montana University System Retirement Program

MUS-RP – Montana University System Retirement Program – Effective January 1, 1988 through June 30, 1993, eligible employees of the Montana University System (MUS) could elect to participate in the Montana University System Retirement Program (MUS-RP), previously referred to as the Optional Retirement Program (ORP)). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF); only faculty and staff with contracts under the authority of the Board of Regents may participate. Those faculty and staff members, who did not elect the MUS-RP participate in the Teachers' Retirement System or the Public Employees' Retirement System benefit plans. Beginning July 1, 1993, membership in the MUS-RP was mandatory for eligible employees new to the MUS. The MUS is the only employer contributing to this plan. Each employer in the MUS shall contribute to the TRS a supplemental employer contribution currently at a rate of 4.72% of the total compensation of employees participating in the MUS-RP as defined in Title 19, Chapter 20 of the Montana Code Annotated.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and the employee life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. The MUS records employee/employer contributions, and remits monies to TIAA-CREF. Higher education units record employee/employer contribution expenditures in the affected higher education sub-fund when remitting contributions to the Commissioner of Higher Education. These monies are recorded in the Custodial Accounts Agency Fund and the Commissioner's Office then wire-transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF.

Total contributions made to the plan by the employer were in the amount of $13,281,925 and the total employee contributions were $16,177,743 for the fiscal year ended June 30, 2014.

F. Summary of Significant Accounting Policies

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period in which they are earned and become measurable. Benefits and refund distributions are recognized when due and payable in accordance with the terms of each plan. Expenses are recognized in the period incurred.

G. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in investment pools. Each plan owns an equity position in the pools and receives proportionate investment income from the pool in accordance with respective ownership. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on a discounted cash flow. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various brokerage services.

For details on investments, see Note 3, section D.

H. Long-term Contracts for Contributions

The Montana Legislature enacted a provision of the Employee Protection Act (EPA) (Title 19, Chapter 2, Part 706, MCA), related to the Employee Protection Act, 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 2014, there were 223 employees participating in the program.

The employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by the Public Employee Retirement Board (PERB) on the unpaid balance. Total contributions received (including interest) during fiscal year 2014 totaled $63,671. The outstanding balance at June 30, 2014, totaled $20,714.

I. Changes Since Last Valuation

Effective July 1, 2013, member's contributions to PERS-DBRP and PERS-DCRP increased from 6.9% to 7.9% of their compensation and employers must provide supplemental contributions to PERS-DBRP and PERS-DCRP of 1.27%, and 1%, respectively, of an employee's compensation. The employer supplemental contribution continues to rise by an additional .1% for both plans each succeeding year until it reaches a total amount of 2.27% for both plans in calendar year 2024. The additional employer and employee contributions will cease when the amortization period of the unfunded actuarial liability drops below 25 years and remains below 25 years following reduction.

Effective July 1, 2013, PERS-DBRP, PERS-DCRP, SRS, FURS and TRS, employer contributions are required to be paid on working retiree compensation, but no member contribution is required.

Effective July 1, 2013, for members of PERS-DBRP, the Guaranteed Annual Benefit Adjustment (GABA) calculation was reduced to 1.5% for all retirees. GABA is further reduced by .1% for each 2% that funded ratio is less than 90%. The GABA will be zero if the amortization period exceeds 40 years. See litigation disclosures in section J below as this reduction has been enjoined by the District Court.

Effective July 1, 2013, the HPORS employer contribution rate increased from 36.33% to 38.33% of member pay. The member contribution rate for all members increases 1% per year for four years. For those retiring after July 1, 2013, the benefit multiplier of the member's Highest Average Compensation (HAC) increased from 2.5% to 2.6%. The member GABA was reduced from 3% to 1.5%. The GABA waiting period will increase from 1 year to 3 years. The vesting period requirement for new members increased from 5 years to 10 years of service.

For new members to PERS-DBRP, HPORS, JRS, FURS, SRS, MPORS & GWPORS hired on or after July 1, 2013, there is a 110% annual cap on compensation considered as part of a member's highest or final average compensation, with the excess compensation, if any, divided by the members total months of service credit and added to the compensation for each month of considered part of the member's highest or final average compensation.

Bonuses paid on or after July 1, 2013 to any member are not treated as compensation for retirement purposes.

Effective July 1, 2013, under the SRS survivorship benefit, the actuarial reduction age changed from age 65 to age 60.

In fiscal year 2014, the state provided the PERS-DB plan a nonemployer supplemental contribution from coal severance tax and interest earnings in the amount of approximately $33.676 million.

Effective for employees hired on or after July 1, 2013, the following changes were made to TRS:

Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average.

Service Retirement: eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.

Early Retirement: eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.

Professional Retirement Option: if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.

Annual Contribution: 8.15% of member's earned compensation.

On or after July 1, 2013, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met: The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and the period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and a State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board. A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the TRS Board.

As of July 1, 2013, TRS required a 1% supplemental employer contribution. This increased the current employer rates as follows: School Districts contributions will increase from 7.47% to 8.47%, the Montana University System and State Agencies will increase from 9.85% to 10.85%, and the supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.

TRS members hired prior to July 1, 2013 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.

The state provides an annual supplemental contribution of $25 million to the TRS in equal monthly installments.

J. Litigation

Wrzesien v. State. Three members of PERS who elected to participate in either the PERS Defined Contribution Retirement Plan or the University System's Montana University System Retirement Program (MUS-RP) (formally known as the Optional Retirement Program) have sued the State of Montana and MPERA over the PERS plan choice rate. The complaint alleges equal protection and due process violations, and requests issuance of a declaratory judgment granting plaintiffs the employer contributions paid toward the plan choice rate. Class action certification is also requested. The plaintiffs are represented by Travis Dye of Kalkstein, Johnson & Dye in Missoula, Montana. The State and MPERA are represented by J. Stuart Segrest and Michael G. Black of the Montana Attorney General's Office. The complaint was subsequently amended to include the 1 % in employer contributions for DCRP plan members that, pursuant to HB 454 (2013), go to the PERS defined benefit retirement plan starting July 1, 2013. In the event plaintiffs prevail, and class action certification is granted, over 3000 PERS DCRP and MUS-RP participants will be paid the contributions previously directed to the plan choice rate. At June 30, 2014, MPERA calculated the contributions from the MUS-RP Plan Choice at $5,083,250 and the contributions from the DCRP Plan Choice at $21,005,539.

Association of Montana Retired Public Employees (AMRPE) v. State. Four Public Employees' Retirement System (PERS) retired members and their retiree association (AMRPE) have sued the State of Montana, MPERA, the PERB and Governor Bullock over the reduction of the PERS guaranteed annual benefit adjustment (GABA) decrease enacted by the 2013 Montana Legislature through HB 454. Plaintiffs are represented by Leo Berry, Chad E. Adams and Jessie L. Luther from Browning, Kaleczyc, Berry & Hoven P.C., in Helena, MT. The State, MPERA, PERB and Governor Bullock are represented by J. Stuart Segrest and Michael G. Black of the Montana Attorney General's Office. In November 2014, MPERA's actuary determined that if plaintiffs prevail and the GABA remains at 3%, PERS's funding ratio would be 74.4% as opposed to 83.9% should plaintiffs be unsuccessful. Similarly, if Plaintiffs prevail, PERS would amortize over 29.3 years as opposed to 10.5 years under HB 454 (2013). Plaintiffs moved for and, following briefing and oral argument, received a Preliminary Injunction blocking implementation of the GABA decrease pending resolution of the underlying lawsuit. Discovery is nearing completion. Plaintiffs filed a motion for summary judgment and brief in support in September 2014; defendants' response was due by October 20, 2014.

A hearing in relation to summary judgments was held January 13, 2015, and a permanent injunction was issued by District Judge James Reynolds blocking the lowering of the GABA on March 3, 2015.

Byrne et. al, v. State. On October 11, 2013, the State of Montana, the Teachers' Retirement Board and the Teachers' Retirement System (TRS) were named as defendants in a lawsuit filed by six retired members of TRS and MEA-MFT. Plaintiffs are represented by Karl J Englund, of Karl J, Englund P.C, in Missoula, MT; Jonathan McDonald, of Dix, Hunt and McDonald, in Helena, MT; and Jay E. Sushelsky, of the AARP Foundation Litigation, in Washington, DC. The State, TRS, and TRS Board are represented by Michael G. Black and Matthew T. Cochenour of the Montana Attorney General's Office. The lawsuit seeks to prevent a 1.0% reduction to the guaranteed annual benefit adjustment (GABA) that was included in HB 377 during the 2013 Legislature. A temporary court ordered injunction was issued on December 27, 2013, which prevented the reduction of the GABA until a final determination on the case has been determined by the court. To date, no other legal proceedings related to the case have been published.

Schedule of Contribution Rates

Fiscal Year 2014

PERS-DBRP

Member	7.900%	[19-3-315(1)(a)(i) & (ii), MCA]
Employer	8.170%	State & University
	8.070%	Local Governments
	7.800%	School Districts (K-12) [19-3-316, MCA]
State	0.100%	Local Government payroll - paid from the General Fund [19-3-319, MCA]
	0.370%	School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]

MPORS

Member	7.000%	Hired after 6/30/1975 & prior to 7/1/1979 & not electing GABA [19-9-710(b), MCA]
	8.500%	Hired after 6/30/1979 & prior to 7/1/1997 & not electing GABA [19-9-710 (c) MCA]
	9.000%	Hired after 6/30/1997 & members electing GABA [19-9-710(d), MCA] & 19-9-710(2),MCA]
Employer	14.410%	[19-9-703, MCA]
State	29.370%	Of salaries paid from the General Fund [19-9-702, MCA]

FURS

Member	9.500%	Hired prior to 7/1/1997 & not electing GABA [19-13-601(2)(a), MCA]
	10.700%	Hired after 6/30/1997 & members electing GABA [19-13-601(2)(b), MCA]
Employer	14.360%	[19-13-605, MCA]
State	32.610%	Of salaries paid from the General Fund [19-13-604, MCA]

SRS

Member	9.245%	[19-7-403, MCA]
Employer	10.115%	[19-7-404, MCA]
State	n/a	

HPORS

Member	10.000%	Hired prior to 7/1/1997 & not electing GABA
	10.050%	Hired after 6/30/1997 & members electing GABA [19-6-402, MCA]
Employer	28.150%	[19-6-404(1), MCA]
State	10.180%	Of salaries paid from the General Fund [19-6-404(2), MCA]

JRS

Member	7.000%	[19-5-402, MCA]
Employer	25.810%	[19-5-404, MCA]
State	n/a	

GWPORS

Member	10.560 %	[19-8-502, MCA]
Employer	9.000%	[19-8-504, MCA]
State	n/a	

Schedule of Contribution Rates (cont.)
Fiscal Year 2014

VFCA

Member	n/a	
Employer	n/a	
State	5.000%	Of fire insurance premiums - paid from the General Fund [19-17-301, MCA]

PERS-DCRP

Member	7.900%	[19-3-315(1)(a)(i) & (ii), MCA]
Employer	8.170%	State & University
	8.070%	Local Governments
	7.800%	School Districts (K-12) [19-3-316, MCA]
State	0.100%	Local Government payroll - paid from the General Fund
	0.370%	School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]

TRS

Member	8.150%	For members hired prior to 7/1/2013 [19-20-602 & 19-20-608, MCA]
	8.150%	For members hired after 7/1/2013 [19-20-602, MCA]
Employer	10.850%	State & University [19-20-605, MCA]
	8.470%	Contribution of total earned compensation of school district, an education coop., a county, or a community college. [19-20-605, MCA]
State	0.110%	State & University [19-20-604, MCA]
	2.490%	Contribution of the total earned compensation of school district and community college active members [19-20-607, MCA]

Pension Plan Information
Schedules of Employer Contributions and Other Contributing Entities
(in thousands)

System	Fiscal Year Ended June 30	Actuarially Determined Contributions (ADC) (1)	Percentage Contributed	State's Portion of ADC (1)	Percentage Contributed
SINGLE EMPLOYER SYSTEMS:					
JRS (2) (3)	2014				
HPORS (3)	2014	6,121	93.71%	262	100.00%
MULTIPLE EMPLOYER SYSTEMS:					
PERS-DBRP	2012	148,104	53.68%	536	100.00%
	2013	86,664	93.85%	532	100.00%
	2014	138,768	93.96%	34,562	100.00%
SRS	2012	9,512	63.37%		
	2013	9,294	67.49%		
	2014	9,779	68..40%		
GWPORS	2012	4,843	71.65%		
	2013	4,717	75.82%		
	2014	4,976	75.60%		
MPORS	2012	5,047	119.97%	12,274	100.00%
	2013	4,695	133.77%	12,573	100.00%
	2014	17,922	108.85%	13,049	100.00%
FURS	2012	1,512	349.25%	11,797	100.00%
	2013	657	837.35%	12,358	100.00%
	2014	13,699	137.05%	13,007	100.00%
VFCA –	2012			1,635	100.00%
(Nonemployer	2013			1,711	100.00%
Contributor)	2014			1,818	100.00%
TRS	2012	108,993	81.90%		
	2013	130,534	70.20%		
	2014	148,363	100.00%		

(1) The Actuarially Determined Contribution (ADC) amounts are referred to as the Actuarially Required Contribution (ARC) prior to the implementation of GASB Statement 67 for pension plans. The title was modified herein to allow a reader of the statements the ability to tie the amounts back to the pension plan statements.

(2) The actuarial value of assets is greater than the actuarial accrued liabilities for FY2008-FY2010 and FY2013-FY 2014. The funding excess is large enough so that the sum of normal cost and the amortization of the funding excess are negative. Common actuarial practice is to set the ADC at zero. No employer contribution would be required for these years.

(3) Additional years in RSI, for Single Employer Systems.

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014

Plan	Member's Highest Average Compensation (HAC)	Years of Service Required and/or Age Eligible for Benefit	Vesting
PERS-DBRP	Hired prior to 7/1/ 2011 – HAC during any consecutive 36 months or shorter period of total service of compensation paid to the member Hired after 6/30/2011 – HAC during any consecutive 60 months or shorter period of total service of compensation paid to the member Hired after 6/30/2013 – HAC during any consecutive 60 months or shorter period of total service of compensation paid to the member – 110% annual cap on compensation considered as part of a member's highest average compensation	Service Retirement Hired prior to 7/1/2011 – Age 60, 5 years of membership service – Age 65, regardless of membership service – Any age, 30 years of membership service Hired after 6/30/2011 – Age 65, 5 years of membership service – Age 70, regardless of membership service Early retirement, actuarially reduced Hired prior to 7/1/2011 – Age 50, 5 years of membership service; or – Any age, 25 years of membership service. Hired after 6/30/2011 – Age 55, 5 years of membership service.	– 5 years membership service
MPORS	Hired prior to 7/1/1977 – Average monthly compensation of final year of service Hired after 6/30/1977 – Final Average Compensation (FAC) for last consecutive 36 months Hired after 6/30/2013 – 110% annual cap on compensation considered as a part of a member's final average compensation	Service retirement – 20 years of membership service, regardless of age Early retirement – Age 50, 5 years of membership service	– 5 years membership service

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014 *(continued)*

Plan	Member's Highest Average Compensation (HAC)	Years of Service Required and/or Age Eligible for Benefit	Vesting
FURS	Hired prior to 7/1/1981 and not electing GABA – Highest monthly average compensation (HMC) Hired after 6/30/1981 & electing GABA – HAC during any consecutive 36 months Hired after 6/30/2013 – HAC during any consecutive 36 months – 110% annual cap on compensation considered as a part of a member's highest average compensation	Service retirement – 20 years of membership service, regardless of age Early retirement – Age 50, 5 years of membership service	– 5 years membership service
SRS	Hired prior to 7/1/2011 – HAC during any consecutive 36 months Hired after 6/30/2011 – HAC during any consecutive 60 months Hired after 6/30/2013 – HAC during any consecutive 60 months – 110% annual cap on compensation considered as a part of a member's highest average compensation	Service retirement – 20 years of membership service regardless of age Early retirement – Age 50, 5 years of membership service, actuarially reduced	– 5 years membership service
HPORS	– HAC during any consecutive 36 months Hired after 6/30/2013 – HAC during any consecutive 36 months – 110% annual cap on compensation considered as a part of a member's highest average compensation	Service retirement – 20 years of membership service, regardless of age Early retirement Hired prior to 7/1/2013 – 5 years of membership service, actuarially reduced from age 60 Hired after 6/30/2013 – 10 years of membership service, actuarially reduced from age 60	Hired prior to 7/1/2013 – 5 years of membership service Hired after 6/30/2013 – 10 years of membership service

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014 *(continued)*

Plan	Member's Highest Average Compensation (HAC)	Years of Service Required and/or Age Eligible for Benefit	Vesting
JRS	Hired prior to 7/1/1997 and non-GABA – Monthly compensation at time of retirement Hired after 6/30/1997 or electing GABA – HAC during any consecutive 36 months (relates directly to monthly benefit formula) Hired after 6/30/2013 – HAC during any consecutive 36 months (relates directly to monthly benefit formula) – 110% annual cap on compensation considered as a part of a member's highest average compensation	Service retirement – Age 60, 5 years of membership service Involuntary retirement – Any age with 5 years of membership service – involuntary termination, actuarially reduced	– 5 years membership service
GWPORS	Hired prior to 7/1/2011 – HAC during any consecutive 36 months Hired after 6/30/2011 – HAC during any consecutive 60 months Hired after 6/30/2013 – HAC during any consecutive 60 months – 110% annual cap on compensation considered as a part of a member's highest average compensation	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	– 5 years membership service

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014 *(continued)*

Plan	Member's Highest Average Compensation (HAC)	Years of Service Required and/or Age Eligible for Benefit	Vesting
VFCA		Normal retirement – Age 55, 20 years of credited service (full benefit) – Age 60, 10 years of credited service (partial benefit) Additional Benefits – As of April 25, 2005, all retirees receive a benefit equal to $7.50 per month for each year of credited service, up to 30 years of service (maximum benefit $225) – Members who retire on or after 7/1/2011 and have greater than 30 years of credited service will receive $7.50 per month for each additional year of credited service after 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 remain capped at $225 a month (30 years of credited service) if the amortization period grows to greater than 20 years	– 10 years of credited service
TRS	Hired prior to 7/1/2013 (Tier 1) – Final Average Compensation during any consecutive 3 years Hired after 6/30/2013 (Tier 2) – Final Average Compensation during any consecutive 5 years	Service retirement (Tier 1) – Age 60, 5 years of service, or any age with at least 25 years of service – Vested employees may retire at or after age 50 and receive reduced benefits Service retirement (Tier 2) – Age 60, 5 years of service, or any age with at least 25 years of service – Age 55, 30 or more years of full-time or part-time creditable service Early Retirement (Tier 2) – Age 55, 5 years of credible service, and ineligible for service retirement Professional Retirement Option Additional Benefit (Tier 2) – Age 60, 30 years of service	– 5 years membership service

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014 *(continued)*

Plan	Monthly Benefit Formula	Guaranteed Annual Benefit Adjustment (GABA)	Minimum Benefit Adjustment (Non-GABA)
PERS-DBRP	Hired prior to 7/1/2011 – 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. . Hired after 6/30/2011 – 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.	All active, inactive, and retired members – Maximum rate for GABA is 1.5%; minimum rate for GABA is 0% – The 1.5% GABA is reduced 0.1% for each 2% PERS is funded below 90% – GABA is 0% whenever PERS amortization period is 40 years or more.	
MPORS	– 2.5% of FAC multiplied by years of service credit	Hired after 7/1/1997 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	Hired before 7/1/1997 and not electing GABA – The monthly retirement, disability or survivor's benefit may not be less than 1/2 the compensation of a newly confirmed police officer in the current fiscal year in the city or town from which the member was last employed
FURS	Hired prior to 7/1/1981 and not electing GABA – The greater of 2.5% of HMC times year of service credit; OR (1) if less than 20 years of service, 2% of HMC multiplied by years of service credit; (2) if greater than or equal to 20 years of service, credit, 50% of HMC plus 2% of HMC multiplied by years of service credit in excess of 20 years Hired after 6/30/1981 and those electing GABA – 2.5% of HAC per year of service.	Hired after 6/30/1997 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 before 7/1/1997 and member did not elect GABA – Monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least ten years of membership service)

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2014 *(continued)*

Plan	Monthly Benefit Formula	Guaranteed Annual Benefit Adjustment (GABA)	Minimum Benefit Adjustment (Non-GABA)
SRS	– 2.5% of HAC multiplied by years of service credit	Retired at least 12 months, GABA equal to: – 3.0% for members hired before 7/1/2007 – 1.5% for members hired on or after 7/1/2007	
GWPORS	– 2.5% of HAC multiplied by years of service credit	Retired at least 12 months, GABA will be made each year equal to: – 3.0% for members hired before 7/1/2007 – 1.5% for members hired on or after 7/1/2007	
HPORS	Retired prior to 7/1/2013 – 2.5% of HAC per year of service credit. Retired after 6/30/2013 – 2.6% of HAC per year of service credit	Hired after 6/30/1997 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 after 6/30/2013 – After the member has completed 36 full months of retirement, the member's benefit increases by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit	Hired prior to 7/1/1997 and member did not elect GABA – Monthly benefits are increased each July when they fall below a statutorily guaranteed minimum. 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
JRS	Non-GABA – 3-1/3% of current salary per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years GABA – HAC per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years		
VFCA	$7.50 per year of credited service, capped at a maximum $225 a month		
TRS	Hired before 7/1/2013 (Tier 1) – 1.6667 x Average Final Contribution (AFC) x years of creditable service Hired after 7/1/2013 (Tier 2) – 1.85% x AFC x years of creditable service	Both Tier 1 and Tier 2, with at least 36 months of benefit payments received prior to January 1 of that year – Varies between 0.5% and 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. – A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.	

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General

The State of Montana and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section 704 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. Retirement eligibility criteria differ by retirement plan (See Note 6). Medical, dental, and vision benefits are available through this plan.

In accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704, the Montana University System (MUS) provides post-retirement health insurance benefits to employees who are eligible, to receive retirement benefits from the Teachers Retirement System, the Public Employees' Retirement System, or an annuity under the Optional Retirement Plan, and have been employed by the MUS for at least five years, are age 50, or have worked 25 years with the MUS. Spouses, unmarried dependent children, and surviving spouses are also eligible.

Montana Code Annotated, Title 19, Chapter 3, Section 2141, 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.

B. Plan Descriptions

Both healthcare OPEB plans for the State of Montana and MUS are agent multiple employer plans. The participating employers under the State Plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System (PERS), Montana State Fund (New Fund), and Teachers' Retirement System (TRS). The participating employers under the MUS plan are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), Miles Community College (Miles CC), Office of Commissioner on 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), University of Montana – Montana Tech (UM-MT Tech), Helena College UM, University of Montana – Missoula (UM-Missoula), and University of Montana – Western (UM-Western). Each participating employer is required by GASB Statement No. 43 to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

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 the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units. Accordingly, reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

The healthcare OPEB plans are reported as agency funds. There are no assets or liabilities as only contributions collected and distributions made are reflected in these funds. See the funding policy that follows.

The defined contribution disability plan (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 of Montana Code Annotated. 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 type. The assets are held in a trust capacity for the beneficiaries, but are reported as a portion of the defined contribution column for presentation herein. 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 Administration
P.O. Box 200131
100 North Park, Suite 200
Helena, MT 59620-0131
406-444-3154

See also the funding policy that follows.

C. Bases of Accounting

OPEB is recorded on an accrual basis for all enterprise and internal service funds as well as component units. OPEB is recorded on a modified accrual basis for the governmental funds. 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.

The healthcare OPEB plan document states "an employee enrolled in the State Plan who (a) is eligible to draw a state retirement benefit at the time he or she leaves active state employment; and (b) makes arrangements with the EBB (Employee Benefits Bureau) within 60 days of the date active employee coverage ends to continue post-retirement coverage, may continue with the state group on a self-pay basis, retroactive back to the date active employee coverage was lost." Therefore, the 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, 2014.

The number of state participants as of December 31, 2013 follows:

State Plan Participants

Enrollment	State	Facility Finance Authority	Housing Authority	PERS	Montana State Fund	TRS	Total
Active employees	12,089	2	19	40	257	17	12,424
Retired employees, spouses, and surviving spouses (1)	4,737	-	-	2	16	-	4,755
Total	16,826	2	19	42	273	17	17,179

(1) Due to the inability to determine, without considerable effort, the last place an employee worked before retiring, the bulk of retires are listed as State regardless of their last place of employment. Since we are unable to account for all retired employees last place of employment cumulatively, an allocation method was used based on the accrued liability and ARC for active employees by component unit for the determination of the inactive liability by component unit.

The number of MUS participants as of June 30, 2014 follows:

MUS Plan Participants

Enrollment	MSU-Billings	MSU-Bozeman	GFC-MSU	MSU-Northern	OCHE	HC-MSU	UM-Msla	UM-MT Tech	UM-Western	Other	Total
Active employees	522	2,841	142	189	81	110	2,396	422	198	352	7,253
Retired employees, spouses, and surviving spouses	232	1,210	25	101	40	35	846	187	102	95	2,873
Total	754	4,051	167	290	121	145	3,242	609	300	447	10,126

PERS-DCRP participants who are 100% vested in the plan, and become disabled, are entitled benefits as defined in Title 19, Chapter 3, Section 2141, MCA. There have been no significant changes in the number covered or the type of coverage as of June 30, 2014.

The number of PERS-DCRP Disability participants as of June 30, 2014, follows:

PERS-DCRP Disability Plan Participants

Enrollment	Active	Disabled	Retirees and Beneficiaries	Terminated Vested Members	Terminated Non-Vested Members	Total
Participant counts used for valuation	2,087	4	-	-	-	2,091

D. Funding Policies

The State of Montana and MUS pay for postemployment healthcare benefits on a pay-as-you-go basis. Montana Code Annotated, Title 2, Chapter 18, Part 8 gives authority for establishing and amending the funding policy to the Department of Administration. Montana Code Annotated, Title 20, Chapter 25, Part 13 gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan.

As of June 2014, the State plan's administratively established retiree medical contributions vary between $299 and $1,109 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental contributions vary between $17.50 and $60 and vision hardware contributions vary between $5.76 and $16.76 depending on the coverage selected.

As of June 2014, the MUS plan's administratively established retiree medical premiums vary between $196 and $1,336 per month and are revised annually. The plan provides different coinsurance amounts depending on whether members use in-network or out-of-network providers. After an annual $500 deductible for most non-Medicare-eligible retirees, the MUS plan reimburses 75% for the first $10,000 in medical claims and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. As of June 30, 2014, 1,768 retirees (policyholders) were enrolled in the MUS plan.

The PERS-DCRP Disability plan is funded through a portion of the statutorily required employer contributions in Montana Code Annotated, Title 19, Chapter 3, Section 2117. An amount equal to 0.3% of a PERS-DCRP members' compensation is contributed to this trust fund by each participating employer.

E. Annual Other Postemployment Benefit Cost and Contributions

The annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The current State's ARC of $35.1 million is 5.69% of annual covered payroll. The State's annual covered payroll is $616.2 million. The current MUS's ARC of $9.8 million is 2.46% of annual covered payroll. The MUS's annual covered payroll is $400 million.

There are no long-term contracts for contributions to either plan. Contributions refer to payments made in relation to the ARC. Since the State and MUS do not fund their plans, contributions disclosed as being made herein are an implicit rate subsidy provided through the difference of retiree payments provided to the healthcare plan and claims paid by the plan on a retiree's behalf.

The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB plan for fiscal year 2014 (in thousands):

Annual OPEB Cost & Changes in Net OPEB Obligation

	State	MUS
Annual required contribution/OPEB cost	$ 35,087	$ 9,838
Interest on net OPEB obligation	8,047	3,864
Amortization Factor	(6,311)	(3,031)
Annual OPEB cost	36,823	10,671
Retiree Claims Paid	(7,041)	(1,696)
Increase in net OPEB obligation	29,782	8,975
Net OPEB obligation – beginning of year	189,327	90,916
Net OPEB obligation – end of year	$219,109	$99,891

Note that the amounts in the State and MUS Annual OPEB Cost table above include component unit portions and therefore, they will not match the Statement of Net Position.

The State and University System's annual healthcare OPEB cost, the percentage of annual implicit contributions toward the OPEB cost through retiree claims paid on their behalf, and the net OPEB obligation for fiscal years 2014 through 2011 was as follows (in thousands):

Contribution Ratio

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State	6/30/2014	$36,823	19.1%	$219,109
	6/30/2013	34,544	10.0%	189,327
	6/30/2012	34,150	12.1%	158,244
	6/30/2011	36,302	8.8%	128,237
MUS	6/30/2014	$10,671	15.9%	$99,891
	6/30/2013	13,288	6.9%	90,916
	6/30/2012	12,662	1.6%	78,550
	6/30/2011	20,540	6.4%	66,096

The disability OPEB plan administered for defined contribution pension plan participants has an annual covered payroll, statutorily required contribution amount, and percentage of required contributions paid into the plan for fiscal years 2014 through 2011 as follows for the State and University system plan participants (in thousands):

PERS-DCRP Disability Contribution Ratio

	Fiscal Year Ended	Covered Payroll	Statutorily Required Contribution Amount	Percentage of Statutorily Required Contribution Funded
State	6/30/2014	$50,083	$150	100%
	6/30/2013	46,540	140	100%
	6/30/2012	43,577	131	100%
	6/30/2011	42,827	128	100%
MUS	6/30/2014	$4,115	$12	100%
	6/30/2013	3,901	12	100%
	6/30/2012	3,434	10	100%
	6/30/2011	3,237	10	100%

F. Actuarial Methods and Assumptions

As of December 31, 2013, the State's actuarially accrued liability (AAL) for benefits was $366.739 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $366.739 million, and the ratio of the UAAL to the covered payroll was 59.52%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the December 31, 2013, actuarial valuation, the projected unit cost funding method was used for the State. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is initially 10.00% for both medical and prescription drugs. Both medical costs and prescription drugs are reduced by decrements to a rate of 5.00%, medical costs after eleven years and prescription drugs after six years.

As of June 30, 2014, the MUS actuarially accrued liability (AAL) for benefits was $100.247 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $100.247 million, and the ratio of the UAAL to the covered payroll was 25.06%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the June 30, 2014, actuarial valuation, the projected unit cost funding method was used for MUS. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is 10.00% for both medical and prescription drugs, initially. Both medical costs and prescription drugs are reduced by decrements to a rate of 5.00%, medical costs after ten years and prescription drugs after five years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting progress 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 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.

Additional information as of the latest actuarial valuation for the State follows:

Other Postemployment Benefits
State Agent Multiple Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands)		
Before Medicare eligibility	$8,857	$2,950
After Medicare eligibility	3,709	2,931
Actuarial valuation date	1/1/2013 (ARC calculated through December 31, 2013)	
Actuarial cost method	Projected unit cost funding	
Amortization method	Level percent of payroll, open	
Remaining amortization period	30 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 43 or 45	
Actuarial assumptions:		
Discount rate	4.25%	
Projected payroll increases	2.50%	
Participation		
Future retirees	55%	
Future eligible spouses	60%	
Marital status at retirement	70%	

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

Other Postemployment Benefits
MUS Agent Multiple Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands)		
Before Medicare eligibility	$7,284	$3,036
After Medicare eligibility	3,357	2,311
Actuarial valuation date	7/1/2013 (ARC Calculated through June 30, 2014)	
Actuarial cost method	Projected unit cost funding	
Amortization method	Level percent of payroll, open	
Remaining amortization period	30 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 43 or 45	
Actuarial assumptions:		
Discount rate	4.25%	
Projected payroll increases	2.50%	
Participation		
Future retirees	55%	
Future eligible spouses	60%	
Marital status at retirement	70%	

G. Termination Benefits

During the year ended June 30, 2014, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for six employees provided for up to seven months, one-time lump-sum incentive payments for two employees, and continuation of retirement plan contributions for one employee. In determining termination benefit liability related to the continued coverage of group health insurance benefits, it was assumed that these benefits would be paid for the entire period of the arrangement. The cost of termination benefits for the fiscal year was $86,415 for the State. No component unit of the State paid any termination benefits for the fiscal year.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise fund. 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. 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. 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 1,479 policies during the 2014 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5% destruction by hail.

The fund recorded a liability of $226,324 based on estimated claims through June 30, 2014. 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. A reinsurance contract was purchased for the 2014 growing season. Loss percentage for the 2014 growing season was not large enough to activate reimbursement from the reinsured contract.

(2) Montana University System (MUS) Group Insurance Plan – This plan is authorized by the Regents and in Title 20, Chapter 25, Part 13 of the Montana Code Annotated. The Plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term care, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, EyeMed Vision Care administers the vision plan, and MedImpact is the administrator for the prescription drug program. Allegiance Benefit Plan Management is the claims administrator for the self-insured indemnity plan and a managed care plan. Pacific Source and Blue Cross and Blue Shield of Montana administer claims for two other managed care plans. Allegiance, Pacific Source, and Blue Cross and Blue Shield of Montana have contracts for utilization management: the utilization management program consists of hospital pre-authorization and medical necessity review as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Enterprise Fund. The claims liability is calculated by Actuaries Northwest and estimated to be $6.4 million as of June 30, 2014, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers Compensation Program – This plan was formed to provide self-insured workers compensation coverage for employees of the Montana University System. The Montana University System Board of Regents provides workers compensation coverage under Compensation Plan Number One (Title 39, Chapter 71, Part 2101, MCA). The program is self-insured for workers compensation claims with losses in excess of $750,000 per occurrence ($500,000 for claims occurring prior to July 1, 2013) and $1,000,000 per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1,000,000 above the self-insured amount of $750,000 ($500,000 for claims occurring prior to July 1, 2013). During fiscal year 2014, the program ceded $264,440 in premiums to reinsurers.

Premium rates for all participating campuses are established by the MUS Workers Compensation Program Committee based on actuarial calculations of premium need and 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 $7.6 million for estimated claims at June 30, 2014. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, and claims reserve development including the effects of inflation and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment, by offering a financial incentive to employers to hire SIF-certified individuals. The program is funded through an annual assessment on Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The assessment and surcharge rates; set by the Employment Relations Division of the Department of Labor and Industry, annually, are based on the total amount of paid losses reimbursed by SIF in the preceding calendar year, plus the expenses of administration, less other income earned. Employers covered by Plans 1, 2 & 3 share in the reimbursement of SIF based on the percentage of the compensation and medical benefits paid in Montana by their insurers in the preceding calendar year.

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. When the 104 weeks is reached, SIF may assume liability for the claim. The benefit to an insured employer is that since the insurer’s liability is limited to 104 weeks on the claim, it can favorably impact the employer’s modification factor, which in turn can 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, 2014, the amount of this liability was estimated to be $3.5 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	Hail Insurance		MUS Group Insurance Plan		MUS Workers Compensation	
	2014	2013	2014	2013	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	$ 340	$ 750	$ 6,700	$ 6,900	$ 8,048	$10,837
Incurred claims and claim adjustment expenses: provision for insured events of the current year	13,511	2,221	72,340	70,058	3,329	3,399
Increase (decrease) in provision for Insured events of prior years	709	1,747	-	-	(1,398)	(4,046)
Total incurred claims and claim adjustment expenses	14,220	3,968	72,340	70,058	1,931	(647)
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(13,285)	(1,881)	(72,640)	(70,258)	(1,011)	(891)
Claims and claim adjustment expenses attributable to insured events of prior years	(1,049)	(2,497)	-	-	(1,349)	(1,251)
Total payments	(14,334)	(4,378)	(72,640)	(70,258)	(2,360)	(2,142)
Total unpaid claims and claim adjustment expenses at end of year	$ 226	$ 340	$ 6,400	$ 6,700	$ 7,619	$ 8,048

B. Entities Other Than Pools

(1) 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 Cigna and Delta Dental as administrators for medical and dental coverage. MedImpact is the administrator for the prescription drug program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments, and are recorded as revenue in the Employee Group Benefits Internal Service Fund. At June 30, 2014, 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 $22.1 million based on a formula provided by Actuaries Northwest, a consulting actuarial firm, of which $21.9 million is estimated to be paid in fiscal year 2015.

(2) 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 $2,000,000 deductible per occurrence for most property insurance, as well as various deductible amounts for other state property. The State also self-insures against losses of property below $2,000,000 of value, with state agencies paying the first $1,000. Commercial property insurance protects approximately $5.0 billion of state-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of $1,000,000 for earthquake and $1,000,000 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 Towers Watson Company, and issued for the accident period July 1, 2004 through June 30, 2014, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. The June 30, 2014, estimated claims liability was $17.5 million.

(3) 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).

	Employees Group Benefits Plans		Administration Insurance Plans	
	2014	2013	2014	2013
Amount of claims liabilities at the beginning of each fiscal year	$ 14,640	$ 11,900	$ 16,909	$ 19,297
Incurred claims:				
Provision for insured events of the current year	163,170	136,814	7,100	5,733
Increases (decreases) in provision for insured events of prior years	6,763	1,463	1,497	(2,685)
Total incurred claims	169,933	138,277	8,597	3,048
Payments:				
Claims attributable to insured events of the current year	(142,392)	(122,034)	(3,037)	(1,135)
Claims attributable to insured Events of prior years	(20,078)	(13,503)	(4,919)	(4,301)
Total payments	(162,470)	(135,537)	(7,956)	(5,436)
Total claims liability at end of each fiscal year	$ 22,103	$ 14,640	$ 17,550	$ 16,909

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2014, the Department of Transportation had contractual commitments of approximately $277.9 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matched with state special revenue funds.

B. Capital Construction

At June 30, 2014, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $15.5 million for capital projects construction. The primary government will fund $8 million of these projects, with the remaining $7.5 million coming from the state university system.

C. Coal Tax Loan and Mortgage Commitments

The Board of Investments (BOI) makes firm commitments to fund commercial loans 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, 2014, the BOI had committed, but not yet purchased, $8.3 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $30.0 million for loans as of June 30, 2014. As of June 30, 2014, $0.9 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. The Montana Retirement Funds Bond Pool holds the residential mortgages in its portfolio. As of June 30, 2014, 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 Board of Investments makes firm commitments to fund loans from the INTERCAP loan program. The Board' of Investment's outstanding commitments to eligible Montana governments, as of June 30, 2014 total $39.7 million.

D. Department of Corrections Bond Commitments

At June 30, 2014, the outstanding tax-exempt bonds issued by the Montana Facility Finance Authority were issued in the amount of $23.4 million of which $3.2 million is scheduled to be paid by June 30, 2014. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest payments in regard to these outstanding bonds.

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 assets in the accompanying financial statements as follows (*in thousands*):

Proprietary Fund Commitments

Enterprise funds	Amount
Liquor Warehouse	$ 203
State Lottery	51
Other	90
Subtotal-Enterprise funds	$ 344

Internal service funds	
Administration Central Services	$ 57
Buildings & Grounds	108
Commerc Central Ser	48
Information Technology Services	293
Payroll Processing	436
Prison Industries	875
Other	49
Subtotal-Internal service funds	$ 1,866

F. Encumbrances

As of June 30, 2014, the State of Montana encumbered expenditures as presented in the table below (*in thousands*):

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Nonmajor Governmental Funds	Total
Encumbrances	$10,366	$33,234	$34,591	$815	$79,006

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2014, were as follows (in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2015	$293	$ 88
2016	190	60
2017	175	-
2018	151	-
2019	10	-
2020-2024	-	-
Total minimum payments	819	148
Less: interest	(55)	(7)
Present value of minimum payments	$764	$141

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

Asset Class	
Buildings	$ 2,389
Equipment	3,914
Less: Accum Depreciation	(4,135)
Net Book Value	$ 2,168

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2014 totaled $24.8 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2015	$ 22,214	$ 865
2016	16,545	814
2017	14,024	805
2018	12,176	677
2019	22,242	495
2020-2024	13,728	358
2025-2029	3,485	-
Thereafter	113	-
Total future rental payments	$104,527	$4,014

NOTE 11. STATE DEBT

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. No notes may be issued to refund outstanding notes.

During fiscal year 2014 the State issued two bond anticipation notes. The proceeds were used to fund water and wastewater system improvements and rehabilitation. The State issued two bond anticipation notes during fiscal year 2012, that were still active at the end of fiscal year 2014. The following schedule summarizes the activity for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
BANS				
Water / Wastewater – 2011A (1)	$ 400	$ -	$ 400	$ -
Water / Wastewater – 2012A	969	1,031	1,500	500
Water / Wastewater – 2012B	181	200	-	381
Drinking Water – 2012C	950	-	950	-
Wastewater – 2012D	1,600	1,400	3,000	-
Drinking Water – 2013B	-	1,750	989	761
Water / Wastewater – 2014A	-	527	-	527

(1) Previously used for irrigation now used for water and wastewater system improvement and rehabilitation.

The Board of Investments (BOI) of the State of Montana is authorized to issue Intermediate Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than $190 million as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for the BOI to make loans to eligible government units. The bonds are limited obligations of the BOI, payable solely from (1) repayments of principal and interest on loans made by the BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and are included in short-term debt. The amounts issued and outstanding at June 30, 2014, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2014
1997	$10,000	$ 9,040
1998	12,500	11,695
2000	15,000	14,335
2003	15,000	14,430
2004	18,500	18,200
2007	15,000	14,775
2010	12,000	11,975
2013	12,000	12,000
		$106,450

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$ 106,615	$ -	$ 165	$106,450

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, 2014, were as follows (in thousands):

				Principal Payments		
Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Fiscal Year 2015	In Year of Maturity (2)	Balance June 30, 2014
General obligation bonds						
Hard Rock Mining Reclamation	2002C	$ 2,500	3.5-4.7	$ 125	200 (2023)	$ 1,450
Long-Range Bldg Program Refunding	2003G	26,610	2.0-5.0	2,120	2,310 (2017)	6,645
Long-Range Bldg Program Refunding	2005A	14,945	3.0-5.25	1,525	1,205 (2019)	7,750
Long-Range Bldg Program	2005B	1,670	3.25-4.3	75	120 (2026)	1,155
Energy Conservation Program (5)	2005C	2,500	3.25-4.0	280	290 (2016)	570
CERCLA Program (6)	2005D	2,000	3.25-4.3	95	140 (2026)	1,375
Drinking Water Revolving Fund (3)	2005F	3,875	4.0-4.75	265	350 (2021)	2,130
Water Pollution Control Revolving Fund (3)	2005G	2,110	4.0-4.75	145	170 (2019)	785
Long-Range Bldg Program Refunding	2005H	10,055	3.0-5.0	1,015	1,300 (2020)	6,900
Long-Range Bldg Program	2006A	31,350	4.0-5.0	1,650	1,930 (2027)	21,700
Energy Conservation Program (5)	2006B	3,750	4.0-6.0	250	330 (2022)	2,310
CERCLA Program (6)	2006C	1,000	4.0	110	120 (2017)	345
Renewable Resource Program (4)	2006D	950	5.6-6.0	60	90 (2022)	605
Long-Range Bldg Program Refunding	2007A	16,740	4.25-5.0	2,110	2,465 (2018)	9,135
Long-Range Bldg Program	2007D	11,720	4.375-4.75	495	840 (2028)	9,120
Long-Range Bldg Program	2008D	3,100	3.375-4.35	125	220 (2028)	2,320
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	2,295	710 (2021)	6,180
Drinking Water Revolving Fund Refunding (3)	2010B	5,400	2.0-4.0	440	110 (2026)	4,070
Water Pollution Control Revolving Fund Refunding (3)	2010C	6,450	2.0-4.0	500	210 (2026)	4,950
Trust Land	2010F	21,000	1.55-4.9	860	1,450 (2031)	18,720
Long-Range Bldg Program	2010G	550	1.5-2.7	55	60 (2021)	400
Renewable Resource Program (Taxable) (4)	2010H	1,000	1.0-3.85	100	115 (2021)	740
Long-Range Bldg Program Refunding	2011D	5,755	3.0 – 3.25	545	720 (2023)	5,670
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	685	115 (2025)	6,780
Water Pollution Control Revolving Fund	2013D	1,035	.4-3.7	80	120 (2024)	1,035
Water Pollution Control Revolving Fund	2013E	5,000	2.0-3.0	345	575 (2024)	5,000
Total general obligation bonds		$ 208,065		$ 16,350		$ 127,840

Governmental Activities	Series	Amount Issued	Interest Range (%)(1)	Principal Payments Fiscal Year 2015	Principal Payments In Year of Maturity (2)	Balance June 30, 2014
Special revenue bonds						
State Hospital Project (7)	1997	$ 25,915	4.0-5.05	$ 1,295	1,820 (2022)	$ 12,350
Renewable Resource Program (8)	2001B	1,750	5.2-7.1	100	140 (2020)	725
Renewable Resource Program (8)	2001F	900	3.3-6.2	50	60 (2019)	275
Developmental Center Project Refunding (7)	2003	11,510	3.0-5.0	810	970 (2019)	4,435
Renewable Resource Program (8)	2003A	3,000	1.05-4.05	145	215 (2024)	1,775
U.S. Highway 93 GARVEES (9)	2005	122,795	3.65-5.19	8,835	8,835 (2015)	8,835
U.S. Highway 93 GARVEES (9)	2008	44,670	3.5-5.0	2,790	3,925 (2023)	29,735
Broadwater Power Proj Refunding (8)	2010A	10,180	3.0-4.0	1,445	1,605 (2018)	6,090
Renewable Resource Program (8)	2010B	1,730	2.0-3.6	70	115 (2031)	1,520
Renewable Resource Program (Taxable) (8)	2010C	6,720	0.9-4.2	340	170 (2031)	5,720
U.S. Highway 93 GARVEE (9)	2012	50,915	0.9-1.9	-	11,040 (2019)	50,915
Renewable Resource Program (8)	2013A	2,255	2.0-3.625	125	865 (2029)	2,255
Renewable Resource Program (Taxable) (8)	2013B	3,390	1.0-4.75	190	1,085 (2029)	3,390
Total special revenue bonds		$ 285,730		$ 16,195		$128,020
Notes payable						
Water Conservation (Petrolia Project) (10)		50	5.0	3	2 (2016)	5
Middle Creek Dam Project (11)		3,272	8.125	75	225 (2034)	2,352
Tongue River Dam Project (12)		11,300	-	290	290 (2038)	6,954
Total notes payable		$ 14,622		$ 368		$ 9,311
Subtotal governmental activities, before deferred balances						265,171
Deferred amount on refunding						(341)
Unamortized discount						(13)
Unamortized premium						9,105
Total governmental activities		$ 508,417		$ 32,913		$273,922

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

(2) Year of maturity refers to fiscal year.

(3) These bonds provide matching funds to enable the State to obtain capitalization grants from the U.S Environmental Protection Agency for water system development loans to state political subdivisions.

(4) The general obligation Renewable Resource Program Bonds are secured additionally by a pledge of, and payable from, certain coal severance taxes. The bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.

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

(6) 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.

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

(8) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.

(9) 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.

(10) Loans obtained from Farmers Home Administration for the purpose of rehabilitating the Petrolia Reservoir and Canal in the vicinity of Winnett, Montana (Petrolia Project). A portion of the revenues generated by the facilities is pledged for repayment of the loans.

(11) U.S. Bureau of Reclamation loan to Montana Department of Natural Resources & Conservation.

(12) Northern Cheyenne Tribe loan to the Montana Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2014, were as follows (in thousands):

	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 16,350	$ 5,007	$ 16,195	$ 4,915	$ 368	$ 45
2016	15,210	4,387	17,015	4,254	370	45
2017	15,540	3,765	17,730	3,604	371	45
2018	13,660	3,167	18,440	2,960	375	45
2019	10,420	2,677	17,555	2,283	378	44
2020-2024	36,840	8,567	36,390	4,010	1,948	224
2025-2029	16,980	3,022	4,140	561	2,068	224
2030-2034	2,840	140	555	27	2,274	224
2035-2039	-	-	-	-	1,159	-
Total	$127,840	$ 30,732	$128,020	$ 22,614	$ 9,311	$ 896

E. Summary of Changes in Long-term Liabilities Payable

Primary government long-term liability activity for the year ended June 30, 2014, was 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	$ 139,595	$ -	$ 11,755	$ 127,840	$ 16,350	$ 111,490
Special revenue bonds	137,940	-	9,920	128,020	16,195	111,825
Notes payable	9,667	-	356	9,311	368	8,943
	287,202	-	22,031	265,171	32,913	232,258
Deferred Outflow	(1,091)	1,854	1,103	(341)	-	(341)
Unamortized discount	(18)	5	-	(13)	-	(13)
Unamortized premium	10,668	697	2,261	9,105	-	9,105
Total bonds/notes payable	296,761	2,556	25,395	273,922	32,913	241,009
Other liabilities						
Lease/installment purchase payable	707	372	315	764	266	498
Operating lease rent holiday	122	99	142	79	31	48
Pension payable	-	4	-	4	2	2
Compensated absences payable (1)	93,428	54,876	51,665	96,639	51,399	45,240
Arbitrage rebate tax payable (1)	115	3	21	97	-	97
Estimated insurance claims (1)	31,550	178,530	170,426	39,654	26,855	12,799
Pollution remediation (4)	303,289	13,029	58,792	257,526	36,744	220,782
OPEB implicit rate subsidy (2)	189,032	29,035	6,731	211,336	-	211,336
Nonexchange Financial Guarantee (3)	51,026	2,583	8,575	45,034	7,383	37,651
Total other liabilities	669,269	278,531	296,667	651,133	122,680	528,453
Total governmental activities Long-term liabilities	$966,030	$ 281,087	$ 322,062	$ 925,055	$ 155,593	$ 769,462
Business-type activities						
Bonds/notes payable						
Economic Development Bonds	$ 70	$ -	$ 70	$ -	$ -	$ -
Total bonds/notes payable	70	-	70	-	-	-
Other liabilities						
Lease/installment purchase payable	222	-	81	141	82	59
Compensated absences payable	1,517	1,054	887	1,684	868	816
Arbitrage rebate tax payable	13	-	4	9	-	9
Estimated insurance claims	18,598	88,491	89,334	17,755	10,485	7,270
OPEB implicit rate subsidy (2)	3,225	621	116	3,730	-	3,730
Total other liabilities	23,575	90,166	90,422	23,319	11,435	11,884
Total business-type activities Long-term liabilities	$ 23,645	$ 90,166	$ 90,492	$ 23,319	$ 11,435	$ 11,884

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The early retirement benefits payable will be liquidated by the general, state special revenue, and federal special revenue funds. The arbitrage rebate tax payable will be liquidated by debt service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units. OPEB beginning balance was restated due to correction of an error.

(3) Per GASB Statement No. 70, Montana State Fund's claims related to Old Fund are classified as a Nonexchange Financial Guarantee. For FY11-13, this was reported as Estimated Future Claim Contribution to Component Unit. For more information see footnote 11 (I).

(4) Pollution remediation beginning balance was restated due to correction of an error.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make a prepayment of $210,000 on special revenue series 2001F, leaving an outstanding obligation of $275,000. The DNRC also made a prepayment of $140,000 on special revenue series 2001E for payoff.

Defeased Debt Outstanding

The State of Montana has defeased certain general obligation and special revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2014, $43.3 million of bonds outstanding was considered defeased.

G. 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.

Montana Board of Investments (BOI)

Under the Economic Development Act, the BOI is authorized to issue stand-alone industrial revenue bonds to finance projects for qualifying borrowers. Assets and revenues of the borrower are pledged to repay the bonds. At June 30, 2014, industrial revenue bonds outstanding aggregated $30.0 million.

The BOI is also authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act. The revenues, and in some cases, the taxing power of the borrower are pledged to repay the bonds. At June 30, 2014, QZAB debt outstanding aggregated $10.0 million.

The BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act. The revenues of the borrower are pledged to repay the bonds. At June 30, 2014, QSCB debt outstanding aggregated $7.1 million.

The industrial revenue bonds, QZAB debt, and QSCB debt issued by the BOI does not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana.

Beginning Farm Loan Program

The Montana Department of Agriculture is authorized to request issuance of bonds by the BOI to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 2014, was as follows: Hershberger Project – issued $129,412, outstanding $70,023.

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 were 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 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, 2014 was $257.5 million. Of this liability, $30.5 million resulted in settlement agreements to provide restoration of natural resources, water supplies and natural resource-based recreational opportunities up to the settlement amount; $219.2 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and PCB contamination, as well as removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute Montana's total acceptance of the liability or responsibility on these matters.

I. Nonexchange Financial Guarantee

Pursuant to Montana Code Annotated (MCA) 39-71-2352, if in any fiscal year claims for injuries resulting from accidents occurring prior to July 1, 1990 are not adequately funded by Montana State Fund, any amount necessary to cover those claims must be transferred from the general fund to Montana State Fund. The guarantee is extended until all Old Fund claims are paid. Following the guidance set forth in GASB Statement No. 70 this qualifies as a nonexchange financial guarantee. The primary government of the State of Montana has no arrangements for recovering payments from Montana State Fund, a discretely presented component unit. The State's estimated nonexchange financial guarantee as of June 30, 2014 was $45.0 million.

Summary of changes in guarantee liability:

Beginning Balance	Increases	Payments/Decreases	Ending Balance
$51.0 million	$2.6 million	$8.6 million	$45.0 million

NOTE 12. INTERFUND BALANCES AND TRANSFERS

A. Balances Due From/To Other Funds

Balances due from/to other funds arise when there is a time lag between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system, and the dates on which payments are made. Balances also arise when there is a time lag between the dates that transfers between funds are recorded, and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Economic Development Bonds Fund 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 the date of the financial statements.

Balances due from/to other funds at June 30, 2014, consisted of the following (in thousands):

	Due to Other Funds			
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds
Due from Other Funds				
Economic Development Bonds	$ -	$ -	$ -	$844
General Fund	-	52	-	76
Internal Service Funds	36	6	2	-
Nonmajor Governmental Funds	-	44	-	-
State Special Revenue	-	-	168	3
Total	$36	$102	$170	$923

	Due to Other Funds (cont)			
	Nonmajor Enterprise Funds (3)	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds (cont)				
Economic Development Bonds	$ -	$ 17	$ 633	$ 1,494
Federal Special Revenue	-	-	238	238
General Fund	13,810	-	33,129	47,067
Internal Service Funds	5	-	5	54
Nonmajor Governmental Funds (2)	-	53	178	275
State Special Revenue (1)	-	481	-	652
Total	$13,815	$551	$34,183	$49,780

(1) Total due from the state special revenue fund on the fund financial statement is reported as $6.7 million. The difference of $6.1 million between the amount reported above of $652,000 and the amount reported on the fund financial statement relates to long term receivables. The receivables were recorded in the fund financial statement and the long term liabilities were recorded in the government-wide statement.

(2) Total due from the non-major governmental funds on the financial statements is reported as $2.5 million. The difference of $2.2 million between the amount reported above of $275,000 and the amount reported on the financial statements relates to long term receivables. The receivables were recorded in the fund financial statement and the long term liability was recorded in the government-wide statement.

(3) Total due to the non-major enterprise funds on the fund financial statement is reported as $13.5 million. The difference of $376,000 between the amount reported above of $13.1 million and the amount reported on the fund financial statement relates to loans payable. The liabilities were recorded in the fund financial and the receivables were reported in the government-wide 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 the financial statements.

Interfund loans receivable/payable at June 30, 2014, consisted of the following (in thousands):

	Interfund Loans Payable								
	Coal Severance Tax	Federal Special Revenue	Internal Service Fund	Unemployment Insurance	Economic Development Bonds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Total
Interfund Loans Receivable									
General Fund	$1,525	$ 46,970	$ -	$ -	$ -	$325	$ -	$5,681	$ 54,501
Internal Service Funds	-	-	-	-	15	-	-	-	15
State Special Revenue	-	67,414	130	50	-	-	1	-	67,595
Total	$1,525	$114,384	$130	$50	$15	$325	$ 1	$5,681	$122,111

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 the financial statements. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Economic Development Bond Fund to other funds, under the Board of Investments INTERCAP loan program. For more information on the INTERCAP loan program, please refer to Note 11.

Advances to/from other funds at June 30, 2014, consisted of the following (in thousands):

	Advances from Other Funds					
	Federal Special Revenue	Internal Service Funds	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Advances to Other Funds						
Economic Development Bond	$ -	$2,946	$ -	$ 2,169	$ 2,362	$ 7,477
General Fund	20,949	-	-	-	440	21,389
Internal Service Funds	-	-	240	-	-	240
Nonmajor Governmental Funds	-	-	-	-	12,090	12,090
State Special Revenue	850	-	-	9,361	-	10,211
Total	$21,799	$2,946	$240	$11,530	$14,892	$51,407

Additional detail for certain advance balances at June 30, 2014, follows (in thousands):

Advances from the Economic Development Bonds Fund under the INTERCAP Loan Program	
Department	Balance
Natural Resources and Conservation	$2,169
Justice	2,362
Transportation	2,946
Total	$7,477

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, 2014, consisted of the following (in thousands):

	Transfers In				
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant
Transfers Out					
Coal Severance Tax	$ -	$ -	$21,996	$ -	$ -
Federal Special Revenue	-	-	139	96	-
General Fund	-	-	-	887	-
Internal Service Funds	-	-	-	572	-
Land Grant	-	-	3	-	-
Nonmajor Enterprise Funds	-	1	41,629	-	-
Nonmajor Governmental Funds	19	-	-	-	-
State Special Revenue	-	5,002	11,669	2,690	6
Total	$19	$5,003	$75,436	$4,245	$6

	Transfers In (cont)			
	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers Out (cont)				
Coal Severance Tax	$ -	$ 1,200	$ 18,386	$ 41,582
Federal Special Revenue	-	27,376	14,456	42,067
General Fund	-	77,453	85,905	164,245
Internal Service Funds	-	245	-	817
Land Grant	-	666	70,777	71,446
Nonmajor Enterprise Funds	-	-	6,390	48,020
Nonmajor Governmental Funds	-	8,864	20,703	29,586
State Special Revenue	157	15,483	-	35,007
Total	$157	$131,287	$216,617	$432,770

NOTE 13. FUND DEFICITS

The following funds have a deficit fund balance/net position remaining at June 30, 2014, as follows (in thousands):

Fund Type/Fund	Deficit
Internal Service Funds	
Admin Insurance	$ (2,762)
Information Technology Services	(676)
Admin Central Services	(275)
Labor Central Services	(653)
DEQ Indirect Cost Pool	(482)
Warrant Processing	(13)
Investment Division	(156)
Justice Legal Services	(333)
Aircraft Operation	(67)
Enterprise Fund	
Subsequent Injury	(2,865)
Capital Project Fund	
Federal/Private Construction Grants	(477)

NOTE 14. MAJOR PURPOSE PRESENTATION

Fund Balances Classifications and Special Revenue by Purpose – The Governmental Accounting Standards Board, in Statement No. 54, requires presentation of governmental special revenue fund revenues and fund balances by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The tables presented below further display the fund balances by major purpose for the year ending June 30, 2014.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 63,906	$30,230	$ 23,937	$ 1,923	$ 165	$ 63,279	$ 183,440
Taxes	263,841	4,207	216,622	-	2	14,891	499,563
Charges for services	26,761	11,555	7,911	37,241	1,614	20,789	105,873
Investment earnings	255	10,698	56	161	817	16,032	28,019
Securities lending income	-	80	-	1	5	96	183
Sale of documents/ merchandise/property	1,239	2,294	394	98	5	1,593	5,623
Rentals/leases/royalties	235	4	348	252	4	363	1,206
Contributions/premiums	23,183	-	-	-	-	-	23,183
Grants/contracts/ donations	1,896	741	1,258	11,219	1,886	3,897	20,897
Federal	8,699	-	2	(727)	5	-	7,979
Federal indirect recoveries	-	-	35,664	7	-	4,154	39,824
Other revenues	2,666	452	456	107	-	579	4,260
Transfers in	38,770	3,464	1,889	6,529	1,121	164,844	216,617
Total state special revenue	$431,453	$63,725	$288,537	$56,811	$5,624	$290,517	$1,136,667

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Taxes	$ -	$ -	$ -	$ -	$ -	$ 1	$ 1
Charges for services	663	1	-	3,722	40,340	(17)	44,709
Investment earnings	212	3	-	-	22	118	355
Securities lending income	-	-	-	-	-	5	5
Sale of documents/merchandise/ property	-	-	-	-	-	7	7
Rentals/leases/royalties	-	-	-	-	-	3	3
Grants/contracts/donations	-	-	-	-	-	9	9
Federal	114,892	9,201	460,392	1,211,094	172,604	83,877	2,052,060
Federal indirect cost recoveries	11	-	-	70,494	171	327	71,003
Other revenues	31	4	-	171	7	10	223
Transfers in	221	1,498	6	557	(27)	2,748	5,003
Total federal special revenue	$116,030	$10,707	$460,398	$1,286,038	$213,117	$87,088	$2,173,378

Governmental Fund Balance By Function, June 30, 2014
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances							
Nonspendable							
Inventory	$ 2,672	$ 19,939	$ -	$ -	$ -	$ -	$ 22,611
Permanent fund principal	14	500	-	527,907	638,565	285,304	1,452,290
Long-term notes/receivables	971	-	-	-	-	-	971
Prepaid expense	337	659	49	-	-	-	1,045
Total nonspendable	3,994	21,098	49	527,907	638,565	285,304	1,476,917
Restricted							
General government	3,569	2,077	1,162	-	-	1,755	8,563
Transportation	-	60,851	-	-	-	-	60,851
Health and human services	-	9,577	393	-	-	14,524	24,494
Natural resources	-	657,702	-	-	-	11,518	669,220
Public safety	-	265,966	-	-	-	-	265,966
Education	-	7,252	13,135	-	-	71	20,458
Total restricted	3,569	1,003,425	14,690	-	-	27,868	1,049,552
Committed							
General government	-	114,041	-	483,333	-	97,135	694,509
Transportation	-	4,823	-	-	-	-	4,823
Health and human services	-	27,131	-	-	-	-	27,131
Natural resources	-	286,220	-	-	-	34,340	320,560
Public safety	139	33,259	-	-	-	639	34,037
Education	2	26,629	-	-	-	-	26,631
Total committed	141	492,103	-	483,333	-	132,114	1,107,691
Assigned							
General government	-	7,114	-	-	-	6,118	13,232
Public safety	-	-	-	-	-	1,210	1,210
General Fund Spend Down FY15 (1)	80,000	-	-	-	-	-	80,000
Encumbrance	10,366	-	-	-	-	-	10,366
Total assigned	90,366	7,114	-	-	-	7,328	104,808
Unassigned	344,406	-	-	-	-	-	344,406
Total fund balance	$442,476	$1,523,740	$14,739	$1,011,240	$638,565	$452,614	$4,083,374

(1) In fiscal year 2014, the General Fund unassigned fund balance was $344 million. An additional $80 million was reported as assigned fund balance pertaining to the projected General Fund spend down of fund balance in fiscal year 2015 as required by GASB Statement No. 54. The 2013 Legislature projected $338 million of unassigned fund balance for fiscal year 2014.

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, which governs the Montana Guaranteed Student Loan Program (MGSLP), guarantees loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a nonprofit corporation operating exclusively for the purpose of acquiring student loans. MHESAC has no employees. Its business operations are managed by the Student Assistance Foundation (SAF). Approximately 73.90%, or $1,047.9 million, of MGSLP's outstanding loan volume is held by MHESAC.

The Montana Association of Health Care Purchasers (MAHCP) has a member from the Department of Administration (DOA), Health Care and Benefits Division as well as a member from the Montana University System. Both serve on the board of MAHCP and receive no remuneration for their services. DOA paid this association $1.25 per health care plan member per year to maintain its membership. DOA also paid a monthly fee of $0.55 per health care plan member per month for data aggregation and analysis and consulting services performed by the association staff on behalf of member employers. DOA also paid $0.71 per pharmacy script to MAHCP for administration of the URx program, which includes the Ask-A-Pharmacist Program.

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 yearly 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 Office of the State Public Defender rents the office space that is leased to one of its regional deputies. The Deputy Public Defender leases it from a third party and the Office of the State Public Defender reimburses the Deputy Public Defender for the lease payment. During fiscal year 2014 the office paid approximately $23,000.

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 Johnette Watkins, a local job service manager. The term of the lease is four years beginning July 1, 2013 and ending June 30, 2017. The annual lease amount is currently set at $21,330.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

In State of Montana v. Philip Morris, Inc., No. CDV 97-306 (Mont. 1st Jud. Dist. Lewis & Clark County), the State of Montana filed various claims against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties, and attorney's fees. The lawsuit was resolved eventually through two settlements. The State first settled its claims against one of the manufacturers, Liggett & Meyers, Inc., for $1 million to be paid over a 20-year period. Next, Montana was among the Settling States that signed onto the 1998 Master Settlement Agreement (MSA) and settled its claims against the remaining manufacturers for a base settlement amount of $832 million payable over 26 years. The base amount was augmented by $90 million in 1999, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007.

The settlement provides that the cigarette manufacturers may offset against their payment in any year certain amounts of money if it is found that the original settling manufacturers (known as OPMs) have lost more than 2% of their market share to non-settling manufacturers (known as NPMs), and that the disadvantages imposed by the settlement were a "significant factor" in the market share loss. The settlement further provides that the offset, known as the "NPM adjustment" may not be taken against the payments to any state that has enacted a "qualifying statute" and diligently enforced the statute during the year in question. Montana enacted such a qualifying statute in 1999, Title 16, Chapter 11, Parts 401 – 404, Montana Code Annotated (MCA).

In March 2006, a determination was made pursuant to the settlement that the OPMs had lost sufficient market share in 2003 to trigger an NPM adjustment analysis, and that disadvantages caused by the settlement were a significant factor in the market share loss. Similar findings have been made or agreed to for years 2004 through 2006. The State filed a motion in the lawsuit seeking a declaration that it diligently enforced its qualifying statute during 2003. The OPMs moved to compel arbitration of the question. District Court ordered arbitration, but was overruled on appeal to the Montana Supreme Court. Virtually all of the other Settling States filed similar motions or new actions in their various court systems preferring to litigate their diligent enforcement disputes in court rather than in the tobacco companies' proposed nationwide arbitration. Montana was the only state to prevail on its argument against arbitration before its highest state court. Montana then successfully defended the favorable ruling from a petition for rehearing in Montana and ultimately a *certiorari* petition to the U.S. Supreme Court filed by tobacco companies which the Court rejected.

Simultaneously, arbitration between the other Settling States and the tobacco companies commenced and proceeded to discovery. After the U.S. Supreme Court denied *cert* regarding Montana's participation in the arbitration, the tobacco companies sought and received a stay of Montana's litigation pending completion of the nationwide arbitration, effectively shutting Montana out of any opportunity for input or influence over standards for determining what constitutes "diligent enforcement," and potentially subjecting Montana to whatever standards may ultimately result from the ongoing nationwide arbitration for lack of any alternative interpretative precedent. Thereafter, the Montana Supreme Court granted Montana's writ for supervisory control, overturned the stay, and allowed the State's district court action to proceed through discovery.

The Montana litigation ended with entry of a stipulated consent decree on June 25, 2012, reflecting the tobacco companies' determination after discovery that they would not contest Montana's diligent enforcement during 2003. In the nationwide arbitration, and as applied to Montana's consent decree, a "no contest" determination for an individual state means that state will not participate in the NPM Adjustment for 2003, *i.e.* as a "no contest" state Montana will have no reduction to its annual OPM settlement payments for 2003.

However, the "no contest" for 2003 has no precedential effect in any subsequent year for Montana or any other state's case. Accordingly, Montana will not be subject to the 2003 NPM Adjustment, but the consent decree specifically articulates that Defendants' consent to its terms "is not a factual concession that Montana, in fact, did or did not diligently enforce the Montana Qualifying Statute in 2003 or any other year."

Despite Montana's successful defense of its 2003 enforcement actions, no precedential protections exist, and the State remains vulnerable to further expected, though not yet filed, litigation challenging its diligent enforcement in 2004, 2005, and 2006, for which years the PMs have already received a determination that Master Settlement terms were a "substantial factor" reducing their market share and triggering an NPM Adjustment analysis with the potential to reduce annual payments for those Settling States which failed to diligently enforce their statutes.

Factual arguments exist to show that Montana enacted a qualifying statute within the meaning of the Master Settlement Agreement which was in full force and effect and diligently enforced during 2004-2006 and thereafter to date. However, legal and procedural uncertainties exist that make an adverse determination reasonably possible. An adverse determination on the diligent enforcement issue could result in the loss of some or all of the OPM's annual payments to the State for years 2004 through 2006, which would be recouped through an offset of payments to Montana due in future years. The OPMs have asserted claims for NPM adjustments for later years as well. The outcome of these claims is also uncertain.

Montana's participation in the 1998 MSA in Phillip Morris also formed the basis for other lawsuits against the State. On July 1, 2002, a group of cigarette manufacturers and marketers filed suit against the Attorneys General of 31 states, including Montana, in the United States District Court for the Southern District of New York, seeking a declaration that Title 16, Chapter 11, Part 4, MCA, violates several provisions of the United States Constitution, and seeking injunctive relief against the enforcement of the statutes. Grand River Enterprises Six Nations, Ltd., v. Pryor et al., Docket No. 02 CV 5068 (U.S. Dist. Ct., S.D.N.Y.) and appeal from that decision in the United States Court of Appeals for the Second Circuit, Docket Nos. 11-1904 cv and 12-840 cv.

On March 12, 2012, the parties filed a Stipulation of Partial Dismissal in both Second Circuit Dockets (Nos. 11-1904 cv and 12-840 cv) dismissing Montana with prejudice from all claims. On March 29, 2012, the parties filed an Assurance of Voluntary Compliance, Cause No. ADV-2012-246 in the First Judicial District Court of Montana pursuant to which Grand River Enterprises paid into escrow for the benefit of Montana $22,857 for back escrow due, and an additional $22,857 in civil penalties as a condition of being re-listed on the State of Montana's Tobacco Product Directory as an NPM whose products are approved for sale in Montana. No further potential liability to the State is expected relative to this action.

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 PPL in Federal Court alleging that the company must pay rent for the use of state owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for use of the riverbeds at issue. The state intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State land trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability and the case proceeded to trial on the issue of compensation for use of trust lands. In June of 2008 the Court issued its ruling and ordered that PPL owed the state almost $41 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court, and in March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Jeffrey Sherlock presiding. The case number is BDV 2004-846.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the $41 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome on this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with $1.2 million for PPL's costs relating to the appellate proceedings. All but approximately $31,000 relate to premiums that PPL paid for a supersedeas bond in support of staying the $41 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for $31,263. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court is able to rule on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

Spoklie v. Montana Department of Fish, Wildlife and Parks, Sheridan County Docket No. 11013, is the final pending case challenging the constitutionality of Initiative Measure 143, which banned the issuance of new licenses for game farms in Montana, prohibited the transfer of existing licenses, and prohibited game farm licenses from allowing the shooting of game farm animals on a game farm for a fee or other remuneration. The State moved for summary judgment and that motion is still pending. In the opinion of counsel, good defenses exist to all claims, and the possibility of an outcome adverse to the state is very remote.

Spoklie is the last in a long line of case that were filed after passage of I-143. The following cases have been concluded in favor of the state: Kafka v. Montana Department of Fish Wildlife, and Parks, Hill County Docket No. DV-02-059, Buhmann et al. v. State of Montana et al., Lewis and Clark Docket No. DV-2002-555, Royal Tine Ranch v. State, Flathead County Docket No. DV-02-606C, and Mesaros v. Department of Fish, Wildlife and Parks, Cascade County Docket No. BDV 03-0119. Wallace v. State of Montana, Ravalli County Docket No. 02-254, and Bowman v. Montana Fish, Wildlife and Parks, Fergus County Docket No. DV-2002-02, were previously dismissed without prejudice and have not been refilled.

In October 2008 a lawsuit, Diaz et al. v. Blue Cross and Blue Shield of Montana et al., was filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, 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, State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, Plaintiffs filed with the District court a motion for class certification. The District Court Judge denied Plaintiffs' motion for class certification on December 16, 2009. Plaintiffs appealed this decision to the Montana Supreme Court. As part of 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 § 2-18-902 and § 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. Plaintiffs appealed this decision.

On December 21, 2011 the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under § 2-18-901 and § 2-18-902, MCA, or under a third party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a

November 27, 2012 Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits within eight years before the filing of the Plaintiffs' complaint.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012 decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State conform its health plans, procedures, notices and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel are currently working on the notice. Since discovery is ongoing, the State at this point it does not have sufficient information to determine the cost impact.

Kohoutek, Inc. v. Montana involves a class action constitutional challenge to the state's statute governing compensation for mandatory case-lot sales of liquor. Agency liquor stores are required by statute to provide an 8% discount to liquor licensees for sales of unbroken case-lots. Section § 16-2-101(2)(b)(ii)(B), MCA, provides for a weighted average discount ratio to offset for some or all of this mandatory case lot discount. The weighted average discount ratio is based on FY1994 sales. Plaintiffs contend that this provision, rooted in 1994 rather than based on actual sales, violates their rights to substantive due process and equal protection, and constitutes a taking.

Plaintiffs filed a Complaint for Declaratory, Injunctive, and Class Relief on March 25, 2014, before the Eighth Judicial District Court, ADV-14-181. The District Court for the Eighth Judicial District granted class certification by Order dated August 21, 2014. The case has been bifurcated into two parts—constitutionality and damages. The Court heard oral argument on the Plaintiffs' Motion for Partial Summary Judgment, addressing its constitutional claims, on January 20, 2015, and will decide on that issue in the near future.

If the Court finds the weighted average discount ratio unconstitutional, and this result is upheld on appeal to the Montana Supreme Court, the case will proceed to the damages portion. The fiscal impact of such a finding will be difficult to measure, as the Department of Revenue's records reflecting actual sales only date back to 2006, and Plaintiffs are alleging damages back to 1995. Moreover, such sales records are unaudited. In an attempt at measuring damages, the Department looked to HB173 from the 2007 Legislative Session that proposed to eliminate the weighted average discount ratio provision and base reimbursement on actual sales. Damages at this point are difficult to determine.

The Public Employee Retirement System and Teachers' Retirement System have pending litigation. Refer to Note 6(J) for additional disclosure in relation to their various legal proceedings.

The Department of Revenue finalized two protested property tax settlements in June 2014 both with Cellco Partnership for Verizon and Alltel. While the settlements were finalized in fiscal year 2014, the refunds to Cellco and the reclassification of the state's share from protested property taxes to regular property taxes did not occur until July 2014, fiscal year 2015. The Verizon settlement resulted in a $1,640,342 refund including $2,964 in interest to Cellco and a total of $2,707,363 released to regular property taxes for the state's share. The Alltel settlement resulted in a $136,666 refund including $336 in interest to Cellco and a total of $407,098 released to regular property taxes for the state's share.

Federal Contingencies

Food Distribution Program - The amount reported for Food Distribution programs (CFDA #10.555, #10.567, #10.569, #10.570 and #10.565) 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. Montana 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 2014, Montana distributed $619,424 of food commodities under CFDA #10.567 to other states.

The State of Montana distributed $9.4 million in commodities in fiscal year 2014. The value at June 30, 2014 of commodities stored at the state's warehouse is $2.04 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, 2014, the Board of Investments (BOI) had provided loan enhancements from the Coal Severance Tax Permanent Trust Fund to the Municipal Finance Consolidation Act Bond Fund and the Facility Finance Authority, (a component unit of the State of Montana), totaling $222.6 million. The BOI's exposure to bond issues of the Municipal Finance Consolidation Act Bond Fund was $106.4 million, while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority was $116.1 million.

Gain Contingencies - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2014 the following assessments (by fund type) were outstanding (in thousands):

Taxes	General	State Special Revenue	Debt Service	Capital Projects	Nonexpendable Trust
Corporation Tax	$10,503	$ -	$ -	$ -	$ -
Coal Severance Tax	786	245	28	352	1,522
Resource Indemnity Trust Tax	-	76	-	-	-
Total	$11,289	$321	$28	$352	$1,522

Collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporation tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporation 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, 2014. The corporations have appealed the department's decision to deny or adjust the refund. As of June 30, 2014, these include $5.6 million of General Fund corporation tax refunds.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2014. As of June 30, 2014, these include $1.7 million of protested property taxes recorded in the General Fund and $2 million recorded in State Special Revenue Funds.

NOTE 17. SUBSEQUENT EVENTS

Bond/Loan Issues

In July 2014, General Obligation Long-Range Buildings Program Refunding Bonds, Series 2014, were issued for $28,810,000 to be used for the purpose of refunding the General Obligation Long-Range Building Program Bonds, Series 2005B, Series 2006A and Series 2007D, with stated maturities in 2015.

In April 2015, the Board of Examiners approved the issuance of General Obligation Long-Range Building Program Refunding Bonds (Series 2015A) up to the amount of $9,575,000 to be used for the purpose of refunding the General Obligation Long-Range Building Program Bonds, Series 2005A and Series 2005H, with stated maturities in 2016.

Investment Related Issues

From July 1 through December 1, 2014, AFF Financing LLC payments total $4,358,350 representing $4,335,685 in principal and $22,665 in interest. For the same period, the BOI received payments associated with the Orion Finance collective holding of $1,661,717 with $1,561,955 and $99,762 applied to principal and interest, respectively.

On August 19, 2014, the BOI approved the staff recommendation to enter into a custodial bank contract with State Street Bank effective November 1, 2014. Due to contract negotiations, the current contract with State Street Bank was extended to December 31, 2014, changing the effective date of the new contract to January 1, 2015.

On October 2, 2014, the BOI received a bankruptcy payment of $463,564 related to the Lehman Brothers Holdings, Inc. Due to previous principal write downs; this payment was recorded as a gain.

Other Subsequent Events

On January 17, 2015, Governor Bullock declared by executive order an emergency relating to an oil pipeline spill. Pursuant to the executive order, several state agencies have been given authority to expend funds from the general fund to meet contingencies and needs arising from these conditions while they respond to, mitigate and alleviate the situation.

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, 2014 (in thousands):

Condensed Statement of Net Position
Component Units

	Housing Authority	Facility Finance Authority	Montana State Fund	Montana State University	University of Montana	Total Component Units
Assets:						
Cash, investments and other assets	$688,029	$4,820	$1,694,768	$557,421	$451,165	$3,396,203
Due from primary government	-	-	-	510	1,375	1,885
Due from component units	-	-	-	5	108	113
Capital assets (net) (Note 18C)	6	29	29,764	412,621	341,257	783,677
Total assets	688,035	4,849	1,724,532	970,557	793,905	4,181,878
Deferred Outflows of Resources	704	-	-	7,530	3,408	11,642
Liabilities:						
Accounts payable and other liabilities	6,885	475	225,493	60,876	65,127	358,856
Due to primary government	-	-	-	2,311	1,205	3,516
Due to component units	-	-	-	107	6	113
Advances from primary government	-	-	-	21,051	12,805	33,856
Long-term liabilities (Note 18I)	530,104	87	1,043,717	290,175	196,468	2,060,551
Total liabilities	536,989	562	1,269,210	374,520	275,611	2,456,892
Net Position:						
Net investment in capital assets	6	29	29,764	282,933	214,824	527,556
Restricted	151,744	-	-	236,946	257,980	646,670
Unrestricted	-	4,258	425,558	83,688	48,898	562,402
Total net position	$151,750	$4,287	$ 455,322	$603,567	$521,702	$1,736,628

Condensed Statement of Activities
Component Units

	Housing Authority	Facility Finance Authority	Montana State Fund	Montana State University	University of Montana	Total Component Units
Expenses	$ 27,212	$ 871	$182,638	$ 522,698	$ 413,562	$1,146,981
Program Revenues:						
Charges of services	1,170	498	165,272	240,260	177,692	584,892
Operating grants and contributions	26,442	46	-	176,952	128,401	331,841
Capital grants and contributions	-	-	-	4,416	3,441	7,857
Total program revenues	27,612	544	165,272	421,628	309,534	924,590
Net (expense) program revenues	400	(327)	(17,366)	(101,070)	(104,028)	(222,391)
General Revenues:						
Unrestricted grants and contributions	-	-	-	504	-	504
Unrestricted investment earnings	-	-	81,556	6,831	33,552	121,939
Payment from State of Montana	-	-	9,395	113,827	94,457	217,679
Gain (loss) on sale of capital assets	-	-	(10)	221	(2)	209
Miscellaneous	58	-	126	-	-	184
Contributions to term and permanent endowments	-	-	-	10,793	13,070	23,863
Total general revenues and contributions	58	-	91,067	132,176	141,077	364,378
Change in net position	458	(327)	73,701	31,106	37,049	141,987
Total net position – July 1 – as previously reported	157,169	4,659	436,676	563,023	476,806	1,638,333
Prior period adjustments	(5,877)	(45)	(55,054)	9,436	7,848	(43,692)
Total net position – July 1 – as restated	151,292	4,614	381,622	572,459	484,654	1,594,641
Total net position – June 30	$151,750	$4,287	$455,323	$ 603,565	$ 521,703	$1,736,628

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information presented by the Montana Board of Investments, component unit cash and cash equivalents, equity in pooled investments and investments are included with the primary government in Note 3.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	$ 6,669	$ 8,226	$ 1,139	$ 16,034
Construction Work In Progress	22,126	8,463	295	30,884
Capitalized Collections	8,623	17,692	-	26,315
Livestock for educational purposes	3,572	-	-	3,572
Total Capital Assets not being depreciated	40,990	34,381	1,434	76,805
Capital assets being depreciated:				
Infrastructure	42,443	8,177	-	50,620
Land Improvements	21,657	14,335	-	35,992
Buildings/Improvements	549,378	529,816	27,973	1,107,167
Equipment	148,755	81,611	7,516	237,882
Livestock	-	10	-	10
Library Books	63,916	58,431	-	122,347
Leasehold Improvements	1,807	-	-	1,807
Total Capital Assets being depreciated	827,956	692,380	35,489	1,555,825
Total accumulated depreciation	(466,882)	(390,753)	(7,503)	(865,138)
Total Capital Assets being depreciated net	361,074	301,627	27,986	690,687
Intangible Assets	1,137	2,786	379	4,302
MSU Component Unit Capital Assets, net	9,420	-	-	9,420
UM Component Unit Capital Assets, net	-	2,463	-	2,463
Discretely Presented Component Units capital assets net	$ 412,621	$ 341,257	$29,799	$ 783,677

D. Other Postemployment Benefits (OPEB)

Due to a correction in relation to the misapplication of an accounting principle in prior years, the Montana University System has a prior period adjustment to its beginning OPEB liability balance of approximately $18 million. 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) is included in the Montana University System benefit plan. For these reasons component unit OPEB is included in Note 7.

E. Risk Management

The two component pools include Montana State Fund (New Fund) and Montana State Fund (Old Fund). 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. In these funds, there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years. These funds use the accrual basis of accounting. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

(1) Montana State Fund (New Fund) – 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. New Fund is a self-supporting, competitive State fund, and functions as the guaranteed market. At June 30, 2014, approximately 24,400 employers were insured with the New Fund. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to New Fund within specified time frames.

An actuarial study prepared by Towers Watson, as of June 30, 2014, estimated the cost of settling claims that have been reported, but not settled; and claims that have been incurred, but not reported. Due to the fact that actual claim costs depend on such complex factors as inflation and changes in the law claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques in order to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of June 30, 2014, $924.6 million of unpaid claims and claim adjustment expenses were presented at face value.

New Fund is required by MCA 39-71-2311 to set premiums at least annually at a level sufficient to insure adequate funding of the insurance program during the period the rates will be in effect. It also requires the New Fund to establish a minimum surplus above risk-based capital requirements to support the New Fund against risks inherent in the business of insurance.

For the fiscal year ended June 30, 2014, the New Fund 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 the New Fund against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. For fiscal year 2014, the excess of loss contract provides coverage up to $100 million in which New Fund retains the first $5 million for the first layer of reinsurance coverage. The excess of loss protection applies to an individual occurrence with the maximum of $5 million on any one life.

The term of the current aggregate stop loss contract was July 1, 2013 through June 30, 2014. The contract provides coverage based on New Fund’s premium levels not to exceed 15% 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, New Fund would remain liable for all losses, as the reinsurance agreements do not discharge New Fund from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of $9.5 million in fiscal year 2014.

Estimated claim reserves were reduced by $12.3 million for fiscal year 2014 for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. In fiscal year 2014, estimated claim reserves were reduced by an additional $20.6 million for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the aggregate stop loss contract.

(2) Montana State Fund (Old Fund) – The liability and payment of workers compensation claims for incidents occurring before July 1, 1990, are reported in the Old Fund.

An actuarial study prepared by Towers Watson, as of June 30, 2014, 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, 2014, $45.0 million of unpaid claims and claim adjustment expenses were reported at face value.

(3) 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 the aggregate liabilities for Montana State Fund and the State of Montana Old Fund during the past two years, net of estimated reinsurance recoverable. The information presented is at face value and has not been discounted.

	Montana State Fund			
	New Fund		Old Fund	
	2014	2013	2014	2013
Unpaid claims and claim adjustments expenses at beginning of year	$ 902,848	$ 889,941	$51,026	$59,162
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	150,940	139,204	-	-
Increase (decrease) in provision for insured events of prior years	(18,620)	(12,036)	1,398	1,761
Total incurred claims and claim adjustment expenses	132,320	127,168	1,398	1,761
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(26,807)	(25,706)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	(83,763)	(88,555)	(7,390)	(9,897)
Total payments	(110,570)	(114,261)	(7,390)	(9,897)
Total unpaid claims and claim adjustment expenses at end of year	$ 924,598	$ 902,848	$45,034	$51,026

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2014, were as follows (in thousands):

Fiscal Year Ending June 30	Discretely Presented Component Units
2015	$292
2016	318
2017	179
2018	108
2019	35
2020-2024	-
Total minimum pmts	932
Less: interest	(62)
Present value of minimum payments	$870

G. Operating Leases

Future rental payments under operating leases at June 30, 2014 are as follows (in thousands):

Fiscal Year Ending June 30	Discretely Presented Component Units
2015	$ 4,430
2016	3,042
2017	2,842
2018	1,645
2019	1,416
2020-2024	4,367
2025-2029	1,360
Thereafter	2,993
Total future rental payments	$22,095

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2014, were as follows (in thousands):

Year Ended June 30	Montana Board of Housing		Montana State University		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 12,845	$ 19,932	$ 7,441	$ 6,491	$ 7,608	$ 4,411
2016	14,075	19,562	7,601	6,233	7,804	4,132
2017	14,675	19,205	8,840	5,969	8,077	3,874
2018	15,440	18,793	8,995	5,711	8,386	3,565
2019	16,090	18,314	16,810	5,434	8,725	3,219
2020-2024	91,905	82,562	39,440	22,512	49,836	10,180
2025-2029	111,865	62,692	29,465	15,542	18,490	2,584
2030-2034	117,685	39,113	22,635	10,279	5,220	425
2035-2039	92,254	16,026	16,960	5,473	-	-
2040-2044	36,965	2,800	15,945	2,073	-	-
2045-2049	155	3	-	-	-	-
Total	$523,954	$299,002	$174,132	$85,717	$114,146	$32,390

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2014, was as follows (in thousands):

	Beginning Balance (3)	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
MT Board of Housing	$ 541,802	$ 31,972	$144,794	$ 528,980	$ 12,844	$ 516,136
Montana State University (MSU)	117,427	68,763	6,976	179,214	7,440	171,774
University of Montana (UM)	116,288	7,969	7,458	116,799	7,640	109,159
Total bonds/notes payable (1)	775,517	208,704	159,228	824,993	27,924	797,069
Other liabilities						
Lease/installment purch pay	1,027	137	293	871	271	600
Compensated absences pay	58,037	30,773	29,241	59,569	29,627	29,942
Arbitrage rebate tax payable	336	215	-	551	-	551
Prevailing wage claim	31	-	16	15	15	-
Estimated insurance claims (5)	953,874	133,718	117,960	969,632	116,978	852,654
Due to federal government	32,686	291	15	32,962	-	32,962
Derivative instrument liability	4,389	-	354	4,035	-	4,035
Reinsurance funds withheld	78,025	12,563	23,885	66,703	-	66,703
OPEB implicit rate subsidy (2)	89,988	10,915	1,762	99,141	-	99,141
Total other liabilities	1,218,393	188,612	173,526	1,233,479	146,891	1,086,588
	$1,993,910	$397,316	$332,754	$2,058,472	174,815	1,883,657
Long-term liabilities of Montana University System component units (4)					(107)	2,184
Total discretely presented component units Long-term liabilities					$174,708	$1,885,841

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units. OPEB is reported as a single line item on the financial statements.

(3) Beginning balances are taken from component unit financial statements.

(4) Interentity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

(5) Per GASB Statement No. 70, Montana State Fund's claims related to Old Fund are classified as a Nonexchange Financial Guarantee. For more information see footnote 18 (L).

J. Refunded and Early Retired Debt

Universities

Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2014, $109.7 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)

The 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 the 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 and the Montana Developmental Center Project included in section C. Long-term Debt of the State Debt footnote, Note 11. At June 30, 2014, revenue bonds outstanding aggregated $1.04 billion and notes payable outstanding aggregated $22.3 million.

The Board of Investments and the FFA have entered into a capital reserve account agreement for certain bond issues. See Note Section 16 C. (Miscellaneous Contingencies) for more information.

Montana Board of Housing (BOH)

The BOH is authorized to issue bonds and make mortgage loans in order to finance housing which will provide decent, safe, and sanitary housing for persons and families of lower income in the State of Montana. The bonds are special, limited obligations, payable solely from pledged revenues and assets, not general obligations of the BOH. The bonds issued by the BOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2014, bonds outstanding aggregated $14.4 million.

L. Nonexchange Financial Guarantee

Pursuant to Montana Code Annotated (MCA) 39-71-2352, if in any fiscal year claims for injuries resulting from accidents occurring prior to July 1, 1990 are not adequately funded by Montana State Fund, any amount necessary to cover those claims must be transferred from the State's general fund to Montana State Fund. The State of Montana's primary government will extend the guarantee until all Old Fund claims are paid. Following the guidance set forth in GASB Statement No. 70 this qualifies as a nonexchange financial guarantee. The primary government of the State of Montana has no arrangements for recovering payments from Montana State Fund. The estimated nonexchange financial guarantee as of June 30, 2014 was $45.0 million.

Total Amount of Estimated Guarantee	$64.6 million
Amount Paid by Primary Government FY14	$ 8.6 million
Cumulative Amount Paid by Primary Government	$29.3 million
Ending Balance of Guarantee	$45.0 million

M. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2014. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of Governmental Accounting Standards Board Statement Number 53, or as investment derivative instruments if they do not.

Derivative Description	Trade Date	Effective Date	Termination Date	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	*11/15/2035	Deutsche Bank AG*
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Morgan Stanley Capital Services Inc.

*Counterparty may opt out in 2016

As of June 30, 2014, the fixed payer swap is classified as a hedging derivative instrument under Statement No. 53, whereas the million 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. Statement No. 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. The four methods described in Statement No. 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In Addition, Statement No. 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. The time value is equal to the option value minus the intrinsic value. The option value was estimated using a trinomial option pricing model. Incorporating market volatility data, the trinomial model calculates all possible changes in the value of the underlying swap for each future cash flow period (up, down or unchanged) to form a trinomial tree. This tree is used to calculate the current value of the option.

On September 10, 2010, the Series J bonds were converted to index bonds. While in index mode the interest rate is reset weekly at a rate of SIFMA plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to the issuer; the current spread as of June 30, 2014 was 0.65%. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative. The counterparty to the fixed payer swap has the right to terminate the swap at $0 on December 14, 2016 (a European option). Upon entering into the transaction, MSU received consideration from the counterparty in the form of an off-market (lower) fixed swap rate. A portion of the consideration received was a result of the option being in-the-money at inception; that is, the option had intrinsic value as the cancelable swap's fixed rate of 3.953% was lower than the at-market rate of 4.110% on the trade date. The remainder of the up-front consideration reflects the time value the counterparty pays for holding the option. To MSU, the time value portion represents deferred investment revenue. The intrinsic value of the cancelable swap is considered a loan receivable for financial reporting purposes and is treated as an asset in the accompanying financial statements. Interest accrues to the balance of the asset each year and amortizes with each swap payment.

The table below summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2014.

		Activity During 2014 Increase (Decrease)		Fair Values at June 30, 2014	
Cash flow hedges:	Notional	Classification	Amount	Classification	Amount
Cash flow hedge – Pay fixed interest rate swap	$22,475,000	Interest expense	$ 20,145	Loan receivable	$ 306,860
		Investment loss	338,749	Derivative liability	4,034,590
		Deferred outflow	(15,972)		
Investment derivative – Basis swap	$22,475,000	Investment loss	$339,870	Investment (excluding interest accrued)	$1,556,177

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2014 is as follows:

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/ Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series J 2005 Bonds	$22,475,000	7/21/2005	11/15/2035	-	Pay 3.953% Receive SIFMA

Credit Risk
It is MSU's policy to enter into derivative agreements with highly rated counterparties. As of June 30, 2014, counterparty ratings were A2 and Baa1 by Moody's and A+ and A- by Standard and Poor's. 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 $5MM and the counterparty is rated A+ or A, by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk
Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap. As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk
The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk
MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2014, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by Standard and Poor's.

Rollover Risk
MSU's hedging derivative includes a cancelation option which allows the counterparty to cancel the swap on 12/14/16. Should the counterparty exercise its option, MSU would be exposed to rollover risk as exercise would only be likely in a rate environment higher than that at the time the trade was originally entered into.

Foreign Currency Risk
All hedging derivatives are denominated in US Dollars and therefore MSU is not exposed to foreign currency risk.

Market Access Risk
Market access risk is the risk that the MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

N. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club and the Montana Tech Alumni Association.

The associations and booster club operate exclusively for the purpose of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with, UM. For the year ended June 30, 2014, $132,544 was transferred from or expended by the Montana Tech Booster Club for scholarships and construction projects. In exchange, UM provides the associations and booster club with office space, staff and some related office expenses.

MonTEC was established as a nonprofit 501(C) 3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised equally of members appointed by MAEDF and UM.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. Friends of Montana Public Television provided $913,625 during 2014 and Friends of KEMC Public Radio provided $700,000 during 2014 in support of MSU's television and radio stations.

O. Litigation Contingencies

Victory Insurance Company, Inc. v. Montana State Fund et al. Victory filed its Amended Complaint in this action on March 29, 2011, in which it asserted various tort claims against Montana State Fund. No specific amount of damages was stated in the complaint. In October 2012, the district court granted Montana State Fund's motion for summary judgment, and dismissed State Fund from the case. However, the plaintiff refiled the suit against Montana State Fund. Montana State Fund filed a second motion for summary judgment, and the district court granted judgment to Montana State Fund on December 26, 2013. The judgment was wholly in State Fund's favor, and the case was dismissed. An appeal has been filed with no decision yet on the appeal. Based on the district court's decision, State Fund anticipates the chances are remote that State Fund has potential liability with this matter.

Susan Hensley v. Montana State Fund Montana State Fund received a Petition for Hearing that was filed before the Workers' Compensation Court in October, 2013. The matter is Susan Hensley vs. Montana State Fund, WCC No. 2013-3235. Under HB 334, as passed by the legislature in 2011 and codified in 39-71-703 (2), MCA, when a claimant receives a Class I impairment, it is not payable unless the claimant has an actual wage loss as a result of the compensable injury or occupational disease. The law was effective July 1, 2011 and applicable to claims that occurred on or after that date. The petitioner in this matter is challenging the constitutionality of 39-71-703 (2), MCA. State Fund anticipates the chances are remote, but as with any litigated matter there is the possibility of an adverse decision. Should the statute be held unconstitutional, determined to be applicable to other claims and also determined to be retroactively applicable, potential liability is estimated to be at least $2.2 million per year, as based on NCCI initial pricing, and current estimated business volumes.

Montana State Fund received another Petition for Hearing that was filed before the Workers' Compensation Court. The matter is Steven Hanson vs. Montana State Fund, WCC No. 2014-3398. This is a companion case to Susan Hensley v. Montana State Fund and has been held in abeyance pending a decision in Hensley.

P. Loan Loss Contingency

On January 12, 2007, the Montana Facility Finance Authority (MFFA) made a loan to Gateway Community Services to purchase and remodel four condominium units. Funds for the loan came from the Permanent Coal Trust Fund under the Authority's Trust Fund Loan Program. Gateway subsequently defaulted on this loan. As of June 30, 2014, $569,376 is due to the Permanent Coal Trust Fund, reflecting $461,860 of principal and $107,516 of interest. Pursuant to MFFA policy, the MFFA will make the Perm Coal Trust Fund whole and funds have been designated for such an event.

On September 17, 2007, the MFFA made a loan to Gateway Community Services for overages resulting from the remodeling of condominium units referenced above. Funds for the loan came from the Authority's Direct Loan Program. As of June 30, 2014, $90,203 was due to the Authority, reflecting $73,170 of principal and $17,033 of interest.

The condominium owners pursued selling the building. As of June 30, 2013, there was a viable purchaser for the building; however, it was determined that the purchaser probably wouldn't pay the amount owed to the Authority on its loans. An additional $50,000 was added to the Loan Loss Contingency for the period ending June 30, 2013.

An environmental assessment was completed on the building in early 2014 resulting in over $123,000 of estimated remediation costs. A developer subsequently examined the building and identified several additional issues. Several executives met on June 25, 2014 to determine the feasibility of selling the building and concluded that there was no longer a viable purchaser.

An additional $400,026 was added to Loan Loss Contingency account for the fiscal year ended June 30, 2014, resulting in the full principal amount of $461,860 under the Trust Fund Loan Program. The principal amount of the Direct Loan, $73,170 was moved into bad debt, reflected in other operating expenses, resulting in the full write-off of the loan as of June 30, 2014.

Q. Subsequent Events

On November 20, 2014, the Board of Regents of the Montana University System authorized the University of Montana to issue up to $21,000,000 of Series N 2015 Refunding Revenue Bonds for the purpose of refunding the outstanding Series J 2005 Facilities Improvement and Refunding Revenue Bonds maturing after May 15, 2015, previously issued to finance and refinance certain improvements to the campuses of the University of Montana, and paying cost of issuance of the Series N 2015 Bonds. The revenue bonds will be issued prior to the optional redemption date of May 15, 2015, specified in the supplement to the Indenture of Trust. The University of Montana is seeking to private place the Series N Bonds with one or more commercial banks or institutional investors.

In September of 2014, the Board of Regents authorized the Billings campus of Montana State University to repair and replace the existing roof for the Student Union Building, and seek an Intercap loan in the amount of $850,000 to finance the project.

In November of 2014, the Board of Regents authorized the Bozeman campus of Montana State University to execute a lease with Bozeman Deaconess Hospital. This arrangement will provide space to accommodate elements of the University of Washington's School of Medicine Wyoming, Washington, Alaska, Montana, Idaho consortium (WWAMI) medical program by locating first, second and third year WWAMI students under one roof and facilitate additional integration of clinical and basic science teaching.

On July 7, 2014 the Board of the Facility Finance Authority determined that the Gateway Community Services loans should be written off and the mortgages released. The Board of the Facility Finance Authority further directed payment of $461,860 to the Permanent Coal Tax Trust Fund from funds designated for such an event. The Facility Finance Authority will continue to hold the promissory notes and the action taken did not signify a satisfaction of the note obligations. The Board of the Facility Finance Authority further directed that the one condominium owned by the Facility Finance Authority be offered to the other condominium owners. Steps to accomplish the write-off, releases and transfer are in process and expect to be completed prior to December 31, 2014.

On August 7, 2014, $30 million of bonds were issued by the Facility Finance Authority for the benefit of Missions United (Billings) to finance the construction of a continuing care retirement facility in the Billings Heights area and to refinance approximately $9.25 million of outstanding bonds to reduce the interest rate.

On November 5, 2014, $21.77 million of bonds were issued by the Facility Finance Authority for the benefit of Bozeman Deaconess Health Services to finance a portion of the costs to construct a hospital and medical office building in Big Sky, Montana.

On November 13, 2014, $17 million of bonds were issued by the Facility Finance Authority for the benefit of Kalispell Regional Medical Center to finance multiple projects including the cancer center expansion, Health Information Technology Data Center, construction overruns and geo thermal for the surgery tower, parking lot improvements and miscellaneous equipment.

On November 20, 2014, $61.69 million of bonds were issued by the Facility Finance Authority for the benefit of Sisters of Charity of Leavenworth Health System, with Montana hospitals located in Miles City, Billings and Butte, to refinance bonds issued in 2003 and 2006.

On November 25, 2014, $10 million of bonds were issued by the Facility Finance Authority for Bozeman Deaconess Health Services to finance a portion of the costs to install an Electronic Health Records system.

The Montana State Fund Board of Directors declared a $20 million dividend at its meeting on November 14, 2014. The dividend will be paid during fiscal year 2015 to eligible policyholders for the 2012 policy year.

On January 22, 2015, the Montana Board of Housing issued $20,000,000 of Single Family Program Bonds Series 2015A (1979 Single Family II Indenture). The bonds will mature on June 1, 2015 through June 1, 2040, with interest rates from 0.20% to 3.50%. The bond proceeds were or will be used to purchase single mortgage loans for the Board’s Homeownership Program.

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 less than 30 years. As of June 30, 2014, the Sheriffs Retirement System (SRS), Game Warden & Peace Officers Retirement System (GWPORS), Highway Patrol Officers' Retirement System (HPORS), and Public Employee Retirement Benefit Defined Contribution Disability Other Post Employment Benefit (PERS-DCRP Disability) plans were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in less than 30 years as of fiscal year end 2014.

The actuarial condition of these plans are fully disclosed and reported as required by Generally Accepted Accounting Principles (GAAP), and explained in greater detail in Note 6 and Note 7 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.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 117,365	$ 117,365	$ 117,751	$ 386
Taxes:				
Natural resource	125,032	125,032	154,409	29,377
Individual income	1,039,082	1,039,082	1,038,284	(798)
Corporate income	154,096	154,096	148,471	(5,625)
Property	246,539	246,539	251,897	5,358
Fuel	-	-	-	-
Other	219,319	219,319	211,545	(7,774)
Charges for services/fines/forfeits/settlements	39,916	39,916	38,460	(1,456)
Investment earnings	-	-	3,382	3,382
Sale of documents/merchandise/property	418	418	411	(7)
Rentals/leases/royalties	26	26	28	2
Contributions/premiums	-	-	23	23
Grants/contracts/donations	3,766	3,766	8,979	5,213
Federal	31,531	31,531	26,271	(5,260)
Federal indirect cost recoveries	115	115	154	39
Other revenues	11,956	11,956	-	(11,956)
Total revenues	1,989,161	1,989,161	2,000,065	10,904
EXPENDITURES				
Current:				
General government	351,656	351,656	328,281	23,375
Public safety	291,530	291,530	281,126	10,404
Transportation	-	-	-	-
Health and human services	447,526	447,528	446,097	1,431
Education	965,505	965,505	936,813	28,692
Natural resources	34,664	34,664	32,083	2,581
Debt service:				
Principal retirement	-	-	14	(14)
Interest/fiscal charges	-	-	189	(189)
Capital outlay (Note RS-1)	-	-	4,464	(4,464)
Total expenditures	2,090,881	2,090,883	2,029,067	61,816
Excess of revenue over (under) expenditures	(101,721)	(101,723)	(29,002)	(72,721)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
General capital asset sale proceeds	34	34	51	17
Bond premium	-	-	-	-
Bond proceeds	-	-	-	-
Energy conservation loans	-	-	-	-
Transfers in (Note 12)	69,366	69,366	75,436	6,070
Transfers out (Note 12)	(243,785)	(243,785)	(164,245)	79,540
Total other financing sources (uses)	(174,385)	(174,385)	(88,758)	85,627
Net change in fund balances	-	-	-	-
(Budgetary basis)	(276,106)	(276,108)	(117,760)	158,348
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	-	-	88	88
2. Securities lending costs	-	-	-	-
3. Inception of lease/installment contract	-	-	2	2
(GAAP basis)	(276,106)	(276,108)	(117,670)	158,437
Fund balance - July 1	-	-	561,016	561,016
Prior period adjustments	-	-	(615)	(615)
Increase (decrease) in inventories	-	-	(255)	(255)
Fund balances - June 30	$ (276,106)	$ (276,108)	$ 442,476	$ 718,584

The notes to the required supplementary information are an integral part of this schedule.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
$ 180,921	$ 180,921	$ 183,440	$ 2,519	$ -	$ -	$ -	$ -
160,831	160,831	141,146	(19,685)	-	-	-	-
-	-	-	-	-	-	-	-
6	6	3	(4)	-	-	-	-
16,454	16,454	15,132	(1,322)	-	-	-	-
214,379	214,379	216,615	2,236	-	-	-	-
127,468	127,468	126,667	(801)	2	2	1	(1)
107,151	107,151	105,873	(1,278)	49,749	49,749	44,709	(5,040)
-	-	28,019	28,019	-	-	355	355
5,639	5,639	5,623	(16)	-	-	7	7
818	818	1,206	388	19	19	3	(16)
22,506	22,506	23,183	677	-	-	-	-
22,356	22,356	20,897	(1,459)	30	30	9	(21)
10,328	10,328	7,979	(2,349)	1,880,777	1,880,777	2,052,060	171,283
49,228	49,228	39,824	(9,404)	45,447	45,447	71,003	25,556
3,668	3,668	4,260	592	3	3	223	220
921,755	921,755	919,867	(1,888)	1,976,029	1,976,029	2,168,370	192,341
333,930	333,930	254,413	79,517	251,363	251,363	113,070	138,293
86,020	86,020	80,684	5,336	22,630	22,630	11,278	11,352
296,617	296,617	223,948	72,669	519,758	519,758	100,126	419,632
164,997	164,997	152,793	12,204	1,389,714	1,389,714	1,283,910	105,804
118,010	118,010	112,422	5,588	240,876	240,876	211,752	29,124
302,794	302,795	183,648	119,147	135,809	135,809	65,278	70,531
-	-	507	(507)	-	-	18	(18)
-	-	528	(528)	-	-	5	(5)
-	-	76,889	(76,889)	-	-	351,994	(351,994)
1,302,368	1,302,369	1,085,832	216,537	2,560,151	2,560,151	2,137,431	422,720
(380,613)	(380,614)	(165,966)	(214,649)	(584,122)	(584,122)	30,939	(615,061)
485	485	1,301	816	-	-	1	1
139	139	153	14	-	-	3	3
-	-	150	150	-	-	-	-
11,830	11,830	11,680	(150)	-	-	-	-
-	-	169	169	-	-	-	-
257,521	257,521	216,617	(40,904)	18,939	18,939	5,003	(13,936)
(109,460)	(109,460)	(35,007)	74,453	(86,116)	(86,116)	(42,067)	44,049
160,514	160,514	195,063	34,549	(67,177)	(67,177)	(37,060)	30,117
-	-	-	-	-	-	-	-
(220,099)	(220,100)	29,098	249,197	(651,299)	(651,299)	(6,121)	645,178
-	-	183	183	-	-	5	5
-	-	(29)	(29)	-	-	-	-
-	-	322	322	-	-	-	-
(220,099)	(220,100)	29,574	249,674	(651,299)	(651,299)	(6,116)	645,183
-	-	1,494,473	1,494,473	-	-	19,667	19,667
-	-	(2,434)	(2,434)	-	-	1,188	1,188
-	-	2,127	2,127	-	-	-	-
$ (220,099)	$ (220,100)	$ 1,523,740	$ 1,743,839	$ (651,299)	$ (651,299)	$ 14,739	$ 666,038

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 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 2014, reverted governmental fund appropriations were as follows: General Fund - $9 million, State Special Revenue Fund - $51.9 million, and Federal Special Revenue Fund - $90.2 million. Agencies are allowed to carry forward 30% 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.

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.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in proprietary funds; certain loans from governmental funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.).

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN INFORMATION

Pension Plan Information
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
Single Employer System						
JRS						
6/30/2012	63,195	46,190	(17,005)	137%	6,193	(275%)
6/30/2013	70,323	49,236	(21,087)	143%	6,276	(336%)
6/30/2014	78,463	50,600	(27,864)	155%	6,355	(438%)
HPORS						
6/30/2012	96,655	167,824	71,169	58%	13,618	523%
6/30/2013	105,736	175,594	69,858	60%	13,484	518%
6/30/2014	117,226	183,400	66,174	64%	14,149	468%
Multiple Employer Systems						
PERS-DBRP						
6/30/2012	3,816,920	5,661,281	1,844,361	67%	1,081,288	171%
6/30/2013	4,139,921	5,160,951	1,021,030	80%	1,104,000	92%
6/30/2014	4,595,805	6,177,505	1,581,700	74%	1,129,109	140%
SRS						
6/30/2012	211,535	284,559	73,024	74%	59,583	123%
6/30/2013	235,310	304,185	68,875	77%	61,467	112%
6/30/2014	264,945	326,077	61,132	81%	64,673	95%
GWPORS						
6/30/2012	97,691	128,927	31,236	76%	38,317	82%
6/30/2013	112,100	139,985	27,885	80%	39,471	71%
6/30/2014	129,429	154,595	25,166	84%	41,637	60%
MPORS						
6/30/2012	234,025	427,257	193,232	55%	41,745	463%
6/30/2013	262,678	450,043	187,365	58%	42,796	438%
6/30/2014	298,722	474,308	175,586	63%	44,427	395%
FURS						
6/30/2012	233,121	377,211	144,090	62%	36,177	398%
6/30/2013	263,483	396,769	133,286	66%	37,963	351%
6/30/2014	300,949	419,013	118,064	72%	39,892	296%
TRS						
7/1/2012	2,852,000	4,814,700	1,962,700	59%	735,600	267%
7/1/2013	3,067,900	4,592,700	1,524,800	67%	742,600	205%
7/1/2014	3,397,400	5,191,100	1,793,600	65%	750,600	239%
Nonemployer Contributor						
VFCA						
6/30/2012	26,531	36,146	9,615	73%	N/A	N/A
6/30/2013	28,294	37,830	9,536	75%	N/A	N/A
6/30/2014	31,281	37,975	6,694	82%	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and the Montana University System (MUS) implemented Governmental Accounting Standards Board (GASB) Statements 43 and 45 as of June 30, 2008 (see Notes 2 and 7).

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 an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units.

In accordance with GASB Statement 45, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans.

Other Postemployment Benefits Plan Information (1)
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
State Agent Multiple Employer Plan						
1/1/2009	$ -	$357,664	$357,664	0.00%	$526,794	67.89%
1/1/2011	$ -	$337,274	$337,274	0.00%	$521,881	64.63%
1/1/2013	$ -	$366,739	$366,739	0.00%	$616,158	59.52%
MUS Agent Multiple Employer Plan						
7/1/2009	$ -	$183,230	$183,230	0.00%	$386,751	47.40%
7/1/2011	$ -	$109,831	$109,831	0.00%	$371,802	29.54%
7/1/2013	$ -	$100,247	$100,247	0.00%	$400,017	25.06%

(1) The State and the MUS implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for the fiscal year ended June 30, 2008. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2014
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
ASSETS				
Cash/cash equivalents	$ 11,231	$ 99,529	$ 795	$ 111,555
Receivables (net)	4,652	1,810	862	7,324
Due from other funds	2,218	223	52	2,493
Due from component units	-	22	-	22
Equity in pooled investments	-	-	306,796	306,796
Long-term loans/notes receivable	22,402	-	-	22,402
Advances to other funds	12,090	-	-	12,090
Investments	6,028	708	8	6,744
Securities lending collateral	7	47	15,617	15,671
Total assets	58,628	102,339	324,130	485,097
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	3,894	8	3,902
Interfund loans payable	-	-	325	325
Due to other funds	17	-	534	551
Advances from other funds	11,530	-	-	11,530
Unearned revenue	504	-	-	504
Securities lending liability	7	47	15,617	15,671
Total Liabilities	12,058	3,941	16,484	32,483
Fund balances:				
Nonspendable	-	-	285,304	285,304
Restricted	9,904	7,701	10,263	27,868
Committed	36,116	83,919	12,079	132,114
Assigned	550	6,778	-	7,328
Total fund balances	46,570	98,398	307,646	452,614
Total liabilities and fund balances	$ 58,628	$ 102,339	$ 324,130	$ 485,097

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTAL
REVENUES				
Taxes:				
Natural resource	$ 1,912	$ 7,076	$ -	$ 8,988
Other	-	1,814	-	1,814
Charges for services/fines/forfeits/settlements	189	424	13,257	13,870
Investment earnings	7,808	21	16,097	23,926
Securities lending income	-	-	109	109
Sale of documents/merchandise/property	3,670	-	-	3,670
Total revenues	13,579	9,335	29,463	52,377
EXPENDITURES				
Current:				
General government	-	3,455	-	3,455
Public safety	-	44	-	44
Health and human services	14	1,095	-	1,109
Education	-	-	25	25
Natural resources	2	-	-	2
Debt service:				
Principal retirement	33,078	-	-	33,078
Interest/fiscal charges	12,088	-	-	12,088
Capital outlay	-	23,936	23	23,959
Securities lending	-	-	19	19
Total expenditures	45,182	28,530	67	73,779
Excess of revenue over (under) expenditures	(31,603)	(19,195)	29,396	(21,402)
OTHER FINANCING SOURCES (USES)				
General capital asset sale proceeds	-	-	6	6
Proceeds of refunding bond	6,780	-	-	6,780
Payment to refunding bond escrow agent	(7,190)	-	-	(7,190)
Bonds premium	512	-	-	512
Transfers in	47,339	83,948	-	131,287
Transfers out	(9,051)	(10,305)	(10,230)	(29,586)
Total other financing sources (uses)	38,390	73,643	(10,224)	101,809
Net change in fund balances	6,787	54,448	19,172	80,407
Fund balances - July 1 - as previously reported	39,783	43,930	288,474	372,187
Prior period adjustments	-	20	-	20
Fund balances - July 1 - as restated	39,783	43,950	288,474	372,207
Fund balances - June 30	$ 46,570	$ 98,398	$ 307,646	$ 452,614

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NONMAJOR DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for the payment of general long-term obligation principal and interest. A brief description of each debt service fund follows:

Coal Tax – This fund accounts for payments on special revenue renewable resource program (coal severance tax) bonds.

Long-Range Building Program – This fund accounts for payments on general obligation long-range building program bonds.

Water & Wastewater Development – This 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.

Water Conservation – This fund accounts for payments on water conservation loans issued for the following projects: Little Dry and Petrolia.

Health Care – This fund accounts for payments on the following special revenue bonds: Montana State Hospital and Montana Developmental Center.

Energy Conservation Program – This fund accounts for payments on general obligation bonds issued for State Building Energy Conservation Projects.

Environmental Reclamation – This fund accounts for payments on the following general obligation bonds: hard rock mining reclamation and CERCLA program.

Highway – This fund accounts for payments on the U.S. Highway 93 GARVEES special revenue bonds.

Trust Lands – This fund accounts for payments on taxable trust lands bonds.

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	WATER CONSERVATION
ASSETS				
Cash/cash equivalents	$ 5,582	$ 550	$ 4,198	$ -
Receivables (net)	1,073	-	2,891	-
Due from other funds	-	-	-	-
Long-term loans/notes receivable	9,245	-	13,153	4
Advances to other funds	7,090	-	5,000	-
Investments	60	-	2,056	-
Securities lending collateral	4	-	3	-
Total assets	23,054	550	27,301	4
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	12	-	5	-
Advances from other funds	882	-	10,648	-
Unearned revenue	186	-	318	-
Securities lending liability	4	-	3	-
Total liabilities	1,084	-	10,974	-
Fund balances:				
Restricted	-	-	5,559	-
Committed	21,970	-	10,768	4
Assigned	-	550	-	-
Total fund balances	21,970	550	16,327	4
Total liabilities and fund balances	$ 23,054	$ 550	$ 27,301	$ 4

HEALTH CARE	ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
$ 435	$ 193	$ 273	$ -	$ -	$ 11,231
-	85	603	-	-	4,652
-	2,218	-	-	-	2,218
-	-	-	-	-	22,402
-	-	-	-	-	12,090
3,910	2	-	-	-	6,028
-	-	-	-	-	7
4,345	2,498	876	-	-	58,628
-	-	-	-	-	17
-	-	-	-	-	11,530
-	-	-	-	-	504
-	-	-	-	-	7
-	-	-	-	-	12,058
4,345	-	-	-	-	9,904
-	2,498	876	-	-	36,116
-	-	-	-	-	550
4,345	2,498	876	-	-	46,570
$ 4,345	$ 2,498	$ 876	$ -	$ -	$ 58,628

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	COAL TAX	LONG-RANGE BUILDING PROGRAM	WATER & WASTEWATER DEVELOPMENT	WATER CONSERVATION
REVENUES				
Taxes:				
Natural resource	$ -	$ -	$ 560	$ -
Charges for services/fines/forfeits/settlements	-	-	1	-
Investment earnings	605	-	6,960	-
Sale of documents/merchandise/property	3,670	-	-	-
Total revenues	4,275	-	7,521	-
EXPENDITURES				
Current:				
Health/social services	-	-	-	-
Resource/recreation/environment	-	-	-	-
Debt service:				
Principal retirement	2,445	13,920	1,775	3
Interest/fiscal charges	707	3,953	1,122	-
Total expenditures	3,152	17,873	2,897	3
Excess of revenue over (under) expenditures	1,123	(17,873)	4,624	(3)
OTHER FINANCING SOURCES (USES)				
Bond premium	-	512	-	-
Proceeds of refunding bond	-	6,780	-	-
Payment to refunding bond escrow agent	-	(7,190)	-	-
Transfers in	5,424	18,154	3,566	-
Transfers out	(5,335)	(250)	(2,443)	-
Total other financing sources (uses)	89	18,006	1,123	-
Net change in fund balances	1,212	133	5,747	(3)
Fund balances - July 1 - as previously reported	20,758	417	10,580	7
Fund balances - July 1 - as restated	20,758	417	10,580	7
Fund balances - June 30	$ 21,970	$ 550	$ 16,327	$ 4

HEALTH CARE	ENERGY CONSERVATION PROGRAM	ENVIRONMENTAL RECLAMATION	HIGHWAY	TRUST LANDS	TOTAL
$ -	$ -	$ 1,352	$ -	$ -	$ 1,912
-	188	-	-	-	189
243	-	-	-	-	7,808
-	-	-	-	-	3,670
243	188	1,352	-	-	13,579
14	-	-	-	-	14
-	1	1	-	-	2
2,010	655	315	11,110	845	33,078
933	132	141	4,391	709	12,088
2,957	788	457	15,501	1,554	45,182
(2,714)	(600)	895	(15,501)	(1,554)	(31,603)
-	-	-	-	-	512
-	-	-	-	-	6,780
-	-	-	-	-	(7,190)
2,743	397	-	15,501	1,554	47,339
-	(4)	(1,019)	-	-	(9,051)
2,743	393	(1,019)	15,501	1,554	38,390
29	(207)	(124)	-	-	6,787
4,316	2,705	1,000	-	-	39,783
4,316	2,705	1,000	-	-	39,783
$ 4,345	$ 2,498	$ 876	$ -	$ -	$ 46,570

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital project funds are used to account for financial resources used for the acquisition or construction of major governmental general capital assets. A brief description of each capital project fund follows:

Long-Range Building Program – This fund is maintained to account 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 – This fund accounts for resources received and expended for information technology projects for various upgrade and replacement activities.

Federal/Private Construction Grants – This fund accounts for federal grants, private donations, and federal matching funds that are restricted to general capital asset construction.

Capital Land Grant – This 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, 2014
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
ASSETS					
Cash/cash equivalents	$ 75,128	$ 21,143	$ 1,039	$ 2,219	$ 99,529
Receivables (net)	1,810	-	-	-	1,810
Due from other funds	223	-	-	-	223
Due from Component Units	22	-	-	-	22
Investments	708	-	-	-	708
Securities lending collateral	47	-	-	-	47
Total assets	$ 77,938	$ 21,143	$ 1,039	$ 2,219	$ 102,339
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	2,119	259	1,516	-	3,894
Securities lending liability	47	-	-	-	47
Total liabilities	2,166	259	1,516	-	3,941
Fund balances:					
Restricted	5,959	-	(477)	2,219	7,701
Committed	64,245	19,674	-	-	83,919
Assigned	5,568	1,210	-	-	6,778
Total fund balances	75,772	20,884	(477)	2,219	98,398
Total liabilities and fund balances	$ 77,938	$ 21,143	$ 1,039	$ 2,219	$ 102,339

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	LONG-RANGE BUILDING PROGRAM	INFORMATION TECHNOLOGY PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTAL
REVENUES					
Taxes:					
Natural resource	$ 7,076	$ -	$ -	$ -	$ 7,076
Other	1,814	-	-	-	1,814
Charges for services/fines/forfeits/settlements	424	-	-	-	424
Investment earnings	21	-	-	-	21
Total revenues	9,335	-	-	-	9,335
EXPENDITURES					
Current:					
General government	1,493	1,962	-	-	3,455
Public safety	-	44	-	-	44
Health and human services	1,095	-	-	-	1,095
Capital outlay	12,620	587	10,728	1	23,936
Total expenditures	15,208	2,593	10,728	1	28,530
Excess of revenue over (under) expenditures	(5,873)	(2,593)	(10,728)	(1)	(19,195)
OTHER FINANCING SOURCES (USES)					
Transfers in	55,604	17,426	10,251	667	83,948
Transfers out	(9,793)	(123)	-	(389)	(10,305)
Total other financing sources (uses)	45,811	17,303	10,251	278	73,643
Net change in fund balances	39,938	14,710	(477)	277	54,448
Fund balances - July 1 - as previously reported	35,814	6,174	-	1,942	43,930
Prior period adjustments	20	-	-	-	20
Fund balances - June 30	$ 75,772	$ 20,884	$ (477)	$ 2,219	$ 98,398

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NONMAJOR PERMANENT FUNDS

Permanent funds are used to report 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 – Taxes paid by persons engaging in or carrying on the business of mining, extracting, or producing minerals are deposited in this fund. Only the net earnings of the trust may be appropriated until the principal reaches $100 million. Interest earnings are expended from a Special Revenue fund. This fund is administered by the Department of Revenue.

Cultural Trust – A portion of coal severance taxes are credited to these funds by the Department of Revenue. The Montana Arts Council uses income from the trusts for the protection of works of art in the State Capitol and for other cultural projects.

Noxious Weed Management – The Department of Agriculture accounts for revenues and interest earned on fees charged for the control of noxious weeds. Funds in this trusts that were established as permanent funds by legislature have been reclassified as State Special Revenue Funds.

Historical Society Trusts – The fund accounts for memorials, bequests, and various other contributions to the Montana Historical Society. Includes the following trust funds: James H. Bradley Memorial, Thomas Teakle, Merritt-Wheeler Memorial, Historical Society Acquisitions, Sobotka Memorial, and Edger I. and Jane R. Stewart.

Tobacco Settlement – In addition to the principle, this fund holds interest earned by investing the Tobacco Settlement Principal.

Heritage Trust – This fund accounts for the proceeds from sales of the Montana Heritage Commission Board property in order to provide historical properties benefits.

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED MANAGEMENT
ASSETS			
Cash/cash equivalents	$ 23	$ 73	$ -
Receivables (net)	325	-	-
Due from other funds	-	-	-
Equity in pooled investments	112,079	-	10,002
Investments	-	1	-
Securities lending collateral	5,688	-	554
Total assets	118,115	74	10,556
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Interfund loans payable	325	-	-
Due to other funds	-	-	2
Securities lending liability	5,688	-	554
Total liabilities	6,013	-	556
Fund balances:			
Nonspendable	100,000	74	10,000
Restricted	23	-	-
Committed	12,079	-	-
Total fund balances	112,102	74	10,000
Total liabilities and fund balances	$ 118,115	$ 74	$ 10,556

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	HERITAGE TRUST	TOTAL
$ 65	$ 602	$ 32	$ 795
4	533	-	862
-	52	-	52
1,327	183,388	-	306,796
-	7	-	8
67	9,308	-	15,617
1,463	193,890	32	324,130
8	-	-	8
-	-	-	325
-	532	-	534
67	9,308	-	15,617
75	9,840	-	16,484
1,327	173,871	32	285,304
61	10,179	-	10,263
-	-	-	12,079
1,388	184,050	32	307,646
$ 1,463	$ 193,890	$ 32	$ 324,130

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	RESOURCE INDEMNITY	CULTURAL TRUST	NOXIOUS WEED MANAGEMENT
REVENUES			
Charges for services/fines/forfeits/settlements	$ -	$ -	$ -
Investment earnings	6,298	-	-
Securities lending income	43	-	-
Total revenues	6,341	-	-
EXPENDITURE			
Current:			
Education	-	1	-
Capital outlay	-	-	-
Securities lending	7	-	-
Total expenditures	7	1	-
Excess of revenue over (under) expenditures	6,334	(1)	-
OTHER FINANCING SOURCES (USES)			
General capital asset sale proceeds	-	-	-
Transfers out	(4,297)	-	-
Total other financing sources (uses)	(4,297)	-	-
Net change in fund balances	2,037	(1)	-
Fund balances - July 1 - as previously reported	110,065	75	10,000
Prior period adjustments	-	-	-
Fund balances - July 1 - as restated	110,065	75	10,000
Fund balances - June 30	$ 112,102	$ 74	$ 10,000

HISTORICAL SOCIETY TRUSTS	TOBACCO SETTLEMENT	HERITAGE TRUST	TOTAL
$ -	$ 13,257	$ -	$ 13,257
71	9,728	-	16,097
-	66	-	109
71	23,051	-	29,463
23	1	-	25
23	-	-	23
-	12	-	19
46	13	-	67
25	23,038	-	29,396
6	-	-	6
-	(5,933)	-	(10,230)
6	(5,933)	-	(10,224)
31	17,105	-	19,172
1,357	166,945	32	288,474
-	-	-	-
1,357	166,945	32	288,474
$ 1,388	$ 184,050	$ 32	$ 307,646

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 – This 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 – Any producer engaged in the growing of crops subject to damage by hail may participate in the hail insurance program. This 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.

State Lottery – This fund accounts for the operations of Montana's lottery.

Prison Industries – These operations 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 – This fund accounts for employee contributions to the Montana University System's medical/dental self-insurance plan.

MUS Workers Compensation – This fund accounts for self-insured workers compensation coverage for employees of the Montana University System.

Subsequent Injury – This 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 – This fund accounts for the Business and Government Services activities and the Administrative Code Program of the Secretary of State's Office.

Historical Society Publications – This 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 – The Department of Administration accounts for intragovernmental sales of state and federal surplus property to state agencies, local governments, and designated non-profit organizations.

West Yellowstone Airport – This fund, administered by the Department of Transportation, accounts for operations of the airport at West Yellowstone. User airlines are assessed rental and landing fees.

Local Government Audits – This fund accounts for the costs incurred by the Department of Administration for audits of local governments, required under Sections 2-7-501 through 522 of the Montana Code Annotated, and the fees assessed the local governments for the audits.

Flexible Spending Administration – This 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 – This fund accounts for a program that provides rental assistance to low-income families throughout Montana.

Other Enterprise Funds – This category includes several small enterprise funds administered by various agencies.

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
ASSETS				
Current assets:				
Cash/cash equivalents	$ 3,779	$ 3,362	$ 4,009	$ 3,163
Receivables (net)	19,788	5,330	1,699	338
Due from other governments	-	-	-	-
Due from other funds	-	-	-	1
Inventories	148	-	390	2,490
Securities lending collateral	-	1	2	-
Other current assets	40	756	78	-
Total current assets	23,755	9,449	6,178	5,992
Noncurrent assets:				
Long-term investments	-	14	31	-
Long-term notes/loans receivable	-	-	-	-
Other long-term assets	-	-	1,448	294
Capital assets:				
Land	-	-	-	690
Land improvements	-	-	-	731
Buildings/improvements	2,044	-	60	4,805
Equipment	845	-	2,981	4,735
Infrastructure	-	-	-	1,162
Construction in progress	-	-	-	274
Intangible assets	-	-	-	-
Other depreciable assets	-	-	-	4,154
Less accumulated depreciation	(2,210)	-	(2,084)	(7,546)
Total capital assets	679	-	957	9,005
Total noncurrent assets	679	14	2,436	9,299
Total assets	$ 24,434	$ 9,463	$ 8,614	$ 15,291
LIABILITIES				
Current liabilities:				
Accounts payable	$ 6,548	$ 590	$ 515	$ 330
Lottery prizes payable	-	-	2,377	-
Interfund loans payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	10,876	-	3,310	-
Unearned revenue	1,154	5,240	125	100
Current lease liability	-	-	72	-
Amounts held in custody for others	40	(1)	-	-
Securities lending liability	-	1	2	-
Estimated insurance claims	-	226	-	-
Compensated absences payable	187	5	123	100
Total current liabilities	18,805	6,061	6,524	530
Noncurrent liabilities:				
Advances from other funds	-	-	-	240
Long term lease liability	-	-	54	-
Lottery prizes payable	-	-	1,310	-
Estimated insurance claims	-	-	-	-
Compensated absences payable	161	29	94	217
OPEB implicit rate subsidy	666	76	533	561
Total noncurrent liabilities	827	- 105	- 1,991	- 1,018
Total liabilities	19,632	6,166	8,515	1,548
NET POSITION				
Net investment in capital assets	678	-	829	9,034
Restricted for:				
Other purposes	-	3,269	-	-
Unrestricted	4,124	28	(730)	4,709
Total net position	$ 4,802	$ 3,297	$ 99	$ 13,743

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ 17,641	$ 17,818	$ 536	$ 3,443	$ 182
715	32	105	1	36
-	-	-	1	-
-	-	-	-	-
-	-	-	12	451
13	13	-	2	1
26	97	-	-	-
18,395	17,960	641	3,459	670
33,312	181	4	36	25
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	514	11
-	-	-	-	-
-	-	-	2,925	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(417)	(10)
-	-	-	3,022	1
33,312	181	4	3,058	26
$ 51,707	$ 18,141	$ 645	$ 6,517	$ 696
$ 4,732	$ 112	$ -	$ 427	$ 32
-	-	-	-	-
-	-	1	-	-
-	-	-	-	-
-	-	-	-	-
19	-	-	8	100
-	-	-	10	-
-	-	-	-	-
13	13	-	2	1
6,400	2,358	1,500	-	-
23	6	-	210	4
11,187	2,489	1,501	657	137
-	-	-	-	-
-	-	-	5	-
-	-	-	-	-
-	5,261	2,009	-	-
71	-	-	98	4
109	18	-	938	114
- 180	5,279	2,009	- 1,041	- 118
11,367	7,768	3,510	1,698	255
-	-	-	3,008	1
40,340	10,373	(3,161)	-	-
-	-	296	1,811	440
$ 40,340	$ 10,373	$ (2,865)	$ 4,819	$ 441

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
ASSETS				
Current assets:				
Cash/cash equivalents	$ 273	$ 336	$ 352	$ 5,908
Receivables (net)	5	-	33	86
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Inventories	187	-	-	-
Securities lending collateral	-	-	-	-
Other current assets	-	-	-	-
Total current assets	465	336	385	5,994
Noncurrent assets:				
Long-term investments	-	-	-	7
Long-term notes/loans receivable	-	-	-	-
Other long-term assets	-	-	-	-
Capital assets:				
Land	-	110	-	-
Land improvements	-	3,099	-	-
Buildings/improvements	118	487	-	-
Equipment	110	461	-	-
Infrastructure	-	-	-	-
Construction in progress	-	58	-	-
Intangible assets	-	-	-	-
Other depreciable assets	-	-	-	-
Less accumulated depreciation	(150)	(1,887)	-	-
Total capital assets	78	2,328	-	-
Total noncurrent assets	78	2,328	-	7
Total assets	$ 543	$ 2,664	$ 385	$ 6,001
LIABILITIES				
Current liabilities:				
Accounts payable	$ 18	$ 79	$ 16	$ 652
Lottery prizes payable	-	-	-	-
Interfund loans payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1	-	-	1
Current lease liability	-	-	-	-
Amounts held in custody for others	-	-	-	-
Securities lending liability	-	-	-	-
Estimated insurance claims	-	-	-	-
Compensated absences payable	21	12	25	-
Total current liabilities	40	91	41	653
Noncurrent liabilities:				
Advances from other funds	-	-	-	-
Long term lease liability	-	-	-	-
Lottery prizes payable	-	-	-	-
Estimated insurance claims	-	-	-	-
Compensated absences payable	26	10	7	-
OPEB implicit rate subsidy	75	32	70	-
Total noncurrent liabilities	- 101	- 42	- 77	- -
Total liabilities	141	133	118	653
NET POSITION				
Net investment in capital assets	78	2,327	-	-
Restricted for:				
Other purposes	-	196	-	3,665
Unrestricted	324	8	267	1,683
Total net position	$ 402	$ 2,531	$ 267	$ 5,348

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 9,340	$ 1,412	$ 71,554
26	151	28,345
180	-	181
-	-	1
-	172	3,850
7	-	39
3	-	1,000
9,556	1,735	104,970
101	3	33,714
172	-	172
-	-	1,742
-	-	800
-	-	3,830
-	-	7,514
10	233	9,900
-	-	1,162
-	-	3,257
-	250	250
-	-	4,154
(10)	(156)	(14,470)
-	327	16,397
273	330	52,025
$ 9,829	$ 2,065	$ 156,995
$ 91	$ 146	$ 14,288
-	-	2,377
-	-	1
4	-	4
-	6	14,192
-	221	6,969
-	-	82
-	-	39
7	-	39
-	-	10,484
84	32	832
186	405	49,307
-	-	240
-	-	59
-	-	1,310
-	-	7,270
25	38	780
324	154	3,670
349	- 192	13,329
535	597	62,636
-	327	16,282
8,290	64	63,036
1,004	1,077	15,041
$ 9,294	$ 1,468	$ 94,359

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
Operating revenues:				
Charges for services	$ 85,215	$ -	$ 53,106	$ 7,615
Investment earnings	-	5	6	-
Contributions/premiums	-	8,029	-	-
Grants/contracts/donations	-	-	14	-
Other operating revenues	131	11	2	3
Total operating revenues	85,346	8,045	53,128	7,618
Operating expenses:				
Personal services	3,155	404	1,972	2,538
Contractual services	193	449	6,470	150
Supplies/materials	70,893	4	1,204	3,139
Benefits/claims	126	14,217	88	88
Depreciation	137	-	514	288
Amortization	-	-	-	-
Utilities/rent	172	9	623	204
Communications	72	11	623	45
Travel	28	57	40	13
Repair/maintenance	80	1	15	541
Lottery prize payments	-	-	29,548	-
Dividend expense	-	7	-	-
Interest expense	11	-	10	-
Other operating expenses	51	3	203	439
Total operating expenses	74,918	15,162	41,310	7,445
Operating income (loss)	10,428	(7,117)	11,818	173
Nonoperating revenues (expenses):				
Tax revenues	25,148	-	-	-
Gain (loss) on sale of capital assets	9	-	-	680
Increase (decrease) value of livestock	-	-	-	222
Total nonoperating revenues (expenses)	25,157	-	-	902
Income (loss) before contributions and transfers	35,585	(7,117)	11,818	1,075
Capital contributions	-	-	-	2
Transfers in	-	-	-	-
Transfers out	(35,691)	(66)	(12,199)	-
Change in net position	(106)	(7,183)	(381)	1,077
Total net position - July 1 - as previously reported	4,724	10,459	941	12,537
Prior period adjustments	184	21	(461)	129
Total net position - July 1 - as restated	4,908	10,480	480	12,666
Total net position - June 30	$ 4,802	$ 3,297	$ 99	$ 13,743

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS
$ -	$ -	$ -	$ 5,186	$ 732
708	25	1	4	-
80,471	2,170	1,023	-	-
34	-	-	-	-
687	-	-	(70)	12
81,900	2,195	1,024	5,120	744
511	92	-	3,314	193
6,601	542	-	473	55
87	1	-	112	282
72,653	1,932	690	149	11
-	-	-	22	-
-	-	-	-	-
49	-	-	225	20
32	1	-	171	32
75	-	-	32	8
-	-	-	20	4
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
631	631	-	79	62
80,639	3,199	690	4,597	667
1,261	(1,004)	334	523	77
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,261	(1,004)	334	523	77
-	-	-	-	-
-	-	-	-	-
-	-	(38)	-	(25)
1,261	(1,004)	296	523	52
39,079	11,377	(3,161)	4,078	373
-	-	-	218	16
39,079	11,377	(3,161)	4,296	389
$ 40,340	$ 10,373	$ (2,865)	$ 4,819	$ 441

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	FLEXIBLE SPENDING ADMINISTRATION
Operating revenues:				
Charges for services	$ 359	$ 115	$ 363	$ -
Investment earnings	-	-	-	1
Contributions/premiums	-	-	-	15,836
Grants/contracts/donations	-	16	-	-
Other operating revenues	-	181	41	-
Total operating revenues	359	312	404	15,837
Operating expenses:				
Personal services	239	143	332	-
Contractual services	19	173	20	391
Supplies/materials	644	12	7	-
Benefits/claims	11	4	14	14,040
Depreciation	11	162	-	-
Amortization	-	-	-	-
Utilities/rent	13	26	31	-
Communications	16	4	14	-
Travel	2	6	1	-
Repair/maintenance	41	12	-	-
Lottery prize payments	-	-	-	-
Dividend expense	-	-	-	-
Interest expense	-	-	-	-
Other operating expenses	10	9	15	10
Total operating expenses	1,006	551	434	14,441
Operating income (loss)	(647)	(239)	(30)	1,396
Nonoperating revenues (expenses):				
Tax revenues	-	-	-	-
Gain (loss) on sale of capital assets	7	-	-	-
Increase (decrease) value of livestock	-	-	-	-
Total nonoperating revenues (expenses)	7	-	-	-
Income (loss) before contributions and transfers	(640)	(239)	(30)	1,396
Capital contributions	607	-	-	-
Transfers in	-	157	-	-
Transfers out	-	-	-	(1)
Change in net position	(33)	(82)	(30)	1,395
Total net position - July 1 - as previously reported	420	2,607	277	3,953
Prior period adjustments	15	6	20	-
Total net position - July 1 - as restated	435	2,613	297	3,953
Total net position - June 30	$ 402	$ 2,531	$ 267	$ 5,348

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ -	$ 2,214	$ 154,905
19	-	769
-	-	107,529
40,220	-	40,284
-	-	998
40,239	2,214	304,485
1,202	639	14,734
1,504	1,008	18,048
35	213	76,633
36,110	29	140,162
-	22	1,156
-	6	6
90	24	1,486
49	5	1,075
26	45	333
24	54	792
-	-	29,548
-	-	7
-	-	21
273	37	2,453
39,313	2,082	286,454
926	132	18,031
-	-	25,148
(2)	-	694
-	-	222
(2)	-	26,064
924	132	44,095
-	-	609
-	-	157
-	-	(48,020)
924	132	(3,159)
8,589	1,293	97,546
(219)	43	(28)
8,370	1,336	97,518
$ 9,294	$ 1,468	$ 94,359

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from sales and service	$ 84,739	$ 5,985	$ 53,303	$ 7,663
Payments to suppliers for goods and services	(70,539)	689	(8,491)	(3,939)
Payments to employees	(3,336)	(440)	(2,109)	(2,635)
Grant receipts (expenses)	-	-	14	-
Cash payments for claims	-	(14,316)	-	-
Cash payments for prizes	-	-	(29,611)	-
Other operating revenues	132	11	1	3
Other operating payments	(51)	(10)	(203)	(438)
Net cash provided by (used for) operating activities	10,945	(8,081)	12,904	654
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of Taxes	25,148	-	-	-
Transfer to other funds	(35,691)	(66)	(12,200)	-
Transfer from other funds	-	-	-	-
Payment of interfund loans and advances	-	-	-	(80)
Payment of principal and interest on bonds and notes 2	(12)	-	(10)	-
Net cash provided by (used for) noncapital financing activities	(10,555)	(66)	(12,210)	(80)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	101	-	(438)	(435)
Net cash used for capital and related financing activities	101	-	(438)	(435)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	-	169	10	128
Interest and dividends on investments	-	5	(27)	-
Net cash provided by (used for) investing activities	-	174	(17)	128
Net increase (decrease) in cash and cash equivalends	491	(7,973)	239	267
Cash and cash equivalents, July 1	3,288	11,335	3,770	2,896
Cash and cash equivalents, June 30	$ 3,779	$ 3,362	$ 4,009	$ 3,163

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ 80,334	$ 2,115	$ 980	$ 5,196	$ 721
(5,412)	(515)	(1)	(857)	(391)
(473)	(89)	-	(3,531)	(204)
34	-	-	4	-
(72,940)	(2,360)	(690)	-	-
-	-	-	-	-
687	-	-	(70)	12
(631)	(630)	-	(80)	(62)
1,599	(1,479)	289	662	76
-	-	-	-	-
-	-	(38)	-	(25)
-	-	-	-	-
-	-	(36)	-	-
-	-	-	-	-
-	-	(74)	-	(25)
-	-	-	(759)	-
-	-	-	(759)	-
(11,978)	70	1	7	(9)
707	12	-	4	-
(11,271)	82	1	11	(9)
(9,672)	(1,397)	216	(86)	42
27,313	19,215	320	3,529	140
$ 17,641	$ 17,818	$ 536	$ 3,443	$ 182

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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	$ 375	$ 116	$ 348	$ 16,054
Payments to suppliers for goods and services	(740)	(166)	(73)	(249)
Payments to employees	(255)	(143)	(349)	-
Grant receipts (expenses)	-	16	-	-
Cash payments for claims	-	-	-	(14,041)
Cash payments for prizes	-	-	-	-
Other operating revenues	-	181	41	-
Other operating payments	(11)	(9)	(15)	(10)
Net cash provided by (used for) operating activities	(631)	(5)	(48)	1,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Collection of Taxes	-	-	-	-
Transfer to other funds	-	-	-	-
Transfer from other funds	-	157	-	-
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	-	157	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	618	(32)	-	-
Net cash used for capital and related financing activities	618	(32)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	-	-	-	1
Interest and dividends on investments	-	-	20	2
Net cash provided by (used for) investing activities	-	-	20	3
Net increase (decrease) in cash and cash equivalends	(13)	120	(28)	1,757
Cash and cash equivalents, July 1	286	216	380	4,151
Cash and cash equivalents, June 30	$ 273	$ 336	$ 352	$ 5,908

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 72	$ 2,164	$ 260,165
(1,760)	(1,499)	(93,943)
(1,285)	(668)	(15,517)
40,072	-	40,144
(36,053)	-	(140,400)
-	-	(29,611)
-	-	998
(273)	(38)	(2,461)
773	(41)	19,371
-	-	25,148
-	-	(48,020)
-	-	157
-	-	(116)
-	-	(22)
-	-	(22,853)
-	(3)	(948)
-	(3)	(948)
(188)	-	(11,789)
1	44	768
(187)	44	(11,021)
586	-	(15,451)
8,754	1,412	87,005
$ 9,340	$ 1,412	$ 71,554

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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)	$ 10,428	$ (7,117)	$ 11,818	$ 173
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	137	-	514	288
Amortization	-	-	-	-
Interest expense	11	-	10	-
Investment earnings	-	(5)	(6)	-
Decr (incr) in accounts receivable	(474)	(1,311)	(44)	49
Decr (incr) in due from other funds	-	-	-	(1)
Decr (incr) in due from other governments	-	-	-	-
Decr (incr) in inventories	140	-	56	72
Decr (incr) in other assets	-	(756)	238	-
Incr (Decr) in accounts payable	682	575	64	56
Incr (Decr) in lottery prizes payable	-	-	(63)	-
Incr (Decr) in due to other funds	(20)	(79)	446	-
Incr (Decr) in due to other governments	-	-	-	-
Incr (Decr) in unearned revenue	113	735	(27)	45
Incr (Decr) in amounts held in custody for others	-	(1)	-	-
Incr (Decr) in compensated absences payable	10	1	27	29
Incr (Decr) in OPEB implicit rate subsidy	(82)	(9)	(57)	(57)
Incr (Decr) in estimated claims	-	(114)	-	-
Incr (Decr) in lease installment	-	-	(72)	-
Net cash provided by (used for) operating activities	$ 10,945	$ (8,081)	$ 12,904	$ 654
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	-	-	-	2
Incr (decr) in fair value of investments	-	-	-	-
Total noncash Transactions	$ -	$ -	$ -	$ 2

MUS GROUP INSURANCE	MUS WORKERS COMPENSATION	SUBSEQUENT INJURY	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATION
$ 1,261	$ (1,004)	$ 334	$ 523	$ 77
-	-	-	22	-
-	-	-	-	-
-	-	-	-	-
(708)	(25)	(1)	(4)	-
(116)	(26)	(42)	2	(11)
-	-	-	-	-
-	-	-	4	-
-	-	-	17	19
(23)	(28)	-	7	-
1,438	31	(1)	206	10
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1	-	-	(12)	(17)
-	-	-	-	-
33	-	-	3	5
13	2	-	(97)	(7)
(300)	(429)	(1)	-	-
-	-	-	(9)	-
$ 1,599	$ (1,479)	$ 289	$ 662	$ 76
-	-	-	-	-
(278)	-	-	-	-
$ (278)	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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)	$ (647)	$ (239)	$ (30)	$ 1,396
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:				
Depreciation	11	162	-	-
Amortization	-	-	-	-
Interest expense	-	-	-	-
Investment earnings	-	-	-	(1)
Decr (incr) in accounts receivable	16	-	(14)	(81)
Decr (incr) in due from other funds	-	-	-	-
Decr (incr) in due from other governments	-	-	-	-
Decr (incr) in inventories	(12)	-	-	-
Decr (incr) in other assets	1	-	-	299
Incr (Decr) in accounts payable	5	69	3	151
Incr (Decr) in lottery prizes payable	-	-	-	-
Incr (Decr) in due to other funds	-	-	-	-
Incr (Decr) in due to other governments	-	-	-	-
Incr (Decr) in unearned revenue	1	-	-	(10)
Incr (Decr) in amounts held in custody for others	-	-	-	-
Incr (Decr) in compensated absences payable	2	6	2	-
Incr (Decr) in OPEB implicit rate subsidy	(8)	(3)	(9)	-
Incr (Decr) in estimated claims	-	-	-	-
Incr (Decr) in deferred inflows of resources	-	-	-	-
Net cash provided by (used for) operating activities	$ (631)	$ (5)	$ (48)	$ 1,754
Schedule of noncash transactions:				
Capital asset acquisitions from contributed capital	607	-	-	-
Incr (decr) in fair value of investments	-	-	-	-
Total noncash Transactions	$ 607	$ -	$ -	$ -

HUD SECTION 8 HOUSING	OTHER ENTERPRISE FUNDS	TOTAL
$ 926	$ 132	$ 18,031
-	22	1,156
-	6	6
-	-	21
(19)	-	(769)
70	(49)	(2,031)
-	-	(1)
(148)	-	(144)
-	(8)	284
1	-	(261)
35	(52)	3,272
-	-	(63)
-	6	353
(56)	-	(56)
-	(87)	742
-	-	(1)
1	8	127
(37)	(19)	(370)
-	-	(844)
-	-	(81)
$ 773	$ (41)	$ 19,371
-	-	609
-	-	(278)
$ -	$ -	$ 331

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 – This fund is used to account for interdepartmental and intradepartmental sales and use of FWP equipment.

Highway Equipment – This fund is used to account for interdepartmental and intradepartmental sales and use of Department of Transportation equipment.

Employee Group Benefits – This fund receives employee (excluding higher education units) withholdings and state contributions to the medical self-insurance plan.

Information Technology Services – State agencies and private users are assessed a fee for their use of the State's phone system, centralized data processing, and systems design services provided by the Department of Administration.

Administration Insurance – In this fund, the Department of Administration accounts for the State's property self-insurance program (including liability, property, flood, etc.).

Administration Supply – This fund is used by the Department of Administration to account for intragovernmental sales of office supplies and paper products to state agencies.

Motor Pool – State employee transportation is provided by the Department of Transportation through a pool of vehicles. The cost of operating the Motor Pool is recovered through rental rates charged to user agencies based on the average operating costs per mile for each class of vehicle.

Print & Mail Services – Agencies are assessed a fee for duplicating, typesetting, forms design, and graphic arts services.

Buildings & Grounds – Rental proceeds from state agencies are used to pay maintenance, security, and landscaping costs for state-owned property.

Central Service Funds – This fund group 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 – This fund is used to account 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 – This 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 – This fund accounts for the payments received from state agencies for the costs associated with the processing of all warrants other than payroll.

Investment Division – This fund accounts for costs associated with operations of the Board of Investments (BOI). BOI assists agencies in the investment of state funds. Costs of administering and accounting for each investment fund are allocated based on the dollar volume of investments held by user agencies.

Aircraft Operation – This fund is used by the Department of Natural Resources and Conservation to account for fees charged to users of state aircraft.

Justice Legal Services – The Attorney General's Office and the Department of Justice charge other state agencies a fee for legal assistance. The Department of Administration funds legal services with intradepartmental fees.

Personnel Training – This fund accounts for fees charged to state agencies for training state employees. The fees are used by the Department of Administration to pay instructors and purchase training materials.

Debt Collection – The debt collection component of this fund accounts for fees charged for the collection of bad debts.

Prison Industries – These operations provide training and employment for inmates, where the products produced are primarily sold to other state agencies.

Other Internal Services – This category includes several small internal service funds administered by various agencies.

SABHRS Finance and Budget Bureau – This 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, 2014
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
ASSETS					
Current assets:					
Cash/cash equivalents	$ 897	$ 1,963	$ 33,653	$ 6,862	$ 15,048
Receivables (net)	-	48	2,768	68	1
Interfund loans receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	5	-	-	-
Inventories	-	1,592	-	-	-
Securities lending collateral	-	-	18,599	-	9
Other current assets	-	-	-	451	-
Total current assets	897	3,608	55,020	7,381	15,058
Noncurrent assets:					
Long-term investments	-	-	44,738	-	124
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	-	-	-	-	-
Land improvements	-	-	-	-	-
Buildings/improvements	-	-	-	793	-
Equipment	12,829	157,996	-	21,059	8
Construction in progress	-	4,694	-	-	-
Intangible assets	-	-	-	-	815
Less accumulated depreciation	(6,690)	(91,700)	-	(19,219)	(3)
Total capital assets	6,139	70,990	-	2,633	820
Total noncurrent assets	6,139	70,990	44,738	2,633	944
Total assets	7,036	74,598	99,758	10,014	16,002
LIABILITIES					
Current liabilities:					
Accounts payable	225	1,127	3,576	5,919	673
Interfund loans payable	130	-	-	-	-
Due to other funds	-	-	-	-	4
Unavailable revenue	-	-	2,046	-	-
Amounts held in custody for others	-	-	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Securities lending liability	-	-	18,600	-	8
Estimated insurance claims	-	-	21,882	-	4,973
Compensated absences payable	8	530	69	988	109
Total current liabilities	363	1,657	46,173	6,907	5,767
Noncurrent liabilities:					
Advances from other funds	-	-	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Estimated insurance claims	-	-	221	-	12,578
Compensated absences payable	1	355	55	782	169
OPEB implicit rate subsidy	49	2,024	251	3,001	250
Total noncurrent liabilities	50	2,379	527	3,783	12,997
Total liabilities	413	4,036	46,700	10,690	18,764
NET POSITION					
Net investment in capital assets	6,139	70,990	-	2,632	819
Unrestricted	484	(428)	53,058	(3,308)	(3,581)
Total net position	$ 6,623	$ 70,562	$ 53,058	$ (676)	$ (2,762)

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 526	$ 986	$ 1,326	$ 817	$ 269	$ 1,068	$ 655	$ 1,105
-	-	19	3	-	1	1	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10	170	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	780	-	-	31	-	-
526	996	2,295	820	269	1,100	656	1,105
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	236	-	-	-	-	-	-
-	-	-	95	-	-	-	-
-	-	-	1,091	-	-	-	-
-	20,198	2,656	661	-	325	76	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(11,443)	(1,743)	(1,139)	-	(196)	(67)	-
-	8,991	913	708	-	129	9	-
-	8,991	913	708	-	129	9	-
526	9,987	3,208	1,528	269	1,229	665	1,105
3	173	591	593	84	338	71	72
-	-	-	-	-	-	-	-
-	844	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	86	-	-	9	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3	18	100	146	84	346	102	109
6	1,035	777	739	168	693	173	181
-	2,946	-	-	-	-	-	-
-	-	-	-	-	31	-	-
-	-	-	-	-	-	-	-
7	11	68	14	140	183	104	6
141	100	534	514	236	975	298	418
148	3,057	602	528	376	1,189	402	424
154	4,092	1,379	1,267	544	1,882	575	605
-	5,208	828	708	-	89	8	-
372	687	1,001	(447)	(275)	(742)	82	500
$ 372	$ 5,895	$ 1,829	$ 261	$ (275)	$ (653)	$ 90	$ 500

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
ASSETS					
Current assets:					
Cash/cash equivalents	$ 1,009	$ 1,437	$ 26	$ 952	$ 356
Receivables (net)	3	-	-	-	-
Interfund loans receivable	-	-	-	15	-
Due from other governments	-	7	-	-	-
Due from other funds	-	-	-	36	-
Inventories	-	3	61	-	-
Securities lending collateral	-	-	-	-	-
Other current assets	28	-	1	42	-
Total current assets	1,040	1,447	88	1,045	356
Noncurrent assets:					
Long-term investments	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	-	-	-	-	-
Land improvements	-	-	-	-	-
Buildings/improvements	-	-	-	-	-
Equipment	472	-	155	8	62
Construction in progress	-	27	-	-	-
Intangible assets	-	128	-	-	-
Less accumulated depreciation	(322)	-	(146)	(5)	(41)
Total capital assets	150	155	9	3	21
Total noncurrent assets	150	155	9	3	21
Total assets	1,190	1,602	97	1,048	377
LIABILITIES					
Current liabilities:					
Accounts payable	198	99	14	280	110
Interfund loans payable	-	-	-	-	-
Due to other funds	75	-	-	-	-
Deferred revenue	-	-	-	-	-
Amounts held in custody for others	-	3	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Securities lending liability	-	-	-	-	-
Estimated insurance claims	-	-	-	-	-
Compensated absences payable	273	118	6	174	67
Total current liabilities	546	220	20	454	177
Noncurrent liabilities:					
Advances from other funds	-	-	-	-	-
Lease/installment purchase payable	-	-	-	-	-
Estimated insurance claims	-	-	-	-	-
Compensated absences payable	229	44	5	322	63
OPEB implicit rate subsidy	896	422	85	428	204
Total noncurrent liabilities	1,125	466	90	750	267
Total liabilities	1,671	686	110	1,204	444
NET POSITION					
Net investment in capital assets	150	155	10	3	21
Unrestricted	(632)	762	(23)	(159)	(88)
Total net position	$ (482)	$ 917	$ (13)	$ (156)	$ (67)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 131	$ 101	$ 272	$ 2,094	$ 205	$ 1,020	$ 72,778
-	-	-	115	-	-	3,027
-	-	-	-	-	-	15
-	1	-	-	-	-	8
12	-	-	-	1	-	54
-	-	-	904	121	-	2,861
-	-	-	-	-	-	18,608
-	-	-	-	-	-	1,333
143	102	272	3,113	327	1,020	98,684
-	-	-	-	-	-	44,862
-	-	-	240	-	-	240
-	-	-	-	-	-	236
-	-	-	-	-	-	95
-	-	-	2,819	-	-	4,703
-	-	-	2,272	77	71	218,925
-	-	-	49	-	1,352	6,122
-	-	-	-	-	171	1,114
-	-	-	(2,889)	(71)	(60)	(135,734)
-	-	-	2,251	6	1,534	95,461
-	-	-	2,491	6	1,534	140,563
143	102	272	5,604	333	2,554	239,247
70	10	10	212	33	312	14,793
-	-	-	-	-	-	130
-	-	-	-	-	-	923
-	-	-	1	-	-	2,047
-	-	-	-	-	-	3
-	-	-	-	-	-	95
-	-	-	-	-	-	18,608
-	-	-	-	-	-	26,855
66	4	5	62	41	131	3,559
136	14	15	275	74	443	67,013
-	-	-	-	-	-	2,946
-	-	-	-	-	-	31
-	-	-	-	-	-	12,799
113	13	1	40	42	134	2,901
227	49	52	412	79	268	11,913
340	62	53	452	121	402	30,590
476	76	68	727	195	845	97,603
-	-	-	2,251	6	1,534	91,551
(333)	26	204	2,626	132	175	50,093
$ (333)	$ 26	$ 204	$ 4,877	$ 138	$ 1,709	$ 141,644

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	FWP EQUIPMENT	HIGHWAY EQUIPMENT	EMPLOYEE GROUP BENEFITS	INFO TECH SERVICES	ADMIN INSURANCE
Operating revenues:					
Charges for services	$ 3,246	$ 30,214	$ 1,315	$ 38,332	$ -
Investment earnings	-	-	950	-	24
Securities lending income	-	-	33	-	-
Contributions/premiums	-	-	158,332	-	13,886
Grants/contracts/donations	-	-	1,558	-	-
Other operating revenues	-	8	1,969	52	-
Total operating revenues	3,246	30,222	164,157	38,384	13,910
Operating expenses:					
Personal services	154	7,905	1,339	14,566	1,010
Contractual services	78	345	12,031	1,338	6,667
Supplies/materials	1,603	10,352	182	1,460	45
Benefits/claims	9	347	171,727	484	6,925
Depreciation	537	6,448	-	2,263	2
Amortization	-	-	-	-	216
Utilities/rent	29	110	323	10,395	77
Communications	7	8	147	7,010	25
Travel	19	16	18	158	25
Repair/maintenance	698	4,999	39	1,865	4
Grants	-	-	-	-	520
Interest expense	-	-	-	-	-
Other operating expenses	-	262	670	1,218	137
Total operating expenses	3,134	30,792	186,476	40,757	15,653
Operating income (loss)	112	(570)	(22,319)	(2,373)	(1,743)
Nonoperating revenues (expenses):					
Insurance proceeds	-	-	-	-	61
Gain (loss) on sale of capital assets	(6)	(108)	-	-	-
Federal indirect cost recoveries	-	-	-	-	-
Total nonoperating revenues (expenses)	(6)	(108)	-	-	61
Income (loss) before contributions and transfers	106	(678)	(22,319)	(2,373)	(1,682)
Capital contributions	-	783	-	33	-
Transfers in	258	774	-	20	1,202
Transfers out	-	-	-	(468)	(1)
Changes in net position	364	879	(22,319)	(2,788)	(481)
Total net position - July 1 - as previously reported	6,228	69,125	75,412	1,407	(2,353)
Prior period adjustments	31	558	(35)	705	72
Total net position - July 1 - as restated	6,259	69,683	75,377	2,112	(2,281)
Total net position - June 30	$ 6,623	$ 70,562	$ 53,058	$ (676)	$ (2,762)

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDING & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 29	$ 3,784	$ 10,674	$ 8,931	$ 1,625	$ 6,647	$ -	$ 1,169
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6	-	-	-	-
-	-	-	-	-	-	-	-
69	-	-	-	1	12	1,617	6
98	3,784	10,674	8,937	1,626	6,659	1,617	1,175
61	338	1,523	1,813	1,738	5,651	1,516	1,654
11	305	108	3,490	76	579	39	367
(46)	1,740	3,812	259	56	239	42	66
2	15	87	87	57	208	52	74
-	1,133	389	188	-	48	1	-
-	-	-	-	-	-	-	-
29	78	200	2,063	92	257	108	258
4	1	4,183	87	31	146	29	181
1	-	2	4	4	74	22	17
6	382	415	696	46	152	1	23
-	-	-	-	-	-	-	-
-	26	19	19	-	3	-	-
14	24	68	241	38	986	28	77
82	4,042	10,806	8,947	2,138	8,343	1,838	2,717
16	(258)	(132)	(10)	(512)	(1,684)	(221)	(1,542)
-	-	-	-	-	-	-	-
-	71	-	8	-	(10)	(1)	-
-	-	-	-	-	1,310	335	1,460
-	71	-	8	-	1,300	334	1,460
16	(187)	(132)	(2)	(512)	(384)	113	(82)
-	-	-	-	-	-	-	-
-	-	-	-	552	-	-	-
-	-	-	(328)	(20)	-	-	-
16	(187)	(132)	(330)	20	(384)	113	(82)
368	6,058	1,691	550	(378)	(544)	(99)	475
(12)	24	270	41	83	275	76	107
356	6,082	1,961	591	(295)	(269)	(23)	582
$ 372	$ 5,895	$ 1,829	$ 261	$ (275)	$ (653)	$ 90	$ 500

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	DEQ INDIRECT COST POOL	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION
Operating revenues:					
Charges for services	$ 4,623	$ 3,300	$ 645	$ 5,163	$ 622
Investment earnings	-	-	-	-	-
Securities lending income	-	-	-	-	-
Contributions/premiums	-	-	-	-	-
Grants/contracts/donations	-	-	-	-	-
Other operating revenues	3	1	-	-	-
Total operating revenues	4,626	3,301	645	5,163	622
Operating expenses:					
Personal services	4,224	1,794	192	2,858	1,218
Contractual services	998	475	144	1,483	69
Supplies/materials	206	112	(35)	38	261
Benefits/claims	153	63	11	74	36
Depreciation	43	-	-	-	1
Amortization	-	139	-	-	-
Utilities/rent	1,191	61	17	167	138
Communications	245	23	294	29	11
Travel	29	8	-	52	28
Repair/maintenance	99	354	13	1	291
Grants	-	-	-	-	-
Interest expense	-	-	-	-	-
Other operating expenses	134	123	12	454	18
Total operating expenses	7,322	3,152	648	5,156	2,071
Operating income (loss)	(2,696)	149	(3)	7	(1,449)
Nonoperating revenues (expenses):					
Insurance proceeds	-	-	-	-	-
Gain (loss) on sale of capital assets	(21)	-	-	-	-
Federal indirect cost recoveries	2,461	-	-	-	-
Total nonoperating revenues (expenses)	2,440	-	-	-	-
Income (loss) before contributions and transfers	(256)	149	(3)	7	(1,449)
Capital contributions	-	-	-	-	-
Transfers in	34	-	-	-	1,324
Transfers out	-	-	-	-	-
Changes in net position	(222)	149	(3)	7	(125)
Total net position - July 1 - as previously reported	(485)	676	(26)	(271)	6
Prior period adjustments	225	92	16	108	52
Total net position - July 1 - as restated	(260)	768	(10)	(163)	58
Total net position - June 30	$ (482)	$ 917	$ (13)	$ (156)	$ (67)

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU		TOTAL
$ 1,139	$ 408	$ 201	$ 6,900	$ 440	$ 3,821		133,228
-	-	-	-	-	-		974
-	-	-	-	-	-		33
-	-	-	-	-	-		172,224
-	-	-	-	-	-		1,558
-	-	-	-	-	-		3,738
1,139	408	201	6,900	440	3,821		311,755
950	189	141	1,373	754	1,513		54,474
66	29	4	50	32	608		29,392
19	39	4	4,223	87	96		24,860
30	8	10	69	26	49		180,603
-	-	-	126	1	-		11,180
-	-	-	-	-	148		503
66	27	-	168	56	31		15,941
12	3	5	17	10	17		12,525
10	15	-	-	2	10		514
-	2	-	151	11	785		11,033
-	-	-	-	-	-		520
-	-	-	(1)	-	-		66
10	17	9	219	68	134		4,961
1,163	329	173	6,395	1,047	3,391	-	346,572
(24)	79	28	505	(607)	430	-	(34,817)
-	-	-	-	-	-		61
-	-	1	-	-	-		(66)
-	-	-	-	466	-		6,032
-	-	1	-	466	-	-	6,027
(24)	79	29	505	(141)	430	-	(28,790)
-	-	-	-	-	-		816
-	-	-	-	81	-		4,245
-	-	-	-	-	-		(817)
(24)	79	29	505	(60)	430	-	(24,546)
(353)	(64)	162	4,271	177	1,207		163,240
44	11	13	101	21	72		2,950
(309)	(53)	175	4,372	198	1,279	-	166,190
$ (333)	$ 26	$ 204	$ 4,877	$ 138	$ 1,709	-	141,644

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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	$ 3,247	$ 30,196	$ 159,541	$ 38,672	$ 13,887
Payments to suppliers for goods and services	(2,643)	(17,743)	(13,228)	(18,513)	(6,476)
Payments to employees	(173)	(8,361)	(1,416)	(15,131)	(1,064)
Grant receipts (expenses)	-	-	1,558	-	(520)
Cash payments for claims	-	-	(164,211)	-	(6,235)
Other operating revenues	-	8	1,968	52	-
Other operating payments	(1)	(262)	(669)	(1,217)	(137)
Net cash provided by (used for) operating activities	430	3,838	(16,457)	3,863	(545)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	-	-	-	(470)	-
Transfer from other funds	258	774	-	20	1,201
Proceeds from interfund loans/advances	-	-	-	-	-
Payment of interfund loans and advances	30	-	-	-	-
Payment of principal and interest on bonds and notes	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	288	774	-	(450)	1,201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	61
Acquisition of capital assets	(1,148)	(6,539)	-	86	(441)
Proceeds from sale of capital assets					
Net cash used for capital and related financing activities	(1,148)	(6,539)	-	86	(380)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	-	(1,966)	-	23
Proceeds (loss) from securities lending transactions/investments	-	-	33	-	-
Interest and dividends on investments	-	-	950	-	96
Net cash provided by (used for) investing activities	-	-	(983)	-	119
Net increase (decrease) in cash and cash equivalents	(430)	(1,927)	(17,440)	3,499	396
Cash and cash equivalents, July 1	1,327	3,890	51,093	3,363	14,653
Cash and cash equivalents, June 30	$ 897	$ 1,963	$ 33,653	$ 6,860	$ 15,049

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 122	$ 3,784	$ 10,383	$ 8,936	$ 1,627	$ 6,620	$ 1	$ 1,168
(552)	(2,027)	(8,410)	(6,394)	(287)	(1,338)	(239)	(923)
(104)	(371)	(1,642)	(2,001)	(1,762)	(5,523)	(1,567)	(1,762)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69	-	-	-	1	1,322	1,952	1,467
(15)	(24)	(68)	(240)	(37)	(986)	(28)	(78)
(480)	1,362	263	301	(458)	95	119	(128)
-	-	-	(328)	(20)	-	-	-
-	-	-	-	636	-	-	-
-	-	-	-	-	-	-	-
-	2,007	-	-	-	-	-	-
-	(26)	(19)	(19)	-	(2)	-	-
-	1,981	(19)	(347)	616	(2)	-	-
-	-	-	-	-	-	-	-
(13)	(3,687)	(37)	(21)	-	(24)	75	107
(13)	(3,687)	(37)	(21)	-	(24)	75	107
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(493)	(344)	208	(67)	158	69	194	(21)
1,019	1,330	1,119	884	111	999	461	1,126
$ 526	$ 987	$ 1,325	$ 817	$ 269	$ 1,067	$ 654	$ 1,105

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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	$ 4,669	$ 3,301	$ 644	$ 5,247	$ 622
Payments to suppliers for goods and services	(2,780)	(1,088)	(467)	(1,757)	(883)
Payments to employees	(4,444)	(1,868)	(211)	(2,945)	(1,186)
Grant receipts (expenses)	-	(7)	-	-	-
Cash payments for claims	-	-	-	-	-
Other operating revenues	2,464	1	-	-	-
Other operating payments	(133)	(123)	(12)	(454)	(18)
Net cash provided by (used for) operating activities	(224)	216	(46)	91	(1,465)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Tranfer to other funds	-	-	-	-	-
Transfer from other funds	35	-	-	-	1,323
Proceeds from interfund loans/advances	-	-	-	(15)	-
Payment of interfund loans and advances	-	-	-	-	-
Payment of principal and interest on bonds and notes	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	35	-	-	(15)	1,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	-
Acquisition of capital assets	153	89	9	106	-
Proceeds from sale of capital assets					
Net cash used for capital and related financing activities	153	89	9	106	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	-	-	-	-
Proceeds (loss) from securities lending transactions/investments	-	-	-	-	-
Interest and dividends on investments	-	-	-	-	-
Net cash provided by (used for) investing activities	-	-	-	-	-
Net increase (decrease) in cash and cash equivalends	(36)	305	(37)	182	(142)
Cash and cash equivalents, July 1	1,045	1,132	63	770	498
Cash and cash equivalents, June 30	$ 1,009	$ 1,438	$ 25	$ 953	$ 356

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ 1,128	$ 408	$ 201	$ 6,879	$ 441	$ 3,831	$ 305,555
(177)	(115)	(10)	(4,472)	(166)	(1,323)	(92,011)
(992)	(221)	(155)	(1,485)	(722)	(1,617)	(56,723)
-	-	-	-	-	-	1,031
-	-	-	-	-	-	(170,446)
-	-	-	-	466	-	9,770
(10)	(17)	(9)	(220)	(69)	(133)	(4,960)
(51)	55	27	702	(50)	758	(7,784)
-	-	-	-	-	-	(818)
-	-	-	-	82	-	4,329
-	-	-	80	-	-	65
-	-	-	-	-	-	2,037
-	-	-	-	-	-	(66)
-	-	-	80	82	-	5,547
-	-	-	-	-	-	61
43	-	-	(58)	-	(447)	(11,747)
43	-	-	(58)	-	(447)	(11,686)
-	-	-	-	-	-	(1,943)
-	12	14	101	21	73	254
-	-	-	-	-	-	1,046
-	12	14	101	21	73	(643)
(7)	67	41	825	52	383	(14,566)
139	34	231	1,269	152	636	87,344
$ 131	$ 102	$ 273	$ 2,094	$ 205	$ 1,020	$ 72,778

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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)	$ 112	$ (570)	$ (22,319)	$ (2,373)	$ (1,743)
Adjustments to reconcile operating income					
Depreciation	536	6,448	-	2,264	2
Amortization	-	-	-	-	216
Interest expense	-	-	-	-	-
Investment earnings	-	-	(949)	-	(24)
Securities lending income	-	-	(33)	-	-
Federal indirect cost recoveries	-	-	-	-	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	-	(12)	(275)	50	1
Decr (incr) in due from other funds	-	(5)	-	-	-
Decr (incr) in due from other governments	-	-	-	-	-
Decr (incr) in inventories	-	234	-	-	-
Decr (incr) in other assets	-	-	170	290	-
Incr (decr) in accounts payable	(209)	(2,061)	(54)	3,802	377
Incr (decr) in due to other funds	-	-	-	-	3
Incr (decr) in unearned revenue	-	-	(432)	-	-
Incr (decr) in compensated absences payable	(3)	29	6	144	14
Incr (decr) in OPEB implicit rate subsidy	(6)	(225)	(34)	(314)	(32)
Incr (decr) in estimated claims	-	-	7,463	-	641
Incr (decr) in lease installments	-	-	-	-	-
Net cash provided by (used for) operating activities	$ 430	$ 3,838	$ (16,457)	$ 3,863	$ (545)
Schedule of noncash transactions:					
Increase (decrease) in value of investments	-	-	(209)	-	-
Capital asset acquisitions from contributed capital	-	783	-	33	-
Total noncash transactions	$ -	$ 783	$ (209)	$ 33	$ -

ADMIN SUPPLY	MOTOR POOL	PRINT & MAIL SERVICES	BUILDINGS & GROUNDS	ADMIN CENTRAL SERVICES	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	OPI CENTRAL SERVICES
$ 16	$ (258)	$ (132)	$ (10)	$ (512)	$ (1,684)	$ (221)	$ (1,542)
-	1,132	389	188	-	48	1	-
-	-	-	-	-	-	-	-
-	26	19	19	-	3	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,311	335	1,460
84	-	(4)	(1)	-	(1)	1	-
1	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2	2	40	-	-	-	-	-
7	-	(287)	-	3	(27)	-	-
(560)	(3)	394	218	31	136	16	(2)
-	480	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(29)	(7)	16	(56)	57	108	21	4
(1)	(10)	(57)	(57)	(37)	161	(34)	(48)
-	-	-	-	-	-	-	-
-	-	(115)	-	-	40	-	-
$ (480)	$ 1,362	$ 263	$ 301	$ (458)	$ 95	$ 119	$ (128)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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)	$ (2,696)	$ 149	$ (3)	$ 7	$ (1,449)
Adjustments to reconcile operating income					
Depreciation	43	-	-	-	1
Amortization	-	139	-	-	-
Interest expense	-	-	-	-	-
Investment earnings	-	-	-	-	-
Securities lending income	-	-	-	-	-
Federal indirect cost recoveries	2,461	-	-	-	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	1	-	-	-	-
Decr (incr) in due from other funds	54	-	-	4	-
Decr (incr) in due from other governments	-	(7)	-	-	-
Decr (incr) in inventories	-	14	(40)	-	-
Decr (incr) in other assets	(9)	2	(1)	78	-
Incr (decr) in accounts payable	9	(59)	5	26	(71)
Incr (decr) in due to other funds	(5)	-	-	-	-
Incr (decr) in deferred revenue	-	-	-	-	-
Incr (decr) in compensated absences payable	18	19	-	24	26
Incr (decr) in OPEB implicit rate subsidy	(100)	(41)	(7)	(48)	28
Incr (decr) in estimated claims	-	-	-	-	-
Incr (decr) in lease installments	-	-	-	-	-
Net cash provided by (used for)	$ (224)	$ 216	$ (46)	$ 91	$ (1,465)
Schedule of noncash transactions:	-	-	-	-	-
Increase (decrease) in value of investments	-	-	-	-	-
Capital asset acquisitions from contributed capital	$ -	$ -	$ -	$ -	$ -

JUSTICE LEGAL SERVICES	PERSONNEL TRAINING	DEBT COLLECTION	PRISON INDUSTRIES	OTHER INTERNAL SERVICES	SABHRS FINANCE & BUDGET BUREAU	TOTAL
$ (24)	$ 79	$ 28	$ 505	$ (607)	$ 430	$ (34,817)
-	-	-	126	1	1	11,180
-	-	-	-	-	147	502
-	-	-	-	-	-	67
-	-	-	-	-	-	(973)
-	-	-	-	-	-	(33)
-	-	-	-	466	-	6,033
-	-	-	(20)	-	-	(176)
(10)	-	-	-	-	-	44
-	-	-	-	-	-	(7)
-	-	-	57	28	-	337
-	-	-	-	1	9	236
13	(26)	3	75	16	235	2,311
-	-	-	-	-	-	478
-	-	-	1	-	-	(431)
(11)	7	2	3	44	(32)	404
(19)	(5)	(6)	(45)	1	(32)	(968)
-	-	-	-	-	-	8,104
-	-	-	-	-	-	(75)
$ (51)	$ 55	$ 27	$ 702	$ (50)	$ 758	$ (7,784)
-	-	-	-	-	-	(209)
-	-	-	-	-	-	816
$ -	$ -	$ -	$ -	$ -	$ -	$ 607

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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 – This fund provides retirement benefits to substantially all public employees not covered by another public system.

Municipal Police Officers Retirement System – This fund provides retirement benefits to all municipal police officers covered by the plan.

Firefighters Unified Retirement System – This 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.

Sheriffs Retirement System – This fund provides retirement benefits for sheriffs, detention officers, and State Department of Justice investigators.

Highway Patrol Officers Retirement System – This fund provides retirement benefits for all members of the Montana Highway Patrol.

Judges Retirement System – This fund provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge.

Game Wardens & Peace Officers Retirement System – This fund provides retirement benefits for all persons employed as game wardens, supervisory personnel, and state peace officers.

Volunteer Firefighters Compensation Act – This 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 – 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 – 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 – This fund provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the university system.

Voluntary Employee Benefit Association – This 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, 2014
(amounts expressed in thousands)

	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)						
	PUBLIC EMPLOYEES DEFINED BENEFITS	PERS DCRP DISABILITY OPEB	MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL	JUDGES
ASSETS							
Cash/cash equivalents	$ 112,640	$ 2,433	$ 6,116	$ 6,418	$ 7,145	$ 2,955	$ 2,073
Receivables (net):							
Accounts receivable	1,649	-	221	185	212	-	5
Interest	5,367	-	333	336	308	137	91
Due from primary government	3,602	-	13,049	13,007	-	-	-
Due from other PERB plans	454	9	-	-	-	-	-
Long-term notes/loans receivable	20	-	-	-	-	-	-
Total receivables	11,092	9	13,603	13,528	520	137	96
Investments at fair value:							
Equity in pooled investments	4,824,381	-	299,406	301,547	276,941	122,839	81,935
Other investments	1,179	27	67	70	77	29	22
Total investments	4,825,560	27	299,473	301,617	277,018	122,868	81,957
Securities lending collateral	207,294	2	12,864	12,958	11,902	5,278	3,520
Capital assets:							
Land	-	-	-	-	-	-	-
Buildings/improvements	23	-	-	-	-	-	-
Equipment	38	-	3	3	4	3	4
Construction work in progress	613	-	160	159	180	153	180
Accumulated depreciation	(11)	-	(2)	(2)	(2)	(2)	(2)
Total capital assets	663	-	161	160	182	154	182
Total assets	5,157,249	2,471	332,217	334,681	296,767	131,392	87,828
LIABILITIES							
Accounts payable	1,042	-	63	75	68	54	62
Due to primary government	2,069	-	-	-	-	-	-
Due to other PERB plans	376	-	85	73	112	32	9
Unearned revenue	107	-	2	4	11	4	-
Amounts held in custody for others	-	-	-	-	-	-	-
Securities lending liability	207,294	2	12,864	12,958	11,902	5,278	3,520
Compensated absences payable	294	-	9	8	9	8	9
OPEB implicit rate subsidy	393	-	6	5	7	3	2
Total liabilities	211,575	2	13,029	13,123	12,109	5,379	3,602
NET POSITION							
Held in trust for pension benefits and other purposes	$ 4,945,674	$ 2,469	$ 319,188	$ 321,558	$ 284,658	$ 126,013	$ 84,226

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)						
GAME WARDENS PEACE OFFICERS	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTION	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 3,906	$ 2,373	$ 1,385	$ 1,031	$ 85,841	$ 3,111	$ 237,427
-	1	18	274	23,221	2	25,788
150	34	-	-	3,938	-	10,694
-	-	-	-	-	-	29,658
-	-	355	-	-	-	818
-	-	-	-	-	-	20
150	35	373	274	27,159	2	66,978
134,641	30,815	-	-	3,538,422	-	9,610,927
39	25	127,741	432,457	826	4,049	566,608
134,680	30,840	127,741	432,457	3,539,248	4,049	10,177,535
5,784	1,326	1	-	152,072	-	413,001
-	-	-	-	35	-	35
-	-	3	2	158	-	186
4	3	5	5	207	-	279
180	147	147	174	499	-	2,592
(2)	(1)	(2)	(2)	(282)	-	(310)
182	149	153	179	617	-	2,782
144,702	34,723	129,653	433,941	3,804,937	7,162	10,897,723
79	50	155	401	249	83	2,381
-	-	-	-	-	-	2,069
70	62	-	-	-	-	819
8	-	-	-	-	-	136
-	-	-	5	-	-	5
5,784	1,326	1	-	152,072	-	413,001
9	8	38	32	154	2	580
5	5	45	28	240	3	742
5,955	1,451	239	466	152,715	88	419,733
$ 138,747	$ 33,272	$ 129,414	$ 433,475	$ 3,652,222	$ 7,074	$ 10,477,990

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

	PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)						
	PUBLIC EMPLOYEES DEFINED BENEFITS	MUNICIPAL POLICE	MUNICIPAL POLICE	FIRE FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL	JUDGES
ADDITIONS							
Contributions/premiums:							
Employer	$ 96,185	$ 311	$ 6,460	$ 5,767	$ 6,689	$ 5,474	$ 1,651
Employee	92,042	-	4,125	4,692	6,430	1,456	469
Other contributions	34,742	-	13,057	13,013	17	264	12
Net investment earnings:							
Investment earnings	758,488	3	46,851	47,094	43,287	19,347	12,866
Administrative investment expenses	(26,863)	-	(1,660)	(1,669)	(1,534)	(685)	(456)
Securities lending income	1,016	-	63	63	58	26	17
Securities lending expense	(159)	-	(10)	(10)	(9)	(4)	(3)
Charges for services	-	-	-	-	-	-	-
Other additions	-	-	-	-	-	-	-
Total additions	955,451	314	68,886	68,950	54,938	25,878	14,556
DEDUCTIONS							
Benefits	296,260	29	19,451	18,873	12,733	9,345	3,024
Refunds	10,357	-	1,078	180	1,211	99	-
Administrative expenses:							
Personal services	2,497	-	45	45	50	42	50
Contractual services	1,033	-	35	34	38	33	39
Supplies/materials	96	-	-	-	-	-	-
Depreciation	3	-	1	1	1	1	1
Utilities/rent	236	-	-	-	-	-	-
Communications	132	-	-	-	-	-	-
Travel	36	-	-	-	-	-	-
Repair/maintenance	3	-	-	-	-	-	-
Other operating expenses	(331)	-	85	73	112	32	9
Local assistance	-	-	-	-	-	-	-
Transfer to MUS-RP	174	-	-	-	-	-	-
Transfer to PERS-DCRP	1,028	-	-	-	-	-	-
Total deductions	311,524	29	20,695	19,206	14,145	9,552	3,123
Changes in net position	643,927	285	48,191	49,744	40,793	16,326	11,433
Net position- July 1- as previously reported	4,301,833	2,184	271,009	271,826	243,876	109,691	72,795
Prior period adjustments	(86)	-	(12)	(12)	(11)	(4)	(2)
Net position - July 1- as restated	4,301,747	2,184	270,997	271,814	243,865	109,687	72,793
Net position - June 30	$ 4,945,674	$ 2,469	$ 319,188	$ 321,558	$ 284,658	$ 126,013	$ 84,226

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)

GAME WARDENS PEACE OFFICERS	VOLUNTEER FIRE FIGHTERS	PUBLIC EMPLOYEES DEFINED CONTRIBUTION	PUBLIC EMPLOYEES 457 PLAN	TEACHERS RETIREMENT SYSTEM	VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION	TOTAL
$ 3,762	$ -	$ 4,410	$ 81	$ 83,440	$ 2,679	$ 216,909
4,461	-	8,534	24,255	70,468	-	216,932
2	1,818	-	-	64,923	-	127,848
20,789	4,988	18,464	36,286	559,657	990	1,569,110
(738)	(177)	(97)	(1,121)	(20,013)	-	(55,013)
28	7	-	-	751	-	2,029
(4)	(1)	-	-	(116)	-	(316)
-	-	40	191	-	-	231
-	-	252	-	6	-	258
28,300	6,635	31,603	59,692	759,116	3,669	2,077,988
3,980	2,282	4,748	24,256	285,240	2,262	682,483
1,250	-	-	-	4,789	-	18,964
51	41	309	228	1,237	27	4,622
38	31	340	584	451	-	2,656
-	1	12	8	44	-	161
1	-	1	1	21	-	32
-	-	28	17	58	-	339
-	-	10	5	93	-	240
-	-	7	5	24	-	72
-	-	-	-	27	-	30
70	61	15	10	66	64	266
-	14	-	-	-	-	14
-	-	-	-	-	-	174
-	-	-	-	-	-	1,028
5,390	2,430	5,470	25,114	292,050	2,353	711,081
22,910	4,205	26,133	34,578	467,066	1,316	1,366,907
115,841	29,067	103,298	398,855	3,185,064	5,757	9,111,096
(4)	-	(18)	42	93	1	(13)
115,837	29,067	103,280	398,897	3,185,157	5,758	9,111,083
$ 138,747	$ 33,272	$ 129,413	$ 433,475	$ 3,652,223	$ 7,074	$ 10,477,990

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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 – This fund accounts for monies contributed towards a "qualified tuition program" under section 529 of the Internal Revenue Code of 1986, as amended. This plan is a voluntary college savings plan whose participants are both Montana residents and out-of-state individuals.

Escheated Property – This fund accounts for property that has reverted to the State due to the absence of legal claimants or heirs and is held in trust for distribution to these heirs when identified.

Plan Securities – This fund accounts for the unliquidated security bonds held on deposit from self-insured employers. These funds either revert to the employer at a later date or are cashed and assumed by the State to be used on the employee's behalf.

Woodville Highway Replacement – This fund accounts for money paid to the Montana 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.

Moore-Sipple Connector – Money is held in trust to ensure the continued operation of the Moore-Sipple Connector. The interest earnings on this money are provided to Central Montana Rail, Inc. for use in operating the railroad. The balance is currently retained in the fund that is managed by the Department of Transportation.

Performance Deposits – This fund accounts for deposits held long-term by the State pending compliance with performance agreements. As well as, environmental reclamation bonds held in trust to be either returned to the company upon successful reclamation of mining properties and related impacts or to be used by the State to complete the related process.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ASSETS				
Cash/cash equivalents	$ 114,168	$ 4,180	$ -	$ 47
Receivables (net):				
Accounts receivable				
Interest	-	-	-	-
Total receivables	-	-	-	-
Investments at fair value:				
Other investments	125,174	45	-	1
Total investments	125,174	45	-	1
Securities lending collateral	-	3	-	-
Other assets	-	-	29,053	-
Total assets	239,342	4,228	29,053	48
LIABILITIES				
Accounts payable	-	30	-	-
Amounts held in custody for others	-	1	-	-
Securities lending liability	-	3	-	-
Total liabilities	-	34	-	-
NET POSITION				
Held in trust for other purposes	$ 239,342	$ 4,194	$ 29,053	$ 48

MOORE-SIPPLE CONNECTOR	ENVIRONMENTAL RECLAIM	TOTAL
$ 235	$ 24,760	$ 143,390
1		1
-	2	2
1	2	3
3	12,719	137,942
3	12,719	137,942
-	16	19
-	4,443	33,496
239	41,940	314,850
-	-	30
-	-	1
-	16	19
-	16	50
$ 239	$ 41,924	$ 314,800

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2014
(amounts expressed in thousands)

	COLLEGE SAVINGS PLAN	ESCHEATED PROPERTY	PLAN SECURITIES	WOODVILLE HIGHWAY REPLACEMENT
ADDITIONS				
Participant contributions	$ 40,272	$ -	$ 1,540	$ -
Net investment earnings:				
Investment earnings	(1,197)	4	-	1
Other additions	-	4,227	-	-
Total additions	39,075	4,231	1,540	1
DEDUCTIONS				
Distributions	26,987	3,463	-	-
Administrative expenses:				
Contractual services	338	-	-	-
Total deductions	27,325	3,463	-	-
Change in net position	11,750	768	1,540	1
Net position - July 1 - as previously reported	227,592	3,426	27,513	47
Prior period adjustments	-	-	-	-
Net position - July 1 - as restated	227,592	3,426	27,513	47
Net position - June 30	$ 239,342	$ 4,194	$ 29,053	$ 48

MOORE-SIPPLE CONNECTOR	ENVIRONMENTAL RECLAIM	TOTAL
$ -	$ 1	$ 41,813
-	30	(1,162)
-	1,969	6,196
-	2,000	46,847
-	1,321	31,771
-	1	339
-	1,322	32,110
-	678	14,737
239	41,246	300,063
-	-	-
239	41,246	300,063
$ 239	$ 41,924	$ 314,800

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AGENCY FUNDS

Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments. A brief description of each agency fund follows:

Performance Deposits – This fund accounts for deposits held by the State pending compliance with performance agreements.

Central Payroll – This fund accounts for the accumulation of state employee payroll and withholding by the Department of Administration, pending remittance to employees and other appropriate third parties.

Criminal Offender Restitution – Accounts for restitution payments received from prisoners and disbursed to their victims.

Custodial Accounts – This fund accounts for monies belonging to state institution residents, students of the School for the Deaf and Blind, and participants in the foster children and protective services programs. The fund also accounts for balances held by the Office of the Commissioner of Higher Education for remittance, on behalf of eligible employees of the Montana University System, to the TIAA-CREF (Teachers Insurance and Annuity Association-College Retirement Equities Fund) retirement fund. Department of Transportation employee union pension monies are held in this fund, awaiting remittance to the corresponding union. This fund also accounts for wages collected from employers on behalf of employee wage complaints filed under authority of the Montana Wages and Wage Protection Act.

Child Support Collections – This fund accounts for payments from parents under the Child Support Enforcement Program administered by the Department of Public Health and Human Services.

Uncleared Collections – This fund accounts for resources held pending distribution to other funds and local governments. The balances in this fund related to other fund types are distributed to those funds each fiscal year-end. Balances remaining relate to external parties.

Intergovernmental – This fund accounts for resources that flow through state agencies to federal and local governments.

Debt Collection – This fund accounts for amounts due to the State which have been written off as uncollectible by the receiving agency. The Department of Revenue continues to attempt to collect amounts owing for a period of time after they are deemed uncollectible by the receiving agency.

Milk Passthrough – This fund accounts for the distribution of the proceeds from the sale of pooled milk.

OPEB State – This fund accounts for the State's employee contributions received and premium payments made during the year for OPEB (Other Postemployment Benefits).

OPEB MUS – This fund accounts for the Montana University System’s (MUS) employee contributions received and premium payments made during the year for OPEB (Other Postemployment Benefits).

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30,2014
(amounts expressed in thousands)

	PERFORMANCE DEPOSITS	CENTRAL PAYROLL	CRIMINAL OFFENDER RESTITUTION	CUSTODIAL ACCOUNTS	CHILD SUPPORT COLLECTIONS
ASSETS					
Cash/cash equivalents	$ 1,602	$ 5,904	$ 500	$ 1,535	$ 653
Receivables (net):					
Accounts receivable	57	-	-	-	535
Total receivables	57	-	-	-	535
Investments at fair value:					
Other investments	-	-	-	2	-
Total investments	-	-	-	2	-
Other assets	416	-	-	20	-
Total assets	2,075	5,904	500	1,557	1,188
LIABILITIES					
Accounts payable	8	1,570	11	76	692
Amounts held in custody for others	2,067	4,334	489	1,481	496
Total liabilities	2,075	5,904	500	1,557	1,188
NET POSITION					
Held in trust for pension benefits and other purposes	$ -	$ -	$ -	$ -	$ -

UNCLEARED COLLECTIONS	INTER-GOVERNMENTAL	DEBT COLLECTION	OPEB MUS	OPEB STATE	INVESTMENT POOL	MILK PASS-THROUGH	TOTAL
$ 9	$ 69	$ 594	$ -	$ -	$ -	$ 81	$ 10,947
-	-	-	-	-	-	-	592
-	-	-	-	-	-	-	592
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	436
9	69	594	-	-	-	81	11,977
-	1	8	-	-	-	-	2,366
9	68	586	-	-	-	81	9,611
9	69	594	-	-	-	81	11,977
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(amounts expressed in thousands)

FUND	BALANCE JUNE 30, 2013	TOTALS ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
ENVIRONMENTAL RECLAIM				
ASSETS				
Cash/cash equivalents	$ 620	$ 103,996	$ 103,014	$ 1,602
Receivables (net)	-	78	21	57
Other assets	431	240	255	416
Total assets	$ 1,051	$ 104,314	$ 103,290	$ 2,075
LIABILITIES				
Accounts payable	$ 7	$ 878	$ 877	$ 8
Amounts held in custody for others	1,044	2,726	1,703	2,067
Total liabilities	$ 1,051	$ 3,604	$ 2,580	$ 2,075
CENTRAL PAYROLL:				
ASSETS				
Cash/cash equivalents	$ 7,444	$ 894,899	$ 896,439	$ 5,904
Total assets	$ 7,444	$ 894,899	$ 896,439	$ 5,904
LIABILITIES				
Accounts payable	$ 38	$ 10,456	$ 8,924	$ 1,570
Amounts held in custody for others	7,406	894,517	897,589	4,334
Total liabilities	$ 7,444	$ 904,973	$ 906,513	$ 5,904
CRIMINAL OFFENDER RESTITUTTION:				
ASSETS				
Cash/cash equivalents	$ 936	$ 4,445	$ 4,881	$ 500
Total assets	$ 936	$ 4,445	$ 4,881	$ 500
LIABILITIES				
Accounts Payable	$ 4	$ 3,013	$ 3,006	$ 11
Amounts held custody others	932	4,441	4,884	489
Total liabilities	$ 936	$ 7,454	$ 7,890	$ 500
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/cash equivalents	$ 1,740	$ 9,189	$ 9,394	$ 1,535
Investments	3	2	3	2
Other assets	8	525	513	20
Total assets	$ 1,751	$ 9,716	$ 9,910	$ 1,557
LIABILITIES				
Accounts Payable	$ 7	$ 2,781	$ 2,712	$ 76
Amts held custody others	1,744	10,645	10,908	1,481
Total liabilities	$ 1,751	$ 13,426	$ 13,620	$ 1,557
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 465	$ 73,094	$ 72,906	$ 653
Receivables (net)	493	53	11	535
Total assets	$ 958	$ 73,147	$ 72,917	$ 1,188

LIABILITIES				
Accounts Payable	$ 488	$ 69,407	$ 69,203	$ 692
Amounts held custody others	470	73,132	73,106	496
Total liabilities	$ 958	$ 142,539	$ 142,309	$ 1,188
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/cash equivalents	$ 1	$ 11,726,377	$ 11,726,369	$ 9
Receivables (net)	-	389	389	-
Total assets	$ 1	$ 11,726,766	$ 11,726,758	$ 9
LIABILITIES				
Accounts Payable	$ -	$ 7,195	$ 7,195	$ -
Amounts held in custody others	1	8,366	8,358	9
Total liabilities	$ 1	$ 15,561	$ 15,553	$ 9
INTERGOVERNMENTAL:				
ASSETS				
Cash/cash equivalents	$ 55	$ 311	$ 297	$ 69
Investments	-	2	2	-
Total assets	$ 55	$ 313	$ 299	$ 69
LIABILITIES				
Accounts Payable	$ 1	$ 134	$ 134	$ 1
Amounts held in custody others	54	311	297	68
Total liabilities	$ 55	$ 445	$ 431	$ 69
DEBT COLLECTION:				
ASSETS				
Cash/cash equivalents	$ 119	$ 7,455	$ 6,980	$ 594
Receivables (net)	-	9	9	-
Total assets	$ 119	$ 7,464	$ 6,989	$ 594
LIABILITIES				
Accounts Payable	$ 5	$ 8,921	$ 8,918	$ 8
Amounts held in custody others	114	1,369	897	586
Total liabilities	$ 119	$ 10,290	$ 9,815	$ 594
MILK PASSTHROUGH:				
ASSETS				
Cash/cash equivalents	$ 83	$ 285	$ 287	$ 81
Investments	-	3	3	-
Total assets	$ 83	$ 288	$ 290	$ 81
LIABILITIES				
Accounts Payable	$ 30	$ 287	$ 317	$ -
Amounts held custody others	53	285	257	81
Total liabilities	$ 83	$ 572	$ 574	$ 81
OPEB STATE:				
ASSETS				
Cash/cash equivalents	$ -	$ 25,493	$ 25,493	$ -
Total assets	$ -	$ 25,493	$ 25,493	$ -
LIABILITIES				
Amounts held custody others	$ -	$ 25,493	$ 25,493	$ -
Total liabilities	$ -	$ 25,493	$ 25,493	$ -

OPEB MUS:				
ASSETS				
Cash/cash equivalents	$ -	$ 10,099	$ 10,099	$ -
Total assets	$ -	$ 10,099	$ 10,099	$ -
LIABILITIES				
Amounts held custody others	$ -	$ 10,099	$ 10,099	$ -
Total liabilities	$ -	$ 10,099	$ 10,099	$ -
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash/cash equivalents	$ 11,463	$ 12,855,643	$ 12,856,159	$ 10,947
Receivables (net)	493	529	430	592
Investments	3	7	8	2
Other assets	439	765	768	436
Total assets	$ 12,398	$ 12,856,944	$ 12,857,365	$ 11,977
LIABILITIES				
Accounts Payable	$ 580	$ 103,072	$ 101,286	$ 2,366
Amts held custody others	11,818	995,792	997,999	9,611
Total liabilities	$ 12,398	$ 1,098,864	$ 1,099,285	$ 11,977

STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements, and required supplementary information of the primary government of the State of Montana in understanding and assessing the State's overall financial health.

Financial Trends Information

These schedules present trend information to help understand how the State's financial performance and fiscal health have changed over time.

Revenue Capacity Information

These schedules contain information to help understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information

These schedules present information to help understand and assess the State's level of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules contain demographic and economic indicators to help understand the environment within which the State's financial activities take place.

Operating Information

These schedules provide operating data to help understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Sources: Unless otherwise noted, the information in the following schedules is derived from the State of Montana Comprehensive Annual Financial Report.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ 2,528,808	$ 2,842,708	$ 3,115,260	$ 3,262,932	$ 3,526,294	$ 3,874,920	$ 4,178,343	$ 4,529,952	$ 4,681,044	$ 5,049,162
Restricted	2,159,185	2,202,592	2,347,395	2,617,435	2,329,850	1,983,143	2,292,979	2,298,142	2,334,042	2,696,248
Unrestricted	404,724	647,182	675,752	595,019	589,815	1,083,674	877,017	824,809	912,882	896,270
Total governmental activities net position	$ 5,092,717	$ 5,692,482	$ 6,138,407	$ 6,475,386	$ 6,445,959	$ 6,941,737	$ 7,348,339	$ 7,652,903	$ 7,927,968	$ 8,641,680
Business-type activities										
Net investment in capital assets	$ 9,670	$ 8,703	$ 8,698	$ 8,733	$ 12,539	$ 14,534	$ 15,581	$ 15,011	$ 14,862	$ 16,285
Restricted	240,514	269,687	314,722	337,036	255,493	159,335	158,735	206,896	253,382	295,006
Unrestricted	16,672	18,539	11,761	11,234	6,996	21,851	12,349	15,905	16,415	18,912
Total business-type activities net position	$ 266,856	$ 296,929	$ 335,181	$ 357,003	$ 275,028	$ 194,720	$ 186,665	$ 237,812	$ 284,659	$ 330,203
Primary government										
Net investment in capital assets	$ 2,538,478	$ 2,851,411	$ 3,123,958	$ 3,271,665	$ 3,538,833	$ 3,889,454	$ 4,193,924	$ 4,554,963	$ 4,695,907	$ 5,065,447
Restricted	2,399,699	2,472,279	2,662,117	2,594,471	2,585,343	2,142,478	2,451,714	2,505,038	2,587,423	2,991,254
Unrestricted	421,396	665,721	687,513	606,253	596,811	1,104,525	889,366	840,714	929,296	915,182
Total primary government net position	$ 5,359,573	$ 5,989,411	$ 6,473,588	$ 6,832,389	$ 6,720,987	$ 7,136,457	$ 7,535,004	$ 7,900,715	$ 8,212,627	$ 8,971,883

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SCHEDULE A-2 – CHANGE IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting, amounts expressed in thousands)

	Fiscal Year			
Expenses	2005	2006	2007	2008
Governmental activities:				
General government	$ 305,819	$ 525,981	$ 450,646	$ 634,984
Public safety	258,610	245,810	293,193	322,769
Transportation	281,074	216,942	197,510	488,450
Health and human services	1,182,281	1,270,056	1,266,098	1,380,629
Education	900,542	976,046	1,065,504	1,144,637
Natural resources	197,539	142,460	256,751	258,058
Economic development/assistance	144,777	150,449	152,154	152,456
Principal on long-term debt	-	-	-	-
Interest on long-term debt	14,375	19,569	19,418	18,344
Total governmental activities expenses	3,285,017	3,547,313	3,701,274	4,400,327
Business-type activities:				
Unemployment Insurance	75,291	72,661	72,378	90,269
Liquor Stores	45,503	50,514	55,521	59,227
State Lottery	27,681	31,020	30,416	32,984
Economic Development Bonds	2,630	3,441	4,167	4,552
Hail Insurance	3,153	4,632	4,663	11,064
General Government Services	50,329	51,017	53,851	56,697
Prison Funds	5,268	5,356	6,487	6,670
MUS Group Insurance	40,524	52,139	58,532	59,334
MUS Workers Compensation	2,842	2,978	2,647	3,109
Total business-type activities expenses	253,221	273,758	288,662	323,906
Total primary government expenses	$ 3,538,238	$ 3,821,071	3,989,936	$ 4,724,233
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 49,637	$ 59,166	$ 61,713	$ 83,720
Public safety/corrections	146,746	150,787	153,577	149,534
Transportation	38,101	31,766	34,963	42,348
Health/social services	31,467	30,022	30,547	38,137
Education/cultural	30,499	107,096	96,903	150,906
Resource/recreation/environment	121,539	77,064	80,320	80,933
Economic development/assistance	25,995	31,866	38,441	38,520
Operating grants and contributions	1,391,026	1,371,109	1,395,324	1,493,944
Capital grants and contributions	319,434	305,345	325,352	380,856
Total governmental activities program revenues	2,154,444	2,164,221	2,217,140	2,458,898
Business-type activities:				
Charges for services:				
Unemployment Insurance	72,866	76,754	83,661	85,801
Liquor Stores	52,081	58,975	63,943	69,242
State Lottery	33,815	39,923	41,567	43,826
Economic Development Bonds	5	7	22	33
Hail Insurance	7,404	3,057	6,042	7,730
General Government Services	14,244	15,589	18,176	19,844
Prison Funds	5,233	5,717	5,600	7,150
MUS Group Insurance	47,739	54,164	57,159	62,666
MUS Workers Compensation	2,978	3,543	4,047	4,660
Operating grants and contributions	58,433	58,051	64,691	63,524
Capital grants and contributions	159	378	171	540
Total business-type activities program revenues	294,957	316,158	345,079	365,016
Total primary government program revenues	$ 2,449,401	$ 2,480,379	$ 2,562,219	$ 2,823,914

2009	2010	2011	2012	2013	2014
$ 549,847	$ 774,881	$ 752,565	$ 660,561	$ 647,975	$ 1,009,121
408,239	342,803	308,593	387,213	380,309	156,256
438,649	320,085	390,523	468,977	189,207	461,358
1,529,104	1,677,261	1,765,871	1,745,284	1,808,386	1,880,505
1,137,772	1,179,788	1,209,969	1,192,205	1,205,955	1,262,069
363,179	318,300	318,954	337,462	332,942	254,414
170,027	-	-	-	-	-
-	-	6	7,593	-	-
18,721	17,692	16,314	15,725	12,249	10,760
4,615,538	4,630,810	4,762,795	4,815,020	4,577,022	5,034,483
235,494	354,793	278,086	217,829	179,826	136,174
61,446	61,569	63,573	67,863	71,013	74,917
33,787	36,365	35,481	39,808	44,049	41,310
3,523	2,167	1,126	1,149	930	2,564
4,087	6,238	8,379	7,052	7,339	15,163
60,157	62,797	63,003	62,094	63,354	63,787
10,681	6,463	6,149	6,480	6,995	7,223
55,023	72,606	63,501	59,577	67,250	80,639
3,675	3,900	4,232	4,530	328	3,199
468,328	606,898	523,530	466,382	441,084	424,976
$ 5,083,866	$ 5,237,708	$ 5,286,325	$ 5,281,402	$ 5,018,106	$ 5,459,459

$ 68,982	$ 127,163	$ 138,059	$ 143,815	$ 134,756	$ 142,818
144,748	147,839	145,754	147,070	148,147	150,212
37,204	26,531	25,143	29,256	30,792	33,047
35,554	43,338	37,166	34,191	37,291	37,843
113,433	34,309	40,720	36,335	37,328	42,140
39,929	232,861	164,880	166,466	176,400	172,759
43,182	-	-	-	-	-
1,635,769	1,985,977	1,962,876	1,824,334	1,780,611	1,823,987
467,611	510,996	537,194	512,649	455,310	460,327
2,586,412	3,109,014	3,051,792	2,894,116	2,800,635	2,863,133
75,591	89,500	137,439	164,353	166,523	163,745
67,242	68,032	73,298	78,384	82,125	85,316
43,841	46,865	46,047	52,615	56,820	53,106
26	22	18	17	13	19
6,859	6,915	6,710	7,055	7,114	8,040
21,548	22,601	23,044	22,303	21,988	25,985
6,620	6,304	6,276	7,284	6,945	7,618
52,147	64,756	65,228	69,025	68,216	80,472
5,003	4,979	4,716	4,167	4,280	2,170
118,058	226,049	168,222	134,120	96,590	64,982
1,360	3,174	281	398	445	623
398,295	539,197	531,279	539,721	511,059	492,076
$ 2,984,707	$ 3,648,211	$ 3,583,071	$ 3,433,837	$ 3,311,694	$ 3,355,209

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

	Fiscal Year			
	2005	2006	2007	2008
Net (expense)/revenue				
Governmental activities	$ (1,130,573)	$ (1,383,092)	$ (1,484,134)	$ (1,941,429)
Business-type activities	41,736	42,400	56,417	41,110
Total primary government net expense	$ (1,088,837)	(1,340,692)	(1,427,717)	(1,900,319)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property	$ 186,229	$ 194,617	$ 206,527	$ 214,868
Fuel	190,897	212,276	210,573	205,758
Natural resource	191,723	260,382	276,793	407,007
Individual income	729,459	760,981	819,473	862,273
Corporate Income	101,834	153,574	183,913	161,118
Other	257,526	289,978	309,232	320,398
Unrestricted grants and contributions	-	4,158	3,911	28
Payment from State of Montana	-	-	-	-
Settlements	28,313	28,248	27,853	38,760
Unrestricted investment earnings	52,792	36,188	78,032	72,203
Gain on sale of capital assets	34	53	10,823	6,351
Miscellaneous	4,358	4,741	3,050	5,810
Transfers	29,871	34,802	41,080	43,010
Total governmental activities	1,773,036	1,979,998	2,171,260	2,337,584
Business-type activities:				
Taxes				
Other	15,624	17,317	19,046	20,340
Unrestricted grants and contributions	-	-	-	-
Settlements	-	-	10	-
Unrestricted investment earnings	190	1,016	569	406
Gain on sale of capital assets	-	-	-	-
Miscellaneous	2,945	4,146	1,953	2,662
Transfers	(29,871)	(34,802)	(41,080)	(43,010)
Total business-type activities	(11,112)	(12,323)	(19,502)	(19,602)
Total primary government	1,761,924	1,967,675	2,151,758	2,317,982
Change in Net Position				
Governmental activities	642,463	596,906	687,126	396,155
Business-type activities	30,624	30,077	36,915	21,508
Total primary government	$ 673,087	$ 626,983	$ 724,041	$ 417,663

Source: Statewide Accounting, Budgeting, and Human Resource System

2009	2010	2011	2012	2013	2014
$ (2,029,126)	$ (1,521,796)	$ (1,711,003)	$ (1,920,904)	$ (1,776,387)	$ (2,171,350)
(70,033)	(67,700)	7,749	73,339	69,975	67,100
(2,099,159)	(1,589,496)	(1,703,254)	(1,847,565)	(1,706,412)	(2,104,250)
$ 228,368	$ 235,287	$ 241,961	$ 257,631	$ 256,613	$ 267,029
191,061	204,373	209,348	211,933	216,065	216,615
307,032	275,313	305,471	309,427	310,344	334,210
806,908	709,699	810,108	892,560	1,041,767	1,044,828
168,053	89,033	121,801	129,668	174,510	145,040
315,810	303,859	308,703	308,927	324,811	340,123
167	461	-	181	11	403
-	-	-	-	-	487
155,127	77,927	38,747	40,426	35,763	31,534
42,556	172,748	155,419	87,083	30,296	108,754
6,141	3,244	3,209	2,179	7,158	2,125
116,865	4,247	2,919	2,728	4,355	4,708
42,863	42,488	40,547	46,361	48,199	47,863
2,380,951	2,118,677	2,238,233	2,289,104	2,499,802	2,543,719
24,821	25,017	21,797	23,233	24,186	25,148
-	-	-	-	-	2
-	-	27	-	-	52
142	244	4,642	54	20	12
-	1	-	270	41	696
2,484	4,377	637	542	570	674
(42,863)	(42,486)	(40,547)	(46,361)	(48,199)	(47,862)
(15,416)	(12,847)	(13,444)	(22,262)	(23,382)	(21,278)
2,365,535	2,105,830	2,224,789	2,266,842	2,426,417	2,522,441
351,825	596,881	527,230	368,200	673,410	372,369
(85,449)	(80,547)	(5,695)	51,077	46,593	45,822
$ 266,376	$ 516,334	$ 521,535	$ 419,277	$ 720,002	$ 418,191

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved	$ 10,118	$ 11,533	$ 20,498	$ 28,221	$ 25,991
Unreserved	289,675	408,580	549,158	433,580	392,526
Total general fund	$ 299,793	$ 420,113	$ 569,656	$ 461,801	418,517
All other governmental funds					
Reserved	$ 2,421,876	$ 2,431,304	$ 2,529,131	$ 2,766,497	$ 3,016,151
Unreserved, reported in:					
Special revenue funds	(51,010)	(53,266)	(48,292)	(47,864)	(30,881)
Debt service funds	5,456	6,783	5,920	1,083	(4,505)
Capital project funds	8,721	47,272	37,735	87,895	124,205
Total all other governmental funds	$ 2,385,043	$ 2,432,093	$ 2,524,494	$ 2,807,611	$ 3,104,970

Source: Statewide Accounting, Budgeting, and Human Resource System

Note: Due to GASB Statement 54 a new table is included below for fiscal years after 2009.

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

	2010	2011	2012	2013	2014
Nonspendable:					
Inventory	$ 27,018	$ 23,007	$ 25,046	$ 24,483	$ 22,611
Permanent fund principle	1,143,435	1,300,871	1,365,218	1,388,829	1,452,290
Long-term notes/receivable	96	65	2,146	2,470	971
Prepaid expenses	1,361	1,254	1,538	1,273	1,045
Total nonspendable	$ 1,171,910	$ 1,325,197	$ 1,393,948	$ 1,417,055	$ 1,476,917
Restricted:					
General government	13,785	13,146	10,474	1,966	8,563
Transportation	102,520	116,353	75,518	76,659	60,851
Health and human services	22,367	22,025	16,739	23,049	24,494
Natural resources	438,410	634,957	653,179	646,026	669,220
Public safety	317,295	290,768	294,520	268,616	265,966
Education	24,644	29,054	27,140	21,397	20,458
Total restricted	$ 919,021	$ 1,106,303	$ 1,077,570	$ 1,037,713	$ 1,049,552
Committed:					
General government	551,394	588,292	625,432	612,969	694,508
Transportation	6,403	4,445	4,304	6,644	4,823
Health and human services	65,050	72,102	43,952	30,665	27,131
Natural resources	601,410	312,467	266,254	258,650	320,560
Public safety	39,772	15,393	18,162	29,428	34,037
Education	1,540	12,162	12,434	34,723	26,631
Total committed	$ 1,255,569	$ 1,004,861	$ 970,538	$ 973,079	$ 1,107,691
Assigned:					
General government	33,427	25,805	21,413	23,057	13,232
Transportation	-	-	26	-	-
Health and human services	148	-	-	-	-
Natural resources	418	41	60	56	-
Public safety	2,949	1,853	1,756	1,465	1,210
Education	138	-	-	-	-
FY 2011 appropriation	70,270	-	-	-	-
General Fund Spend Down FY15	-	-	-	-	80,000
Encumbrances	11,986	24,591	22,670	18,033	10,366
Total assigned	$ 119,336	$ 52,290	$ 45,925	$ 42,611	$ 104,808
Unassigned	212,183	339,898	451,656	537,609	344,406
Total fund balances	$ 3,688,019	$ 3,828,549	$ 3,939,637	$ 4,008,066	$ 4,083,374

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

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Revenues				
Licenses/permits	$ 245,244	$ 259,073	$ 285,890	$ 283,755
Taxes	1,627,858	1,880,838	2,009,620	2,162,928
Charges for services/fines/forfeits/settlements	145,235	162,520	160,571	188,518
Investment earnings	143,937	62,977	171,047	165,165
Sale of documents/merchandise/property	22,655	21,412	20,460	19,711
Rentals/leases/royalties	43,723	63,318	51,442	65,176
Contributions/Premiums	-	-	-	-
Grants/contracts/donations	27,984	25,987	25,362	27,825
Federal	1,583,989	1,612,717	1,586,206	1,713,478
Federal Indirect cost Recoveries	-	-	-	-
Other revenues	17,253	20,989	17,280	30,952
Total revenues	3,857,878	4,109,831	4,327,878	4,657,508
Expenditures				
General government	293,808	466,886	401,331	545,661
Public safety	238,929	254,381	284,777	311,094
Transportation	523,022	559,695	575,157	360,383
Health and human services	1,186,462	1,274,947	1,267,854	1,372,335
Education	905,150	976,446	1,050,239	1,137,548
Natural resources	206,903	204,413	247,090	300,207
Economic development/assistance	146,306	151,020	152,442	149,057
Debt service:				
Principal retirement	27,203	32,546	33,103	33,767
Interest/fiscal charges	14,171	20,745	19,080	18,931
Capital outlay	70,851	69,505	95,834	351,111
Securities lending	4,905	7,663	5,261	7,244
Total expenditures	3,617,710	4,018,247	4,132,168	4,587,338
Excess of revenue over (under) expenditures	240,168	91,584	195,710	70,170
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Bonds issued	135,380	37,050	-	59,490
Refunding bonds issued	30,070	-	16,740	-
Bond premium	8,106	2,178	946	828
Payment to refunding bond escrow agent	(31,018)	-	(17,504)	-
Inception of lease/installment contract	517	876	49	874
Insurance proceeds	-	327	115	1,681
General capital asset sale proceeds	169	164	10,946	6,497
Energy conservation loans	-	-	-	-
Transfers in	273,651	292,130	306,867	413,286
Transfers out	(244,868)	(259,247)	(269,595)	(373,727)
Total other financing sources (uses)	172,007	73,478	48,564	108,929
Net change in fund balances	$ 412,175	$ 165,062	$ 244,274	$ 179,099
Debt service as a percentage of noncapital expeditures	1.3%	1.6%	1.4%	1.3%

Source: Statewide Accounting, Budgeting, and Human Resource System

2009	2010	2011	2012	2013	2014
$ 283,423	$ 283,658	$ 287,580	$ 290,183	$ 297,148	$ 302,824
2,005,327	1,809,427	1,986,722	2,096,733	2,314,815	2,344,456
255,068	238,758	191,142	193,874	181,760	202,912
114,857	232,668	143,198	181,484	59,092	141,733
15,271	17,499	17,208	16,221	23,393	21,836
73,080	143,714	70,322	77,946	75,490	76,824
-	19,724	20,685	21,666	22,397	23,206
28,919	27,324	23,439	24,812	24,267	30,324
1,953,376	2,271,216	2,338,090	2,102,964	2,043,912	2,086,310
-	112,918	101,152	107,446	112,364	110,981
144,890	6,809	5,069	4,718	5,349	5,410
4,874,211	5,163,715	5,184,607	5,118,047	5,159,987	5,346,816
428,723	666,192	643,623	633,336	613,186	699,219
335,877	338,776	346,670	353,344	363,378	373,132
311,838	197,197	271,387	345,796	287,218	324,074
1,526,287	1,675,253	1,757,633	1,734,471	1,810,312	1,883,909
1,136,056	1,181,591	1,208,538	1,183,056	1,204,060	1,261,012
238,834	288,913	272,895	287,636	341,686	286,320
168,778	-	-	-	-	-
34,199	31,682	33,974	34,865	32,627	33,617
19,079	18,213	16,362	16,314	13,907	12,810
464,378	650,589	565,943	488,958	454,463	457,306
2,917	873	600	383	302	142
4,666,966	5,049,279	5,117,625	5,078,159	5,121,139	5,331,541
207,245	114,436	66,982	39,888	38,847	15,275
-	3,800	-	-	-	11,680
-	-	31,000	-	-	-
-	28,270	10,180	56,670	-	6,780
-	1,294	767	8,264	-	662
-	(29,148)	(11,062)	(64,421)	-	(7,190)
615	172	36	49	504	324
886	670	4,326	3,565	381	1,302
5,960	3,614	4,130	2,343	7,340	1,840
-	-	-	26,171	291	169
391,661	491,045	351,366	277,279	307,460	428,368
(350,135)	(450,686)	(316,934)	(235,235)	(273,502)	(383,933)
48,987	49,031	73,809	74,685	42,474	60,002
$ 256,232	$ 163,467	$ 140,791	$ 114,573	$ 81,321	$ 75,277
1.2%	1.1%	1.1%	1.1%	1.0%	1.0%

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

	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Farm Earnings	$ 544,076	$ 598,945	$ 190,096	$ 408,523	$ 468,182	$ 310,053	$ 625,246	$ 720,138	$ 934,509	$ 817,733
Agricultural, forestry, fishing, and other	201,726	198,427	210,748	205,861	193,708	186,402	162,669	168,285	201,925	231,268
Mining	527,824	601,174	735,437	735,100	897,521	772,277	664,485	820,944	1,235,330	1,246,822
Construction/utilities	1,649,645	1,850,637	2,070,597	2,186,771	2,007,944	1,677,216	2,067,925	2,097,991	2,235,780	2,397,070
Manufacturing	959,263	1,020,820	1,102,085	1,139,506	1,152,181	1,059,780	1,032,034	1,069,144	1,054,098	1,089,971
Transportation and public utilities	1,058,487	1,121,137	1,228,453	1,231,036	1,269,832	1,250,836	913,489	985,485	1,106,555	1,154,728
Wholesale trade	769,190	818,971	879,070	964,006	985,176	938,306	940,214	1,002,298	1,114,365	1,201,060
Retail trade	1,679,641	1,745,539	1,843,169	1,959,131	1,935,405	1,843,250	1,947,337	2,019,009	2,032,683	2,136,747
Finance, insurance, and real estate	1,429,520	1,518,863	1,544,182	1,433,899	1,445,414	1,430,985	1,433,145	1,486,390	1,483,319	1,623,518
Services	6,077,871	6,501,206	7,088,480	7,533,395	7,915,541	8,005,007	8,217,674	8,615,811	8,933,237	8,682,348
Federal, civilian	1,047,116	1,085,934	1,134,414	1,180,607	1,207,987	1,268,108	1,314,102	1,215,699	1,192,569	1,157,617
Military	421,133	452,182	456,908	465,490	489,616	515,593	528,570	532,199	429,985	423,180
State and local government	2,669,870	2,817,801	2,973,386	3,169,949	3,364,342	3,494,129	3,599,170	3,589,740	3,770,989	3,894,912
Other (1)	7,459,502	7,847,207	8,989,644	9,834,100	10,778,049	11,171,289	11,302,305	12,184,262	13,027,496	13,496,216
Total personal income	$ 26,494,864	$ 28,178,843	$ 30,446,669	$ 32,475,374	$ 33,110,898	$ 33,923,231	$ 34,748,365	$ 36,507,395	$ 38,752,840	$ 39,553,190
Average effective rate (2)	2.3%	2.5%	2.5%	2.5%	2.6%	2.4%	2.1%	2.2%	2.3%	2.6%

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personal income tax revenue (1)	$605,348	$712,281	$768,912	$827,095	$866,638	$815,138	$717,834	$816,090	$898,851	$1,047,790
Personal income	$26,494,864	$28,178,843	$30,446,669	$32,475,374	$33,110,898	$33,923,231	$34,748,365	$36,507,395	$38,752,840	$39,553,190
Average effective rate (2)	2.3%	2.5%	2.5%	2.5%	2.6%	2.4%	2.1%	2.2%	2.3%	2.6%

	Tax Rates on the Portion of Taxable Income in Ranges (3)									
Calendar Year 2004										
Tax Rate	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%
Income Bracket	$0-2.3	$2.3-4.6	$4.6-9.2	$9.2-13.8	$13.8-18.4	$18.4-22.9	$22.9-32.1	$32.1-45.9	$45.9-80.3	$80.3+
Calendar Year 2005										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%	9.0%	10.0%	11.0%
Income Bracket	$0-2.3	$2.3-4.1	$4.1-6.2	$6.2-8.4	$8.4-10.8	$10.8-13.9	$13.9 +	$32.1-45.9	$45.9-80.3	$80.3+
Calendar Year 2006										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.4	$2.4-4.3	$4.3-6.5	$6.5-8.8	$8.8-11.3	$11.3-14.5	$14.5 +			
Calendar Year 2007										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.5	$2.5-4.4	$4.4-6.6	$6.6-9	$9-11.6	$11.6-14.9	$14.9 +			
Calendar Year 2008										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.6	$4.6-7	$7-9.5	$9.5-12.2	$12.2-15.6	$15.6 +			
Calendar Year 2009										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.5	$4.5-6.9	$6.9-9.3	$9.3-12	$12-15.4	$15.4 +			
Calendar Year 2010										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.6	$2.6-4.6	$4.6-6.9	$6.9-9.4	$9.4-12.1	$12.1-15.6	$15.6 +			
Calendar Year 2011										
Tax Rate	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.9%			
Income Bracket	$0-2.7	$2.7-4.7	$4.7-7.2	$7.2-9.7	$9.7-12.5	$12.5-16.0	$16.0 +			
Calendar Year 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 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+			

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; Montana Department of Revenue
Notes: (1) Personal income tax revenue is reported on a fiscal year basis.
(2) Average effective rate equals personal income tax revenue divided by personal income.
(3) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the income amounts in the columns.

SCHEDULE B-3 – PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
Latest Completed Calendar Year and Five Years Ago

	Calendar Year 2008				Calendar Year 2013			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$9,999 and under	88,381	20.16%	$ 1,082,574	0.15%	77,231	17.31%	$ 856,349	0.09%
$10,000–$19,999	74,099	16.90%	10,221,372	1.38%	70,989	15.92%	9,187,635	1.02%
$20,000–$44,999	120,594	27.50%	81,083,359	10.93%	119,172	26.72%	78,565,088	8.69%
$45,000–$69,999	68,255	15.57%	113,905,206	15.36%	68,297	15.31%	117,372,363	12.99%
$70,000–$109,999	55,197	12.59%	168,126,503	22.67%	64,384	14.43%	203,243,021	22.49%
$110,000–$174,999	20,507	4.68%	114,004,835	15.37%	30,211	6.77%	172,321,556	19.07%
$175,000–$499,999	9,588	2.19%	123,645,444	16.67%	13,664	3.06%	178,016,234	19.70%
$500,000 and higher	1,829	0.42%	129,580,160	17.47%	2,100	0.47%	144,276,173	15.96%
Total	438,450	100.00%	$ 741,649,453	100.00%	446,048	100.00%	$ 903,838,419	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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
General obligation bonds	$ 213,195	$ 230,065	$ 208,015	$ 201,560	$ 182,585	$ 169,150	$ 174,335	$ 156,905	$ 139,595	$ 127,840
Special revenue bonds	192,775	181,770	171,080	204,365	189,970	176,570	169,220	152,565	137,940	128,020
Notes payable	12,439	12,099	11,755	11,411	11,065	10,716	10,369	10,020	9,667	9,311
Lease/installment purchase payable	2,705	2,459	1,057	1,421	2,680	2,440	1,536	723	707	764
Total governmental activities	421,114	426,393	391,907	418,757	386,300	358,876	355,460	320,213	287,909	265,935
Business-type activities										
Bonds/notes payable	$ 5,168	$ 3,936	$ 3,107	$ 1,853	$ 1,180	$ 370	$ 195	$ 135	$ 70	$ -
Lease/installment purchase payable	-	-	-	-	-	-	382	303	223	141
Total business-type activities	5,168	3,936	3,107	1,853	1,180	370	577	438	293	141
Total primary government	$ 426,282	$ 430,329	$ 395,014	$ 420,610	$ 387,480	$ 359,246	$ 356,037	$ 320,651	$ 288,202	$ 266,076
Debt as a percentage of personal income (1)	1.6%	1.5%	1.3%	1.3%	1.2%	1.1%	1.0%	0.9%	0.7%	0.7%
Amount of debt per capita (2)	$460	$460	$418	$440	$401	$371	$367	$329	$294	$270

Source: Statewide Accounting, Budgeting, and Human Resource System

Notes: Details regarding the State's debt can be found in Note 11 of the financial statements.

(1) Debt as a percentage of personal income equals total debt divided by total personal income from Schedule B-1.
Used calendar year for personal income for fiscal year for debt percentage calculation.
Numbers revised for prior years due to personal income estimate revisions.

(2) Amount of debt per capita is calculated by dividing total debt by total population from Schedule D-1.
Numbers revised for prior years due to population estimate revisions.

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
Governmental Activities	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Renewable Resource Program Bond										
Revenue										
Loan repayment (principal and interest)	$ 4,247	$ 3,036	$ 2,576	$ 1,549	$ 3,157	$ 1,710	$ 1,746	$ 2,200	$ 1,702	$ 1,610
Northwestern Energy	2,623	2,800	3,057	2,498	3,189	3,435	3,676	4,095	3,340	3,670
STIP interest earnings	100	176	460	329	96	19	17	17	14	8
Debt service fund interest	131	877	528	472	414	398	444	644	619	599
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 7,101	$ 6,889	$ 6,621	$ 4,848	$ 6,856	$ 5,562	$ 5,883	$ 6,956	$ 5,675	$ 5,887
Debt service										
Principal	$ 10,515	$ 4,630	$ 3,095	$ 3,485	$ 3,725	$ 2,380	$ 3,620	$ 4,200	$ 3,765	$ 4,345
Interest	$ 1,719	$ 1,476	$ 1,357	$ 1,253	$ 1,093	$ 979	$ 848	$ 899	$ 801	$ 821
Coverage (1)	0.6	1.1	1.5	1.0	1.4	1.7	1.3	1.4	1.2	1.1

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

Governmental Activities	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US Highway 93 GARVEES Bond (2)										
Revenue										
Federal Highway Administration	$ 160,060	$ 278,109	$ 300,808	$ 345,583	$ 381,604	$ 464,400	$ 457,372	$ 471,079	$ 410,641	$ 429,398
Less: Operating expenses	(159,846)	(266,232)	(288,930)	(333,705)	(365,624)	(448,419)	(441,395)	(455,102)	(395,056)	(413,897)
Net available revenue	$ 214	$ 11,877	$ 11,878	$ 11,878	$ 15,980	$ 15,981	$ 15,977	$ 15,977	$ 15,585	$ 15,501
Debt service										
Principal	$ -	$ 4,960	$ 6,130	$ 6,375	$ 9,070	$ 9,340	$ 9,740	$ 10,175	$ 10,630	$ 11,110
Interest	$ 214	$ 6,917	$ 5,747	$ 5,503	$ 6,910	$ 6,641	$ 6,237	$ 5,802	$ 4,955	$ 4,391
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Governmental Activities	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Middle Creek Dam Project Note Payable										
Revenue										
Middle Creek Water Users Assoc loan payments	$ 99	$ 82	$ 96	$ 89	$ 83	$ 90	$ 72	$ 74	$ 94	$ 105
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 99	$ 82	$ 96	$ 89	$ 83	$ 90	$ 72	$ 74	$ 94	$ 105
Debt service										
Principal	$ 41	$ 42	$ 44	$ 46	$ 48	$ 50	$ 51	$ 54	$ 56	$ 58
Interest	$ 59	$ 40	$ 52	$ 43	$ 35	$ 40	$ 21	$ 20	$ 38	$ 47
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
Governmental Activities	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
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

	Fiscal Year									
Governmental Activities	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Water Conservation Note Payable										
(Little Dry Project)										
Revenue										
Little Dry Water Users Assoc loan payments	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 1	$ -	$ -
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 1	$ -	$ -
Debt service										
Principal	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 1	$ -	$ -
Interest	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ -	$ -	$ -
Coverage (1)	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 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Conservation Note Payable										
(Petrolia Project)										
Revenue										
Petrolia Irrigation District loan payments	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Debt service										
Principal	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 3
Interest	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ -
Coverage (1)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Business-type Activities	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014
Economic Development Bonds									
(Municipal Finance Consolidation Irrigation Dist)									
Revenue									
Principal and interest repayments	$ 512	$ 71	$ 45	$ 47	$ 53	$ 58	$ 62	$ 66	$ 70
Investment income	3	5	3	1	-	-	-	-	-
Less: Operating expenses	-	-	-	-	-	-	-	-	-
Net available revenue	$ 515	$ 76	$ 48	$ 48	$ 53	$ 58	$ 62	$ 66	$ 70
Debt service									
Principal	$ 450	$ 40	$ 45	$ 45	$ 50	$ 55	$ 60	$ 65	$ 70
Interest	$ 30	$ 31	$ 28	$ 25	$ 21	$ 17	$ 13	$ 8	$ 3
Coverage (1)	1.1	1.1	0.7	0.7	0.7	0.8	0.9	0.9	1.0

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year								
Business-type Activities	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Economic Development Bonds									
(Conservation Reserve Enhancement Program)									
Revenue									
Principal and interest repayments	$ 1,765	$ 2,173	$ 926	$ 989	$ 782	$ 454	$ 162	$ 151	$ 71
Investment income	9	16	10	1	-	-	-	-	-
Less: Operating expenses	-	-	-	-	-	-	-	-	-
Net available revenue	$ 1,774	$ 2,189	$ 936	$ 990	$ 782	$ 454	$ 162	$ 151	$ 71
Debt service									
Principal	$ 1,475	$ 1,924	$ 1,208	$ 628	$ 891	$ 120	$ -	$ -	$ -
Interest	$ 201	$ 216	$ 107	$ 101	$ 62	$ 3	$ 3	$ -	$ -
Coverage (1)	1.1	1.0	0.7	1.4	0.8	3.7	49.7	-	-

	Fiscal Year
Business-type Activities	**2005**
Economic Development Bonds	
(Municipal Finance Consolidation Act Bonds)	
Revenue	
Principal and interest repayments	$ 300
Investment income	-
Less: Operating expenses	-
Net available revenue	$ 300
Debt service	
Principal	$ 294
Interest	$ 1
Coverage (1)	1.0

SCHEDULE C-2 – PLEDGED REVENUE COVERAGE - Continued
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year		
Business-type Activities	**2005**	**2006**	**2007**
MUS Workers Compensation Bonds Payable			
Revenue			
Workers compensation premiums	$ 2,978	$ 3,543	$ 4,047
Less: Operating expenses	(2,785)	(2,932)	(2,614)
Net available revenue	$ 193	$ 611	$ 1,433
Debt service			
Principal	$ 395	$ 410	$ 430
Interest	$ 46	$ 34	$ 22
Coverage (1)	0.4	1.4	3.2

Sources: Montana Departments of Commerce (Board of Investments), Natural Resources and Conservation, Montana University System

Note: (1) Coverage equals net available revenue divided by debt service.
(2) In fiscal year 2008, the Montana Department of Transportation revised data for fiscal year 2005.

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)
2005	$ 213,195	$ 12,957	$ 200,238	0.76%	$ 216
2006	$ 230,065	$ 13,700	$ 216,365	0.77%	$ 231
2007	$ 208,015	$ 15,471	$ 192,544	0.63%	$ 204
2008	$ 201,560	$ 11,967	$ 189,593	0.58%	$ 198
2009	$ 182,585	$ 8,985	$ 173,600	0.52%	$ 182
2010	$ 169,150	$ 13,486	$ 155,664	0.46%	$ 162
2011	$ 174,335	$ 15,910	$ 158,425	0.46%	$ 163
2012	$ 156,905	$ 16,240	$ 140,665	0.39%	$ 144
2013	$ 139,595	$ 14,702	$ 124,893	0.32%	$ 127
2014	$ 127,840	$ 20,248	$ 107,592	0.28%	$ 109

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population										
Montana *(in thousands)*	926	933	940	947	955	962	969	975	982	988
Percentage change	1.0%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	0.6%	0.7%	0.6%
National *(in thousands)*	292,801	295,507	298,217	300,913	303,598	306,272	308,936	311,601	314,281	316,971
Percentage change	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Total Personal Income										
Montana *(in millions)*	26,495	28,179	30,447	32,475	34,111	33,923	34,748	36,507	38,753	39,963
Percentage change	7.0%	6.4%	8.0%	6.7%	5.0%	(0.6%)	2.4%	5.1%	6.2%	3.1%
National *(in billons)*	9,929	10,477	11,257	11,900	12,380	12,165	12,357	12,950	13,729	14,151
Percentage change	6.0%	5.5%	7.4%	5.5%	4.0%	(1.7%)	1.6%	4.6%	6.0%	3.0%
Per Capita Personal Income										
Montana	28,613	30,141	32,204	33,897	35,237	34,794	35,068	36,573	39,474	39,366
Percentage change	6.0%	5.3%	6.8%	5.3%	4.0%	(1.3%)	0.8%	4.1%	7.9%	(0.3%)
National	33,899	35,447	37,728	39,458	40,673	39,626	39,945	41,560	43,684	44,765
Percentage change	5.0%	4.6%	6.4%	4.5%	3.1%	(2.6%)	0.8%	3.9%	5.1%	2.5%
Resident Civilian Labor Force & Employment										
Civilian labor force	473,532	479,553	493,004	502,219	510,816	498,897	497,538	503,903	507,377	513,432
Employed	454,259	461,936	479,614	485,221	487,870	468,211	461,602	468,896	476,191	485,014
Unemployed	19,273	17,617	16,390	16,998	22,946	30,686	35,936	35,007	31,186	29,328
Unemployment rate	4.0%	3.7%	3.3%	3.4%	4.5%	6.2%	7.2%	6.9%	6.1%	5.7%
Nonfarm Wage and Salary Workers (in thousands)										
Goods-producing industries										
Natural Resources and Mining	7.1	7.7	8.2	8.4	8.3	7	7.5	7.9	9.3	9.5
Construction	24.9	27.6	30.2	32.3	29.8	24	22.7	23	22.9	23.9
Durable goods	12.1	12.4	12.8	13	12.3	10.1	9.5	9.6	10.5	11.1
Nondurable goods	7.1	7.2	7.4	7.5	7.6	7.3	7	7.2	7.0	7.2
Subtotal goods-producing industries	51.2	54.9	58.6	61.2	58.0	48.4	46.7	47.7	49.7	51.7
Service-producing industries										
Transp, communications, and utilities	23.3	23.8	24.3	24.6	24.3	21.5	24.1	23.3	23.6	25
Trade	70.8	71.6	72.8	75.3	75.6	66.9	70.3	70.2	71.6	73.3
Finance, insurance, and real estate	21.1	21.4	22.0	21.8	21.9	21.1	21.2	20.9	21.4	22.7
Service	158.4	162.9	169.3	174.8	178.7	182.3	175.5	177.2	184.3	186.3
State and local government	72.9	72.7	72.1	73.9	74.1	74.4	75.7	74.6	76.5	77.1
Federal government	13.8	13.5	13.5	13.4	13.6	13.9	14.8	13.8	13.4	13
Subtotal service-producing industries	360.3	365.9	374.0	383.8	388.2	380.1	381.6	380	390.8	397.4
Total Nonfarm Wage and Salary Employment	411.5	420.8	432.6	445.0	446.2	428.5	428.3	427.7	440.5	449.1

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

	2004			2013		
Employer	**Employees**	**Rank**	**Percentage of Total State Employment (2)**	**Employees** (1)	**Rank**	**Percentage of Total State Employment (2)**
State of Montana	20,000-20,500	1	5.17%	22,500-23,000	1	5.33%
Federal Government	12,500-13,000	2	3.26%	12,000-12,500	2	2.87%
Wal-Mart	4,000-4,500	3	1.09%	4,500-5,000	3	1.11%
Albertson's	2,000-2,500	5	0.57%	4,000-4,500	4	1.00%
Billings Clinic	2,500-3,000	4	0.70%	3,500-4,000	5	0.88%
Town Pump	1,500-2,000	7	0.45%	2,500-3,000	6	0.64%
St. Vincent Healthcare	1,500-2,000	8	0.45%	2,000-2,500	7	0.53%
Benefis Healthcare	1,500-2,000	6	0.45%	2,000-2,500	8	0.53%
Kalispell Regional Hospital				1,500-2,000	9	0.41%
St. Patrick Hosptial	1,000-1,500	10	0.32%	1,500-2,000	10	0.41%
Stillwater Mining	1,500-2,000	9	0.45%			
Total Statewide Employment	391,403			426,795		

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

Notes: (1) Number of employees based on March 2013 data.
(2) Percentage of total state employment based on the midpoints in the ranges given.

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SCHEDULE E-1 – FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	**2005**	**2006**	**2007**	**2008**	**2009**
Governmental:					
General government	1,562	1,615	1,552	1,696	1,564
Public safety/corrections	1,955	2,048	2,176	2,270	2,065
Transportation	2,023	2,063	2,031	2,023	1,935
Health/social services	2,575	2,621	2,587	2,704	2,422
Education/cultural	407	428	432	463	406
Resource/recreation/environment	1,765	1,853	1,825	1,876	1,696
Economic development/ assistance	952	965	913	951	853
Total governmental	11,239	11,593	11,516	11,983	10,941
Business-type:					
Liquor Stores	27	38	39	43	39
State Lottery	32	32	32	33	30
Economic Development Bonds	4	4	6	5	3
Hail Insurance	2	3	3	3	3
General Government Services	104	96	103	108	84
Prison Funds	32	34	34	35	32
MUS Group Insurance	2	3	4	4	4
MUS Workers Compensation	-	-	1	1	1
Total business-type	203	210	222	232	196
Fiduciary:					
Pension Trust	46	48	46	48	46
Total fiduciary	46	48	46	48	46
Component unit:					
Housing Authority	21	20	19	21	19
Facility Finance Authority	2	2	2	2	3
State Compensation Insurance (New Fund)	280	293	297	298	298
Montana State University	3,994	3,940	4,056	4,021	4,090
University of Montana	3,238	3,281	3,364	3,557	3,578
Total component unit	7,535	7,536	7,738	7,899	7,988
Total full-time equivalent employees	19,023	19,387	19,522	20,162	19,171

Source: Statewide Accounting, Budgeting, and Human Resource System

2010	2011	2012	2013	2014
2,781	2,596	2,914	2,999	2,995
2,573	2,786	2,558	2,639	2,668
2,233	2,234	2,225	2,252	2,266
2,992	3,092	2,974	3,019	3,029
485	492	478	526	526
2,147	2,157	1,963	2,144	2,133
-	-	-	-	-
13,211	13,357	13,112	13,579	13,617
29	29	29	31	33
32	32	32	32	32
4	4	4	4	4
8	7	7	7	7
94	106	115	115	113
21	32	43	43	42
5	5	5	5	6
1	1	1	1	1
194	216	236	238	238
57	58	66	66	69
57	58	66	66	69
47	47	51	53	50
3	3	3	3	3
300	285	287	289	304
4,181	4,285	4,443	4,475	4,649
3,705	3,746	3,770	3,844	3,831
8,236	8,366	8,554	8,664	8,837
21,698	21,997	21,968	22,547	22,761

SCHEDULE E-2 – OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	Fiscal Year			
Function/Program	**2005**	**2006**	**2007**	**2008**
Governmental activities:				
General government				
Department of Revenue				
Electronically-filed income tax returns	224,653	236,200	234,543	299,194
Paper-filed income tax returns	200,102	203,100	266,891	187,188
Judiciary				
Supreme Court total filings (1)	738	760	676	649
District Court total filings (1)	38,619	42,000	41,546	45,143
Public safety/corrections				
Department of Corrections				
Incarcerated offenders	2,535	2,935	2,608	2,439
Supervised offenders	8,460	8,797	9,838	10,433
Department of Justice				
Drivers licenses issued	163,336	172,915	181,804	156,088
Vehicles registered (2)	972,849	1,550,713	1,657,285	1,610,753
Department of Military Affairs (Army Program Facilities Office)				
Work orders received	3,272	2,648	3,386	3,610
Work orders completed	2,843	2,349	2,781	3,441
Work orders unfunded or not completed	429	172	1,373	750
Transportation				
Department of Transportation				
Paved roads (miles)	19,020	19,050	19,447	19,465
Unpaved roads (miles)	51,623	55,281	54,883	55,472
Health/social services				
Department of Public Health and Human Services				
Senior citizens receiving personal long-term care assist.	2,808	2,869	2,857	3,004
Number of households provided with energy assist.	20,463	21,552	19,254	18,929
Education/cultural				
Office of Public Instruction				
K-12 public school enrollment	146,705	145,259	144,418	143,405
Public schools	852	840	831	830
Commissioner of Higher Education				
Total enrollment for Montana University System	29,122	29,181	29,140	29,072
Total enrollment for Colleges of Technology	3,641	3,910	4,033	4,277
Resource/recreation/environment				
Department of Natural Resources and Conservation				
Revenue generated on state trust lands (millions of dollars)	$ 86.1	$ 101.9	$ 103.6	$ 107.1
Oil production (millions of bbls)	20.9	36.2	37.2	34.9
Gas production (millions of mcf)	80.5	114	118	120.7
Department of Fish, Wildlife and Parks				
License and permit sales (3)	1,752,315	1,638,410	1,737,413	1,808,093
State park visitation (millions)	1.65	1.70	1.85	1.78

2009	2010	2011	2012	2013	2014
317,211	333,911	397,280	423,574	439,403	456,736
178,114	151,945	135,144	110,308	103,585	95,626
677	650	775	784	784	800
43,672	45,622	44,234	49,908	52,105	53,000
2,573	2,491	2,528	2,546	2,509	2,625
10,453	10,535	10,399	10,331	10,347	10,640
164,230	156,671	143,368	164,089	173,924	162,365
1,634,914	1,056,227	1,154,627	1,151,674	1,163,000	2,112,741
3,114	3,380	3,528	3,181	2,847	3,052
2,941	3,095	3,426	3,561	3,264	3,179
746	863	465	557	319	134
20,704	20,469	19,644	19,737	19,813	19,894
56,632	55,193	56,108	56,089	56,048	50,084
3,165	3,206	3,932	3,585	3,527	21,605
22,448	28,054	25,495	20,704	21,248	3,299
142,082	141,807	141,693	142,349	142,908	144,129
829	828	827	826	824	823
31,805	30,362	31,934	31,978	31,717	31,499
4,570	5,538	6,051	6,150	5,986	5,693
$ 110.0	$ 180.6	$ 108.7	$ 113.5	$ 122.0	$ 114.4
31.5	27.8	25.3	24.1	26.4	29.3
119.5	105.3	93.5	79.5	66.9	62.3
1,806,316	1,800,613	1,806,326	1,939,190	1,883,435	1,858,020
1.80	1.90	1.79	2.07	2.17	2.19

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

	Fiscal Year			
Function/Program	**2005**	**2006**	**2007**	**2008**
Governmental activities (continued):				
Resource/recreation/environment (continued)				
Department of Environmental Quality				
Environmental permits and licenses	6,245	8,044	8,222	9,104
Environmental violations	3,655	2,166	3,271	4,586
Economic development/assistance				
Department of Commerce (Community Development)				
Treasure State Endowment Project – applications	-	57	-	65
Treasure State Endowment Project – construction awards	40	-	56	-
Community Development Block Grant – public facility applications	14	11	17	17
Community Development Block Grant – public facility awards	8	7	8	10
Business-type activities:				
Unemployment Insurance				
Department of Labor				
Initial claims	50,216	46,697	47,147	49,530
Average weekly benefit (dollars)	$209.37	$202.67	$225.00	$241.44
Exhaustion rate (percent)	32.7%	29.8%	32.1%	32.3%
Liquor Stores				
Department of Revenue				
Liquor licenses issued	2,262	2,267	2,249	4,601
Liquor cases distributed	535,635	578,111	616,400	653,475
State Lottery				
Department of Administration				
Total dollars in ticket sales (millions of dollars)	$34	$40	$42	$44
Transfer to the General Fund (millions of dollars)	$7	$9	$11	$11
General Government Services				
Department of Commerce (HUD Section 8)				
Applications reviewed – homebuyers assistance (dollars) (4)(5)	$2,290,100	$466,115	$4,536,558	$3,217,708
Grants awarded – homebuyers assistance (dollars) (4) (5)	$1,547,323	$466,115	$4,140,419	$3,830,524

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) Operating indicators for fiscal year 2007 revised in fiscal year 2008.
(3) Effective with fiscal year 2004, license and permit sales reported by license year.
(4) As of July 2006, an additional $483,917 in remaining Community Housing Development Organization (CHDO) set-aside available in the second 2006 application round (deadline: August 1).
(5) Effective with fiscal year 2007, reporting method revised to include both single and multiple family assistance.

2009	2010	2011	2012	2013	2014
9,308	9,419	9,554	9,173	6,989	8,462
4,069	3,793	6,412	5,073	4,790	7,247
-	65	-	66	-	51
66	-	-	-	64	-
20	11	16	8	16	7
8	8	7	5	10	5
85,760	92,489	81,815	71,125	76,872	73,736
$259.38	$277.88	$265.36	$263.18	$282.00	$297.00
49.2%	56.4%	54.9%	49.5%	48.1%	39.6%
4,771	4,972	5,110	4,920	5,225	5,077
653,471	660,229	682,832	722,313	734,224	742,388
$44	$47	$46	$53	$57	$54
$11	$11	$11	$13	$13	$13
$2,776,621	N/A	N/A	N/A	N/A	$1,750,000
$1,847,714	$2,626,867	$272,566	$620,855	$1,459,904	$1,750,000

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

Function/Program	Fiscal Year 2005	2006	2007	2008
Governmental activities:				
General government				
Department of Administration				
Buildings	48	48	47	50
Data processing equipment	861	916	997	1,110
Judiciary				
Vehicles	63	61	52	52
Public safety/corrections				
Department of Corrections				
Vehicles	288	297	280	283
Buildings	152	155	151	149
Department of Justice				
Vehicles	401	409	422	524
Laboratory/scientific equipment	168	166	251	287
Transportation				
Department of Transportation				
Vehicles	4,006	4,032	4,173	4,289
Buildings	751	729	718	783
Health/social services				
Department of Public Health and Human Services				
Vehicles	331	330	204	189
Buildings	129	127	127	131
Education/cultural				
Historical Society				
Buildings	14	3	2	2
Resource/recreation/environment				
Department of Natural Resources and				
Vehicles	925	672	760	798
Buildings	179	177	183	181
Department of Fish, Wildlife and Parks				
Vehicles	1,462	1,610	1,693	1,844
Buildings	742	816	763	769
Department of Environmental Quality				
Vehicles	60	59	66	60
Laboratory/scientific equipment	141	124	130	134
Economic development/assistance				
Department of Commerce				
Buildings	685	258	257	261
Business-type activities:				
State Lottery				
Department of Administration				
Vehicles	12	14	14	15
General government services				
Department of Administration				
Vehicles	13	14	13	13
Prison funds				
Department of Corrections				
Vehicles	45	48	48	49

Sources: Statewide Accounting, Budgeting, and Human Resource System
Vehicle Exposure and Commercial Property Schedules, Risk Management and Tort Defense Division
Department of Administration

2009	2010	2011	2012	2013	2014
50	55	52	59	59	59
1,139	1,917	1,954	2,057	1,434	2,087
51	24	24	25	25	16
294	192	124	128	128	128
151	246	246	247	248	251
486	606	555	577	567	548
211	259	262	271	279	278
4,305	2,482	2,151	2,067	2,029	2,146
784	969	965	939	906	962
195	193	182	175	167	136
131	153	153	153	153	154
2	5	5	5	5	5
517	710	777	810	814	872
181	87	83	83	83	83
1,837	2,693	2,769	2,769	2,669	2,686
840	794	830	850	856	854
66	108	106	75	51	53
159	719	715	761	722	509
266	4	4	5	5	5
15	15	12	11	11	11
13	36	51	59	44	53
52	56	70	77	78	79

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