MONTANA STATE UNIVERSITY

MONTANA STATE UNIVERSITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Year Ended June 30, 2023
Included as a Component Unit
of the State of Montana

Photo: University Communications

MONTANA STATE UNIVERSITY BILLINGS

MONTANA STATE UNIVERSITY NORTHERN

GREAT FALLS COLLEGE MONTANA STATE UNIVERSITY

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Photo: University Communications

MESSAGE FROM THE PRESIDENT

Montana State University has had an exciting year. In addition to unprecedented success from our athletic programs — including an appearance in the NCAA men's basketball tournament and a visit from ESPN College GameDay — we began the fall 2023 semester with the highest headcount in MSU's 130-year history at 16,978.

A record enrollment is a remarkable achievement and something worth celebrating, but beyond the institutional successes, Montana State never forgets that our students and their families have placed their trust in us. We are grateful and honored to be the school of choice in Montana, and our faculty and staff are committed to helping our students succeed.

And we are seeing success manifest in increased graduation rates and increased retention rates. More students at MSU are taking more credits per semester than we have ever seen before, meaning that they are making steady progress toward earning their degrees. There are few things quite so potent in helping students and families keep educational costs down as encouraging them to take more courses per semester.

I'm proud to report that MSU is also a more diverse campus than ever before, with 955 Hispanic students, 817 American Indian and Alaska Native students, 708 Asian students, and 293 African-American students attending classes this fall — all record enrollments. MSU is also thrilled to welcome more Montana students than any other campus in the state, nearly 8,200 this fall.

In terms of research, in fiscal year 2023, Montana State reached an all-time high in expenditures. MSU is by far the largest and most varied research enterprise in the state of Montana, and our campus is one of just two in the nation to be designated a Carnegie R-1 research institution with an enrollment profile that is chiefly undergraduate. We have long made a point of involving undergraduates in hands-on, groundbreaking research nearly from day one on campus as a way to further their education and build their experience for future careers.

Our campus is bustling, with construction underway or set to soon begin on multiple projects. Chief among them is the Student Wellness Center, MSU's new home for services including health care, dental care, recreation, physical fitness and counseling. These are services that directly contribute to student wellbeing and success, and the Student Wellness Center, when it opens in the spring of 2024, will mark the first time they will all conveniently be accessible in a single location. It will be a massive upgrade for our students, and one that will benefit thousands of students for years to come.

Achieving MSU's land-grant mission of education, research and outreach to communities would not be possible without the earnest work of its faculty and staff. Thanks to their dedication — and of course the energy of our students — MSU shines across Montana, changing lives and communities every day.

Waded Cruzado
President, Montana State University

KEY PERSONNEL

Montana University System Board of Regents

Brianne Rogers (Chair)
Loren Bough
Todd Buchanan
Norris Blossom (Student Regent)
Joyce Dombrouski
Casey Lozar
Jeff Southworth

Ex Officio Members:
Clayton Christian, Commissioner of Higher Education
Greg Gianforte, Governor
Elsie Arntzen, Superintendent of Public Instruction

University Administration

Waded Cruzado	President
Stefani Hicswa	Chancellor, MSU Billings
Gregory Kegel	Chancellor, MSU Northern
Stephanie Erdmann	Dean & CEO, Great Falls College MSU
Sreekala Bajwa	Vice President of Agriculture
Cody Stone	Director, MSU Extension

Office of the Commissioner of Higher Education

Clayton Christian	Commissioner of Higher Education
Joe Thiel	Interim Deputy Commissioner, Academic, Research & Student Affairs
Tyler Trevor	Deputy Commissioner for Budget & Planning and Chief of Staff
Kevin McRae	Deputy Commissioner, Human Resources
Helen Thigpen	Deputy Commissioner, Government Relations & Public Affairs
Ali Bovingdon	MUS Chief Legal Counsel

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
William Soller
Miki Cestnik

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Audit of Financial Statements

Opinions
We have audited the financial statements of Montana State University, a component unit of the State of Montana, which are comprised of the Consolidated Statement of Net Position as of June 30, 2023, the related Consolidated Statement of Revenues, Expenses and Changes in Net Position, and Consolidated Statement of Cash Flows for the fiscal year then ended, and the University Component Units Combined Statement of Financial Position as of June 30, 2023, or December 31, 2022, and the related University Component Units Combined Statement of Activities as of and for the year ended June 30, 2023, or December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Montana State University, as of June 30, 2023, and the changes in net position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Montana State University Alumni Foundation, Montana State University - Billings Foundation, Montana State University - Northern Foundation, the Montana State University Bobcat Club, and the Museum of the Rockies Incorporated. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for the component units of the university, as noted above, is based solely on the reports of the other auditors.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Montana State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Montana State University Alumni Foundation, Montana State University - Billings Foundation, Montana State University - Northern Foundation, the MSU Bobcat Club, and the Museum of the Rockies Incorporated were not audited in accordance with *Government Auditing Standards.*

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-mail lad@legmt.gov

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montana State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montana State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montana State University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page 10, Required Supplementary Information-Pensions beginning on page 68, and Required Supplementary Information – Other Post-Employment Benefits beginning on page 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Management is responsible for the other information including the introductory information beginning on page 6 and the unaudited supplemental information beginning on page 80. The other information comprises the introductory information and the unaudited supplemental information but does not include the financial statements and auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024, on our consideration of the university's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the university's internal control over financial reporting and compliance. It is included in the Legislative Auditor's separately issued report (23-11).

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

January 22, 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

Montana State University (the "University") is a land grant university serving state, national, and international constituents by providing academic instruction, conducting a high level of research activity, advancing fundamental knowledge, and by disseminating knowledge to the people of Montana and beyond through community engagement. The University encompasses four campuses located in Bozeman, Billings, Great Falls, and Havre, as well as the Montana Agricultural Experiment Station, Montana Extension Service, and the Fire Services Training School. The University operates throughout the State of Montana, which covers 147,000 square miles of vast landscapes and urban and rural communities containing over 1 million citizens.

The University is proud to deliver high-quality instruction and educational services to a diverse student population, which is made possible not only through its dedicated faculty and staff but also through students that recognize a great education at an exceptional value. The University continues to ensure diligent recruiting of in-state students, while managing its mix of in-state, out-of-state, and out-of-area students to ensure a diverse, growing student population.

OPERATIONS

The ***Statement of Revenues, Expenses and Changes in Net Position*** presents the revenues earned and expenses incurred during the year on a full accrual basis, and classifies activities as either "operating" or "non-operating." This distinction results in operating deficits for those institutions that depend on gifts and state aid, which are classified as non-operating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, an operating expense, which allocates the cost of assets over their expected useful lives.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(in millions)

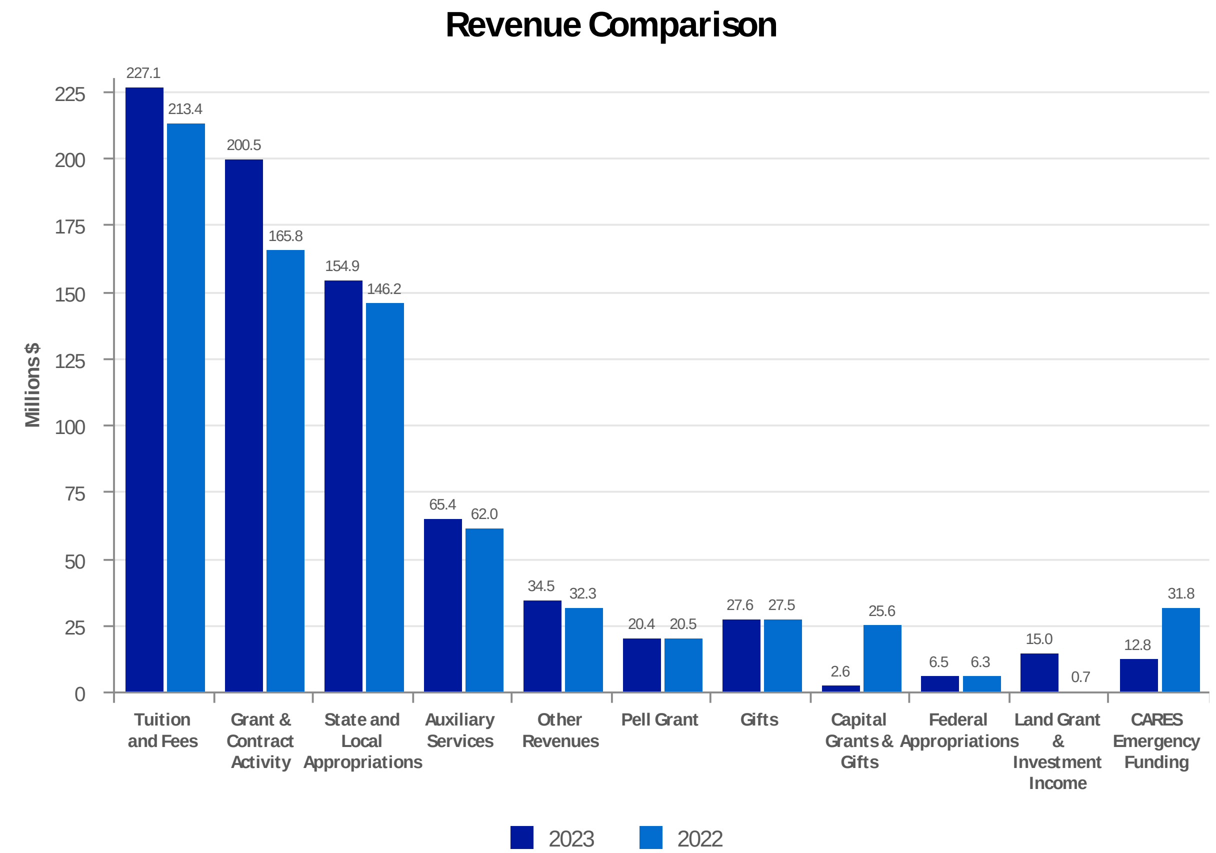
	2023	2022
Operating revenues	$ 534.0	$ 479.9
Operating expenses	720.0	665.5
Operating loss	$ (186.0)	$ (185.6)
Non-operating revenues and expenses (net)	222.2	218.5
Income before capital & other items	$ 36.2	$ 32.9
Capital & other items	2.5	25.6
Change in net position	$ 38.7	$ 58.5

Comparison of 2023 and 2022 Results of Operations

The University's net financial position increased $38.7 million during fiscal year 2023. Tuition and fees revenues driven by modest increases and stable enrollments, increased research activity, and growing state appropriations all had positive impacts on the university's ability to increase its net position.

Operating revenues contain the majority of the University's income, and increased $54.1 million, or 11.3%, from 2022 to 2023. Tuition and fee revenues, driven by modest increases and stable enrollments, were a primary driver in revenue growth in 2023 at approximately $227.1 million.

Tuition rates were increased by 5.0% for nonresident undergraduates and 5.0% for nonresident graduate students at the Bozeman campus; tuition rates at MSU-Billings were increased by 3% for undergraduates and 5% for graduate students; tuition rates at Great Falls College were increased by 3% for resident undergraduates and 5% for nonresident undergraduates and nonresident distance students. Tuition rates at MSU-Northern increased by 3% for all students.



The number of annual full-time-equivalent students enrolled increased from 19,356 to 19,891. Three of the four MSU campuses had increased enrollments, with MSU-Billings being the only exception with an enrollment loss of 55 FTE students split between the main campus and the City College campus.

Grant and contract operating revenues, including facility and administrative cost recoveries, increased 20.9%, to $200.5 million, compared with 2022 revenues of $165.8 million. The increase in grant revenues is due to a proactive approach in seeking out grant opportunities and a high level of grant applications being awarded.

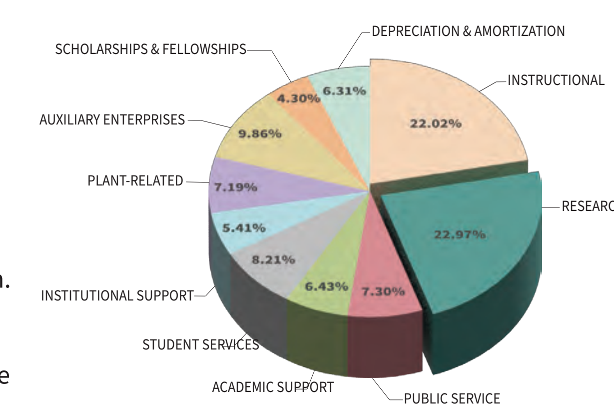
Net non-operating revenue increased $3.7 million from 2022 to 2023 in spite of a decrease in Federal CARES revenues of $12.8 million, as compared with $31.8 million in 2022. The Universities received an increase in State and local appropriations of $8.7 million, or 5.9%, from 2022.

Capital and other items decreased from $25.6 million in 2022 to $2.5 million in 2023, a change of $23.1 million. The change was largely due to the decrease in capital contributions stemming from the completion of the Bobcat Athletic Complex on the Bozeman campus in the prior year.

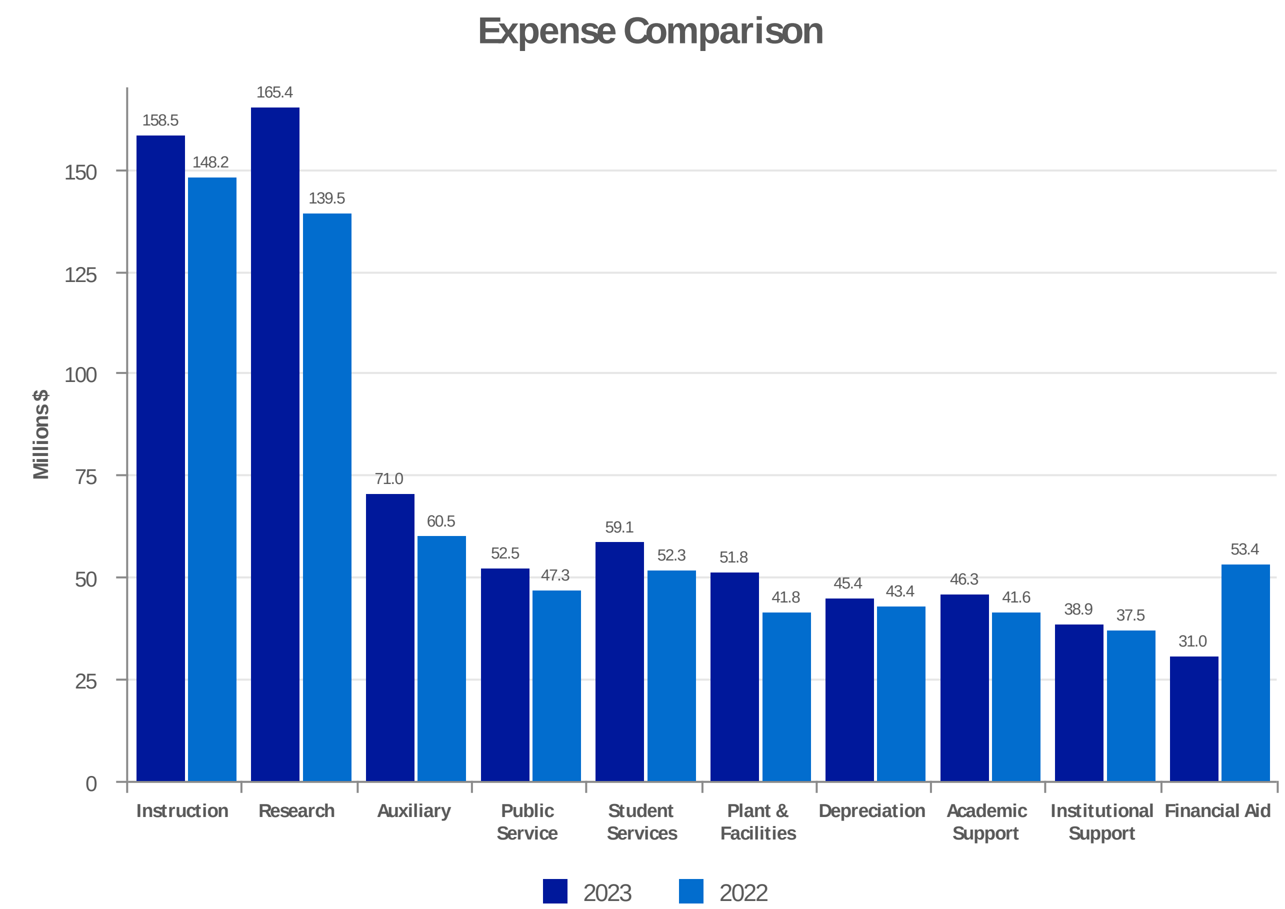
Operating expenses increased $54.5 million, or 8.2%, from 2022 to 2023. Operating expenses were up across most categories with the exception of financial aid expenses. The decrease of Federal CARES grants to students was a large driver of the decrease to this expense category. Fiscal year 2023 is the last year with expected CARES revenues as those grants were drawn to completion and closed. Auxiliary services expenses increased by $10.4 million, or 17.4%, and instruction expenses increased by $10.3 million, or 7.0%.

Compensation and benefits expenses increased over fiscal year 2023, increasing by 9.6%, or $36.5 million, as the university sought ways to recruit and retain talent. Merit and tenure increases were given throughout

FUNCTIONAL OPERATING EXPENSES, FISCAL YEAR 2023



the year, and those increases were offset by higher than average open positions due to continued post-pandemic labor market challenges.



Research expenses increased significantly in FY23 by $25.9 million, or 18.6%. Increases in research expenditures for compensation and benefits of $3.0 million and contracted services of $18.7 million contributed to a record year for research expenditures at MSU. Increases and decreases in research funding also occur from time to time depending on grant funding and the mix of capital versus operating grants.

Auxiliary operating expenses increased $10.5 million, or 17.36%. Supplies and benefits contributed the most to this increase at $5.9 million, or a 18.0%. As the universities continue to come back from the COVID-19 disruption, Auxiliary enterprise operations is seeing higher costs related to both contracted services and employee labor.

Instructional operating expenses increased in 2023 by $10.3 million. Under the category, compensation and benefits expenses increased by $9.7 million due to increased costs of labor and contracted services expenses increased by $0.4 million.

Public service operating expenses increased in 2023 by $5.2 million. This increase was primarily due to a $3.3 million, or 11.1% increase in compensation and benefits. Contracted services under the public service expense category saw a 10.8% increase to $10.0 million.

Plant-related operating expenses increased in FY23 by 28.8%. Maintenance expenditures increased by 32.61%, or $1.8 million, due to the increased cost of materials and contracted labor to make repairs.

NET POSITION

The ***Statement of Net Position*** is presented in a classified format, which differentiates between current and non-current assets and liabilities, deferred outflows and deferred inflows, and also categorizes net position (formerly called "fund balance") into four categories. The University's overall financial position increased by $38.7 million from 2022 to 2023, as discussed below.

Condensed Statements of Net Position
(in millions)

	2023	2022
ASSETS		
Current assets	$ 382.3	$ 339.6
Capital assets, net	627.8	611.3
Other noncurrent assets	78.9	82.2
Total assets	$ 1,089.0	$ 1,033.1
DEFERRED OUTFLOWS	75.6	66.8
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,164.6	$ 1,099.9
LIABILITIES		
Current liabilities	$ 91.6	$ 74.4
Noncurrent liabilities	402.6	388.3
Total liabilities	$ 494.2	$ 462.7
DEFERRED INFLOWS	$ 54.3	$ 61.4
NET POSITION		
Net investment in capital assets	$ 402.9	$ 400.7
Restricted, non-expendable	10.6	11.3
Restricted, expendable	24.6	23.0
Unrestricted	178.0	142.4
Total net position	$ 616.1	$ 577.4
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 1,164.6	$ 1,101.5

Comparison of 2023 and 2022 Net Position

Current assets include the University's cash and cash equivalents; accounts, grants, and loans receivable; inventories; and other assets expected to benefit the University within one year.

The increase of $42.7 million in current assets resulted primarily from an increase of $30.1 million in cash and cash equivalents driven by strong enrollments and record research activity. Increased research activity had an effect on outstanding federal accounts receivable, which increased by $13.2 million, or 51.5%. Net accounts and grants receivable remained consistent and decreased by only $0.3 million, driven by good collection rates for both student receivables and federal grants receivable.

Capital assets, net increased $16.5 million, resulting from asset additions of $62.3 million, lease right to use assets per GASB 87 additions of $12.9 million and subscription based information technology arrangements per GASB 96 of $5.5 million. Asset additions were offset by depreciation and amortization expense of $45.2 million. Further detail on capital, leases, and other non-current assets can be found in Note 7.

Asset additions included $4.0 million in building and land improvements of residence hall and classroom space, office and lab renovations, energy efficiency enhancements and other building improvement projects at all of the University's campuses and agencies.

Equipment additions totaled $14.2 million during 2023. Research and instruction in the sciences require a substantial equipment investment, and many specialized pieces of equipment are grant funded. In 2023, equipment related to research accounted for $6.0 million of the additions. Approximately $0.9 million in library materials were acquired in 2023 as well.

Photo: MSU-Northern

Construction in progress additions totaled $28.4 million during 2023. These additions resulted primarily from $15.9 million towards the construction of the Marga Hoseaus fitness center. There were no land purchases in 2023.

Other noncurrent assets include endowment fund and other long term investments, student loans receivable, and donated funds restricted to use for facility construction. The balance of Other Noncurrent Assets decreased by 16% to $0.7 million in 2023 due to a reduction to a MSU Alumni Foundation receivable and a residence life repair and renovation reserve.

Deferred outflows represent the University's deferred loss on debt refundings and pension and OPEB-related balances.

The deferred loss on debt refunding represents the excess of the reacquisition price of refunded debt over its net carrying amount. For the year ended June 30, 2014, the University adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which required reclassifying deferred loss on debt refunding balances from an offset to long-term debt into a deferred outflow. The outstanding deferred loss on refunding balances are related to Series 2017D and 2021H.

The pension deferred outflow is the portion of the net pension liability not included with pension expense and includes employer contributions subsequent to the measurement date of the net pension liability. For the year ended June 30, 2015, the University adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which required the University to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions. See Note 14 for further information on pensions.

The OPEB deferred outflow is the portion of the OPEB liabilities not included with OPEB expense and includes transactions subsequent to the measurement date of the OPEB liability. For the year ended June 30, 2018, the University adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required the University to recognize the deferred outflows and deferred inflows of resources associated with the plan. See Note 14 for further information on OPEB.

Current liabilities include payroll and related liabilities, amounts payable to suppliers for goods and services received, cash received for which the University has not yet earned the related revenue, securities lending liability, and debt principal payments due within one year. The balance increased $17.2 million, or 23.2%, from 2022 to 2023, primarily as a result of a $15.6 million increase in accounts payable.

Noncurrent liabilities include debt and advance liabilities, the amount of compensated absence liability estimated to be payable after a one-year period, and amounts which will be payable to the Federal government as the University collects repayments from loans outstanding under the Federal Perkins Loan or Nursing Loan programs. Noncurent liability balances increased $14.3 million, or 3.7%, resulting primarily from a $25.4 million increase to pension liability. This large increase was offset by a $6.5 million decrease in OPEB liabilities and a $3.0 million decrease in the amount due to the federal government.

Deferred Inflows include amounts related to changes in estimates and assumptions which have occurred since the last actuarial valuation for defined benefit pension and OPEB plans. These will be amortized to expense over a period as determined by actuarial calculations for each of the plans, as discussed in Note 14.

Net investment in capital assets consist of the historical acquisition value of capital assets, reduced by both accumulated depreciation expense charged against assets and debt balances related to capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred. Overall balances in net investment in capital assets increased $2.2 million in 2023.

Restricted, non-expendable balances must be held in perpetuity, and include endowment principal as well as certain balances in student loan funds. Balances decreased slightly by $0.7 million between fiscal years 2022 and 2023.

Restricted, expendable net assets represent balances that may be expended by the University in accordance with restrictions imposed by an external party, such as a donor, or through a legislative mandate. The University's most significant restricted, expendable balances relate to funds restricted to use for the construction, renewal or replacement of facilities, for the payment of debt, and for scholarships.

Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets are designated for specific purposes as described in the notes to the financial statements, and include funds accumulated for employee termination payouts, scholarships, facility renewal and replacement, and certain student projects. Balances in unrestricted net position increased by $35.7 million in comparison to fiscal year 2022. This growth was driven by strong enrollments and related tuition revenues and record research activities.

CASH FLOWS

The **Statement of Cash Flows** presents information related to cash inflows and outflows, categorized by operating, noncapital financing, capital financing, and investing activities. The reconciliation of operating loss to cash used in operations explains the relationship between the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, showing that increases and decreases in operating assets often require the use or receipt of cash, but do not result in recognition of a revenue or an expense.

Condensed Statements of Cash Flows
(in millions)

	2023	2022
Cash provided/(used) by:		
Operating activities, net	$ (134.8)	$ (155.0)
Noncapital financing activities, net	217.7	227.8
Capital and related financing activities, net	(67.2)	(3.1)
Investing activities, net	14.4	(43.9)
Net change in cash & equivalents	$ 30.1	$ 25.9
Cash & equivalents, beginning of year	294.5	268.6
Cash & equivalents, end of year	$ 324.6	$ 294.5

Comparison of 2023 and 2022 Cash Flows

Operating activities in fiscal year 2023 used $134.8 million in cash and the university realized an operating loss of $186.0 million. In 2022, the university expended $155.0 million in cash for operating activities and realized an operating loss of $185.6 million. Comparatively, depreciation and amortization expenses in FY23 amounted to $45.4 million compared to $43.4 million in FY22.

Noncapital financing activities provided $217.7 million in positive cash flows to the university, resulting from $154.9 million in state and local appropriations, $20.4 million in federal Pell grant revenue, $27.6 million in expendable gifts, $12.8 million in federal CARES Act grant revenue, and $2.4 million of land grant income. In 2022, noncapital financing activities provided $227.8 million in cash, resulting from $146.2 million in state and local appropriations, $20.5 million in federal Pell grant revenue, $27.5 million in expendable gifts, $31.8 million in federal CARES Act revenue, and $2.4 million of land grant income.

Capital and related financing activities used $67.2 million in cash, resulting primarily from cash expended on capital assets of $50.2 million (see Note 7 to the financial statements), principal debt repayments of $24.3 million, and interest payments of $9.3 million. These uses were offset by restricted gifts received for capital purchases of $2.3 million. In 2022, these activities netted $3.1 million of cash outflow, resulting primarily from cash expended on capital assets of $43.7 million, principal debt repayments of $89.1 million due to a large refunding of bond related debt, and interest payments of $7.1 million.

DEBT AND ADVANCES

As of June 30, 2023, the University had approximately $247.8 million in outstanding bond, note, and lease principal, compared with $251.1 million at June 30, 2022 (see Note 10 to the financial statements). The balance increased due to GASB 96 SBITA requirements and by the refunding of Series 2018F to Series 2023J. Increases were further offset by regular payments of principal and interest. Intercap debt is issued at a variable rate, reset each February, and as of June 30, 2023, was 5.75%. As of June 30, 2023, the University's bonds are rated Aa3 by Moody's Investor Services and A+ by Standard and Poor's.

ECONOMIC OUTLOOK

Montana State University set a record for headcount enrollment in the fall of 2023 at 16,978 students, an increase of 2% over the prior fall. The record marked the third year in a row of enrollment growth at the campus, which itself followed 11 years of growth from 2007 to 2018. In August 2019, The Chronicle of Higher Education ranked MSU as the 24th fastest-growing public, doctoral-granting university in the United States out of 211 universities. That same year, the College Gazette ranked Montana State University as one of the top 10 public universities on the rise across the nation. Enrollment is expected to remain stable due to devoting careful attention to maintaining an appropriate mix of in- and out-of-state students, initiatives to increase retention and structured tutoring and mentoring opportunities.

MSU's retention of students, and their persistence to graduation, has been another area of strength. MSU saw 77.9% of its first-time, full-time students return for a second fall term in 2023, an increase of 2.7 percentage points over the prior fall and the highest rate since 2020. When all new students are counted — including full-time, part-time and transfers — the retention rate was 75.4%, the highest rate seen in at least 15 years. Research has shown that students returning for their second year is a key indicator for future success in college.

The university set a record for full-time equivalent, or FTE, enrollment for the fall of 2023 with 15,411. That number is calculated by taking the total number of credits that MSU students are enrolled in and dividing by a full-time credit load — 15. It is a sign that more MSU students are taking more courses per semester, which is key to graduating on time. MSU has long urged students to take advantage of state tuition rules by enrolling in 15 or more credits per semester to save money, an initiative called the Freshman 15. This fall, 81% of new, first-time students and 64% of all undergraduates enrolled in 15 or more credits — both record numbers.

MSU is graduating more students and doing so in a shorter period than at any time in modern history — meaning more students enter their post-graduation work lives and pursuits earlier. This fall, MSU recorded increases in its four- and six-year graduation rates, which rose to 37.8% and 57.4% respectively. (The six-year rate is commonly looked at in federal statistics.) From fall 2022 to fall 2023, the university awarded 3,503 degrees, the second highest total on record.

Record demand continues for Gallatin College MSU programs, which offer career technical education and vocational training. That demand is expected to remain strong as the city and the county both experience unprecedented population and economic growth. The university currently leases off-campus spaces for the majority of programs offered at Gallatin College MSU. Due to the college's continued growth, the university has sought a new building for Gallatin College MSU for years, which will allow its students to learn at the main MSU campus, providing easier access to important services such as the library, tutoring and wellness. House Bill 5, passed by the 2023 Legislature, provided $23.5 million for a Gallatin College MSU building, provided that MSU raises the other needed $22.5 million. MSU is working with the Office of the Commissioner of Higher Education on a plan for the facility.

A combination of modest tuition increases, stable state appropriations and increased enrollment have contributed to financial growth. The university has set aside modest reserves to ensure the availability of retirement payout and scholarship funds and to provide a means to absorb unexpected expenses or decreases in revenue.

To assist in resource allocation, university management evaluates programs regularly and maintains a transparent budgeting process that stresses accountability and stewardship of the university's assets, as well as excellence in the programs offered. Management will continue to balance spending and revenue to maintain quality programs without unduly limiting student access to the university through the cost of attendance.

Photo: Great Falls College

FINANCIAL STATEMENTS

Consolidated Statement of Net Position

For the Year Ended June 30,

ASSETS		2023
Current assets:		
Cash and cash equivalents (Note 2)	$	324,564,796
Securities lending collateral		843,046
Accounts and grants receivable, net (Note 3)		8,380,152
Lease receivable		210,420
Amounts receivable from Federal government		38,752,199
Amounts receivable from primary government		822,884
Loans receivable, net (Note 6)		1,381,026
Inventories (Note 4)		2,642,310
Prepaid expenses and other current assets (Note 5)		4,661,693
Total current assets	$	382,258,524
Noncurrent assets		
Restricted cash and cash equivalents	$	81,066
Restricted investments		8,544,691
Loans receivable, net (Note 6)		8,040,935
Investments		60,332,720
Capital assets, net (Note 7)		627,794,262
Lease receivable non-current		1,220,569
Other noncurrent assets (Note 7)		697,718
Total noncurrent assets	$	706,711,961
Total assets	$	1,088,970,485
DEFERRED OUTFLOWS		
Deferred loss on debt refunding (Note 11)	$	4,147,219
Deferred pension and OPEB outflows (Note 14)		71,496,473
Total deferred outflows	$	75,643,692
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	1,164,614,177

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Net Position (continued)

For the Year Ended June 30,

LIABILITIES		2023
Current liabilities:		
Accounts payable and accrued liabilities (Note 8)	$	43,620,538
Advances (current) and other amounts payable to primary government		1,655,626
Amounts payable to other State of Montana component units		85,014
Securities lending liability		843,046
Property held in trust for others		1,877,823
Unearned revenues (Note 9)		16,505,801
Current portion compensated absences		12,127,661
Current portion debt and lease obligations (Note 10)		14,892,203
Total current liabilities	$	91,607,712
Noncurrent liabilities:		
Advances from primary government	$	12,019,970
Debt, lease, and other obligations (Note 10)		232,873,232
Compensated absences		28,046,898
OPEB implicit rate subsidy		20,319,324
Net pension liability		98,086,159
Due to Federal government (Note 6)		11,211,490
Total noncurrent liabilities	$	402,557,073
Total liabilities	$	494,164,785
DEFERRED INFLOWS		
Deferred Inflows-Pension and OPEB (Note 14)	$	52,954,161
Deferred Inflows-Leases		1,379,239
Total deferred Inflows	$	54,333,400
NET POSITION		
Net investment in capital assets	$	402,902,084
Restricted - nonexpendable		10,607,089
Restricted - expendable		24,563,839
Unrestricted (Note 12)		178,042,980
Total net position	$	616,115,992
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	1,164,614,177

The accompanying notes are an integral part of these financial statements.

Combined Statement of Net Position - Component Units

As of June 30, 2023 or December 31, 2022

Assets:		
Cash and cash equivalents	$	8,417,295
Short-Term Investments		3,125,000
Accrued dividends and interest		24,743
Investments		413,443,804
Amounts due from the institution or other MSU component units		8,599
Contributions receivable, net of allowance		19,674,115
Contracts, notes and other receivables		23,269,660
Non-depreciable capital assets		5,904,911
Depreciable capital assets, net		12,132,559
Other assets		2,643,521
Total assets	$	488,644,207
Liabilities and net assets:		
Liabilities		
Accounts payable	$	205,690
Accrued expenses and other liabilities		3,947,265
Compensated absences		164,436
Notes and bonds payable		4,503,105
Amounts due to the institution or other MSU component units		390,954
Liabilities to external beneficiaries		6,380,818
Custodial funds		13,648,951
Total liabilities	$	29,241,219
Net assets		
Without donor restrictions - undesignated	$	15,521,742
Without donor restrictions - designated		20,076,141
With restrictions		423,805,105
Total net assets	$	459,402,988
Total liabilities and net assets	$	488,644,207

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Revenues, Expenses, and Changes in Net Position

As of and for the Year Ended June 30,

		2023
OPERATING REVENUES		
Tuition and fees (net of $54,124,210 scholarship discount)	$	227,131,430
Federal appropriations		6,534,047
Federal grants and contracts		149,132,458
State grants and contracts		6,739,058
Non-governmental grants and contracts		14,192,703
Grant and contract facilities and administrative cost recoveries		30,419,707
Educational, public service and outreach revenues		31,753,522
Auxiliary revenues:		
Housing (net of $5,113,873 scholarship discount)		28,088,898
Food services (net of $5,031,751 scholarship discount)		27,260,057
Other auxiliary sales and services (net of $291,817 scholarship discount)		10,013,910
Interest earned on loans		18,963
Other operating revenues		2,683,789
Total operating revenues	$	533,968,542
OPERATING EXPENSES		
Compensation and benefits, including pensions (Note 14)	$	418,121,788
OPEB amortization (Note 15)		1,379,896
Operating expenses (Note 13)		224,054,521
Scholarships and fellowships (net of $64,561,651 scholarship discount)		30,992,444
Depreciation and amortization		45,440,895
Total operating expenses	$	719,989,544
Operating loss	$	(186,021,002)
NONOPERATING REVENUES (EXPENSES)		
State and local appropriations	$	154,867,953
Federal Pell grant revenue		20,371,813
Federal CARES Act grant		12,812,808
Land grant income (pledged as security for repayment of bonds)		2,441,459
Gifts (expendable)		27,582,982
Investment income (loss)		12,570,299
Interest expense		(8,415,762)
Net non operating revenues (expenses)	$	222,231,552
Income before other revenues, expenses, gains and losses	$	36,210,550
Loss on disposals of capital assets		(124,633)
Additions to permanent endowment		87
Capital gifts, grants and contributions		2,575,590
Change in net position	$	38,661,594
Net position, beginning of year as previously stated		577,454,398
Restatement of beginning net position		—
Net position, beginning of year as restated	$	577,454,398
Net position, end of year	$	616,115,992

The accompanying notes are an integral part of these financial statements.

Combined Statement of Activities - Component Units

As of and for the Year Ended June 30, 2023 or December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	$ 1,043,472	$ 56,835,121	$ 57,878,593
Investment, interest and dividend income	667,907	2,926,292	3,594,199
Net realized and unrealized gain (loss) on investments	1,958,564	21,008,928	22,967,492
Contract support and contributions from University	2,160,196	—	2,160,196
Special events	1,335,188	0	1,335,188
Other income	12,478,154	(4,361,035)	8,117,119
Net assets released from restrictions	22,073,542	(22,073,542)	—
Total revenues	$ 41,717,023	$ 54,335,764	$ 96,052,787
Expenses:			
Program services			
University support	$ 14,900,642	$ —	$ 14,900,642
Academic and institutional	1,842,906	—	1,842,906
Scholarships and awards	10,361,242	—	10,361,242
Total program services expense	$ 27,104,790	$ —	$ 27,104,790
Operating expenses			
Fundraising efforts	$ 5,546,070	$ —	$ 5,546,070
General and administrative	7,529,153	—	7,529,153
Investment management and subsidiary operations	0	—	0
Other miscellaneous	1,837,166	798,542	2,635,708
Total operating expenses	$ 14,912,389	$ 798,542	$ 15,710,931
Change in net assets before nonoperating items	$ (300,156)	$ 53,537,222	$ 53,237,066
Nonoperating expenses			
Payments to beneficiaries and change in liabilities to external beneficiaries	$ 13,574	$ 716,578	$ 730,152
Change in net assets	$ (286,582)	$ 54,253,800	$ 53,967,218
Net assets, beginning of year, as previously stated	$ 35,884,465	$ 369,551,305	$ 405,435,770
Reclassification Due to Adoption of Standard	$ —	$ —	$ —
Net assets, beginning of year, as reclassified	$ 35,884,465	$ 369,551,305	$ 405,435,770
Net assets, end of year	$ 35,597,883	$ 423,805,105	$ 459,402,988

The accompanying notes are an integral part of these financial statements.

Combined Statement of Cash Flows

As of and for the Year Ended June 30,

	2023
Cash flows from operating activities:	
Tuition and fees	$ 227,552,886
Federal appropriations	6,659,488
Federal grants and contracts	134,847,773
State grants and contracts	7,040,456
Private grants and contracts	13,631,515
Grant and contract facilities and administrative cost recoveries	28,578,209
Educational, public service and outreach revenues	32,605,557
Sales and services of auxiliary enterprises	65,562,166
Interest on loans receivable	18,963
Other operating receipts	692,138
Compensation and benefits	(412,069,785)
Operating expenses	(210,600,155)
Scholarships and fellowships	(30,992,444)
Loans made to students and federal loan funds repaid	(349,338)
Loan payments received	2,029,164
Net cash used in operating activities	$ (134,793,405)
Cash flows from noncapital financing activities:	
Receipts (disbursements) of funds held in trust for others	$ (318,181)
Direct lending proceeds	75,136,920
Direct lending disbursements	(75,136,920)
State and local appropriations	154,867,956
Federal CARES Act Grant	12,812,808
Federal Pell grant funds received	20,371,813
Gifts and contributions	27,582,982
Land grant income (see Note 2)	2,441,459
Repayment of long-term operating advance from primary government	(69,639)
Additions to permanent endowment	87
Net cash provided by noncapital financing activities	$ 217,689,285
Cash flows from capital financing activities:	
Purchase of capital assets	$ (50,169,421)
Proceeds from sale of capital assets	197,096
Gifts restricted for capital purchase	2,252,820
Other capital financing activities	133,403
Proceeds from borrowings	16,026,752
Debt principal repayment	(24,324,606)
Advances from primary government	(91,129)
Repayment of advances from primary government	(1,920,603)
Interest paid	(9,332,918)
Net cash provided by (used in) capital financing activities	$ (67,228,606)

Combined Statement of Cash Flows (continued)

	2023
Cash flows from investing activities:	
Purchase of investments	$ —
Proceeds from sale of investments	—
Investment income	14,421,370
Net cash provided by (used in) investing activities	$ 14,421,370
Net change in cash and cash equivalents	$ 30,088,643
Cash and equivalents at beginning of year	294,557,219
Cash and equivalents at end of year	$ 324,645,862

The accompanying notes are an integral part of these financial statements.

Reconciliation of Operating Loss to Net Cash Used in Operations

	2023
Operating loss	$ (186,021,002)
Noncash income and expense:	
Depreciation and amortization on capital assets	45,440,895
Provision for uncollectible accounts	(675,265)
Changes in operating assets and liabilities, deferred inflows and deferred outflows:	
Accounts and grants receivable	(11,103,414)
Loans receivable	2,670,466
Inventories	304,843
Prepaid expenses	(531,821)
Accounts payable and other accrued liabilities	15,192,348
Net pension obligation and related deferred inflows and outflows	2,755,437
Unearned revenue	(1,279,023)
Compensated absences	1,461,053
Amounts due to Federal government	(3,007,922)
Net cash used in operations	$ (134,793,405)

Schedule of noncash financing and investing activities

	2023
Capital assets contributed to the University	$ 49,150
Capital assets acquired through issuance of lease obligations	12,338,119
Capital assets acquired via trade-in	27,552
Bond issue costs, discounts, premiums and deferred loss on refunding amortized or written off to interest expense (net)	1,104,380
Net increase (decrease) in fair value of investments	2,334,553

Reconciliation of cash and cash equivalents as shown on the Statements of Cash Flows to cash as shown in the Statements of Net Position

	2023
Cash and cash equivalents classified as current assets	$ 324,564,796
Cash and cash equivalents classified as noncurrent assets	81,066
Total cash and cash equivalents as reported on the Statements of Cash Flows	$ 324,645,862

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Photo: University Communications

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The accompanying financial statements include all activities of the four Montana State University campuses, the Montana Agricultural Experiment Station, Montana Extension Service and the Fire Services Training School, collectively referred to as the "University." The four campuses of the University are Montana State University–Bozeman, Montana State University– Billings, Montana State University– Northern (located in Havre) and Great Falls College– Montana State University. Significant inter-entity transactions have been eliminated in consolidation.

The University is the State's land grant university, serving the state, national, and international communities by providing its students with academic instruction, conducting a high level of research activity, performing other activities that advance fundamental knowledge, and by disseminating knowledge to the people of Montana.

A financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, The *Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements for the University are included as a component unit of the State of Montana Basic Financial Statements, which are prepared annually and presented in the Montana Annual Comprehensive Financial Report (ACFR).

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*. The statement was clarified by the issuance of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity.

The statements require that a legally tax exempt organization be reported as a component unit of a reporting entity if the economic resources received or held by these organizations are entirely or virtually entirely for the direct benefit of the reporting entity or its component units, and the reporting entity is entitled to, or has the means to otherwise access, a majority of the economic resources received or held by the separate organization. The resources of the separate organization must also be significant to the reporting entity. In addition, organizations are evaluated for inclusion if they are closely related to, or financially integrated with, the reporting entity, and qualify as presenting a financial benefit or burden relationship. The University has established a threshold minimum of 1% - 2% of consolidated net position or 1% - 2% of consolidated revenues as an initial requirement for inclusion of an organization as a component unit in its financial statements. Other entities may be included, though, if the University determines that to exclude the entity would be misleading, according to clarified criteria presented on statement No. 61. For further discussion of component units, see Note 19.

BASIS OF PRESENTATION

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November, 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Montana, the University was also required to adopt GASB Statements No. 34 and No. 35. The latter statement was adopted as amended by GASB Statements No. 37 and No. 38.

The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents – For purposes of the statement of cash flows, the University considers its unrestricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Certain funds on deposit with trustees, as well as funds invested in the Short Term Investment Pool with the Montana Board of Investments (BOI) are considered cash equivalents, unless BOI management determines that a portion of its portfolio is sufficiently illiquid and should be considered investments. In such cases, each participant in the pool is allocated its pro-rata share of illiquid funds.

Investments – The University accounts for its investments at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application,* which was implemented during 2016. Investment income is recorded on the accrual basis. All investment income, including unrealized gains and losses on the carrying value of investments, is reported as a component of investment income. Investments include derivative instruments that do not qualify for hedge accounting in accordance with GASB Statement No. 53.

Accounts and grants receivable – Accounts receivable include tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are reported net of estimated uncollectible amounts.

Allowances for uncollectible accounts – The University estimates the value of its receivables that will ultimately prove uncollectible, and has reported a provision for such as an expense in the accompanying financial statements.

Inventories – Inventories include consumable supplies, livestock, and food items and items held for resale or recharge within the University. Inventories are valued at lower of cost or market value, using First In First Out (FIFO) or specific identification methods.

Restricted cash and investments – Cash and investments that are externally restricted as to use are classified as non-current assets in the accompanying statement of net position. Such assets include endowment fund cash and investments.

Capital assets – Capital assets are stated at cost for purchased or constructed assets, and at estimated fair value for donated assets. Renovations to buildings, infrastructure, and land improvements that significantly increase the value, change the use, or extend the useful life of the structure are capitalized. Routine repairs and maintenance and minor renovations are charged to operating expense in the year in which the expense is incurred. Capitalization thresholds range from $5,000 for equipment to $500,000 for infrastructure.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets, ranging from 3 years for certain software to 75 years for certain infrastructure assets. The University has elected to capitalize museum, fine art and special library collections, but does not record depreciation on those items.

Unearned revenues – Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to events occurring in the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated absences – Eligible University employees earn a minimum of 8 hours sick and 10 hours annual leave for each month worked, with additional annual leave accruals based on longevity, up to 16 hours per month worked. Eligible employees may accumulate annual leave up to twice their annual accrual, while sick leave may accumulate without limitation. Twenty-five percent of accumulated sick leave earned after July 1, 1971 and 100 percent of accumulated annual leave, if not used during employment, is paid upon termination.

Other Post-Employment Benefits (OPEB) – During the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The University allows retirees to participate in the Montana University System's self-funded health insurance plan by paying an amount considered by the University to cover their full costs (as calculated using the pooled risk of retirees and active employees). An actuarial study determined that this blended rate structure results in an implicit rate subsidy to retirees, who are considered to be a higher-cost pool of participants. The unfunded actuarial accrued liability is amortized over a 20-year period on an open basis beginning December 31, 2017. The state has not mandated funding of the liability. See Note 14 for further details.

Pensions – During the year ended June 30, 2015, the University adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which required the University to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions. See Note 14 for further information on pensions.

Net position – Resources are classified in one of the following four categories:

- **Net investment in capital assets** – this represents the University's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted, non-expendable** – this represents net balances subject to externally imposed stipulations requiring permanent maintenance. Such assets include the University's permanent

Photo: Bobcat Creative Services

endowment funds.

- **Restricted, expendable** – this represents balances whose use by the University is subject to externally imposed stipulations as to use of the assets.

- **Unrestricted** – this represents balances that are not subject to externally imposed stipulations. Unrestricted balances may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted balances are designated for specific purposes as described in Note 12.

Classification of revenues – The University has classified its revenues as either operating or non-operating according to the following criteria:

- **Operating revenues** – include activities that have the characteristics of exchange transactions, including (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

- **Non-operating revenues** – include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Use of restricted revenues – When the University maintains both restricted and unrestricted funds for the same purpose, the order of use of such funds is determined on a case-by-case basis, depending on relevant law and other restrictions. Restricted funds remain classified as restricted until they are expended.

Income taxes – The University, as a political subdivision of the State of Montana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. Because tax liabilities are not considered to be material, no provision for income tax expense is reported in the accompanying financial statements.

Scholarship discounts and allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are computed as the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Accounting standards recently adopted – For the year ended June 30, 2023, the university implemented the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. With the adoption of this standard, the university has determined that it will have no effect on it's financial statements as the university does not hold any conduit related debt obligations.

For the year ended, June 30, 2023, the university implemented the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The university has determined that the changes in Statement No. 94 will not have a material effect on the university's financial statements.

For the year ended June 30, 2023, the university implemented the provisions of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. With the implementation with GASB 96, required footnote disclosures are located within Notes 7 and 10.

For the year ended June 30, 2023, the university implemented provisions of GASB Statement No. 99, Omnibus 2022. The items implemented address classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments; clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements; accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); disclosures related to nonmonetary transactions; pledges of future revenues when resources are not received by the pledging government; clarification of provisions in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended, related to the focus of the government-wide financial statements; terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement 53 to refer to resource flows statements.

Accounting standards not yet implemented – In June 2022, GASB issued Pronouncement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Photo: University Communications

NOTE 2 – CASH DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

Cash deposits – The University must comply with State statutes, which generally require that cash and investments remain on deposit with the State treasury, and as such are subject to the State's investment policies. Certain exceptions exist, which allow funds to be placed on deposit with trustees to satisfy bond covenants or to maximize investment earnings through placing certain funds with recognized University foundations. Deposits with the State treasury and other financial institutions totaled $236,611,800 at June 30, 2023.

Cash equivalents – These amounts consist of cash held by trustees as well as $58,945,359 of the amount invested in the Short Term Investment Pool (STIP) with the BOI at June 30, 2023.

STIP participants include both state agencies and local governments. STIP uses net asset value to compute unit values. As described in the notes to the BOI Consolidated Unified Investment Program Financial Statements, investments must have a maximum maturity of 397 or fewer days unless they have reset dates.

Investments – GASB Statement No. 72, Fair Value Measurement and Application, requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as observable or unobservable: observable inputs are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability"; unobservable inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability." GASB Statement No. 79, Certain External Investment Pools and Pool Participants, addresses accounting and disclosure for external investment pools and pool participants. The University participates in external investment pools, and has adopted Statement No. 79.

The University records its investments as noted in the table below, and categorizes them within the fair value hierarchy as follows:

- Level 1—Fair value is determined using quoted prices for identical assets or liabilities in active markets.

- Level 2—Fair value is determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.

- Level 3 – Values are determined using unobservable inputs.

In addition, certain investments are classified as NAV, meaning Net Asset Value per share. This includes pooled investments, such as those held at the University's supporting foundations and in the State of Montana external investment pools. Unit values for these investments are based upon the University's allocated proportion of the fair value of underlying assets of the pools.

Cash equivalents and investments consisted of the following at June 30, 2023:

Security Type		Fair Value	Moody's Credit Quality Rating at June 30, 2023	Effective Duration (years) or Weighted Average Maturity (days) at June 30, 2023	Basis of Valuation or Fair Value Level	Liquidity of NAV Assets
State of Montana Short Term Investment Pool	$	58,945,359	NR[3]	Weighted average maturity for the pool: 57 days	Net Asset Value	Daily
U. S. Bank Money Market Funds collateralized by U.S. Bank pool, not in the University's name)	$	28,118,025	P-1	N/A	Cash equivalents, carried at amortized cost	
State of Montana Trust Fund Investment Pool[1]	$	57,759,162	NR[3]	6.34	Net Asset Value	Monthly
Foundation Pooled Cash Equivalents and Investments[1 2]	$	11,112,223	NR[3]	N/A[3]	Net Asset Value	No formal liquidity agreement

1 TFIP and Foundation investments are intended to be permanent investments.
2 The Foundation investment pool is not considered a debt pool, and as such, a duration calculation is not applicable.
3 Not rated

Investments Recorded at Net Asset Value

State of Montana Short Term Investment Pool (STIP) and State of Montana Trust Fund Investment Pool (TFIP) – STIP and TFIP are external investment pools managed and administered under the direction of the Montana Board of Investments as statutorily authorized by the Unified Investment Program. Each is a commingled pool for investment purposes and participant requested redemptions from the pool are redeemed the next business day (STIP) or on a monthly basis (TFIP). The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the investment. Refer to the fair value measurement note disclosures within BOI's annual financial statements for the underlying investments for commingled UIP assets within the fair value hierarchy. The BOI annual financial information is available from the BOI at 2401 Colonial Drive 3rd Floor, PO Box 200126, Helena, MT 59620-0126 or by calling 406-444-0001. The BOI's annual financial statements can be found on BOI's website at www.investmentmt.com.

Foundation investment pools – Foundation pools are external investment pools managed by the MSU Alumni Foundation, the MSU-Billings Foundation, and the MSU-Northern Foundation. The University's investment in these pools is intended to be permanent, for endowment and quasi-endowment funds, which make up the majority of the balance; as such, a liquidity term has not been formally established for these funds. Financial statements of the foundations, which are all component units, which include relevant investment disclosures, can be found as discussed in Note 19.

Endowment spending policy – The State of Montana has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A majority of the University's endowment funds are managed by the MSU Bozeman Alumni Foundation, in accord with their spending policy, which conforms to UPMIFA. The Foundation's spending policy is based on a 12-quarter weighted average of the endowment's market value multiplied by the Foundation's spending rate of 4%. Certain limits are applied: 1) the expendable amount cannot exceed 5% of the endowment's market value, and 2) assuming there is not a prohibition in the donor agreement against the use of the original gift, spending is curtailed when the value of the endowment drops to the 80% of the original contribution amount. Appreciation on permanent endowments owned by the University is not available for spending; only realized earnings may be expended, and are reflected as restricted, expendable net position in the accompanying statements.

Securities lending transactions – The BOI is authorized by law to lend its securities, and has contracted with its custodial bank, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. On any day, including June 30th, markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. The BOI and the bank split the earnings 85% and 15% respectively on security lending activities. The BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the BOI's credit risk exposure to the borrowers. The University's allocated portion of security lending cash collateral was $843,046 at June 30, 2023.

During the fiscal year, the custodial bank loaned the BOI's public securities and received as collateral: U.S. dollar cash; U.S. Government and government sponsored agency securities; U.S. corporate debt securities and structured securities rated AA- or Aa3 or higher; sovereign debt securities of the G10 nations; and debt securities issued by certain supernational agencies. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

The BOI imposed no restrictions on the number of securities available to lend during the fiscal year. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. Moreover, there were no losses during fiscal year 2023 resulting from a borrower default of the borrowers or the custodial bank. As of June 30, no securities were recalled and not yet returned.

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

The BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 6 day and the average weighted final maturity of 19 days in 2023.

Investment risks – The University's investments are concentrated primarily with the State of Montana. A discussion of the risks of the applicable State investment products is relevant to the University's investments and is summarized below. Detailed asset maturity and other information demonstrating risk associated with the BOI Unified Investment Program is contained in the BOI financial statements, and may be accessed by contacting the BOI at P.O. Box 200126, Helena, MT 59620-0126. Investment risks are described in the following paragraphs.

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 the U.S. government securities, all BOI STIP and TFIP fixed income instruments have credit risk as measured by a nationally recognized statistical rating organization (NRSRO). All STIP money market investments are in U.S. government money markets. Cash held by trustees are invested in money market funds that have received AAA credit quality ratings from three NRSRO's: Moody's; Standard and Poor's; and Fitch.

U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

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

For funds held by the University's foundations or its trustee for cases where bond proceeds are held in accordance with restrictions set forth in the University's bond indenture, a specific custodial credit risk policy has not been adopted. Information with respect to pooled investments held at the MSU Foundation is included in Note 19 of the financial statements.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. The University invests funds at the BOI, specifically with TFIP and STIP, where concentration of credit risk is addressed with all investment policy statements as set by the BOI. The University also invests certain funds with its Foundations and trustees, where a concentration of credit risk policy has not been adopted by the University. Information regarding Foundation investments is available as described in Note 19 to the financial statements.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University invests funds with the BOI, which addresses interest rate risk in the investment policy statements as set by the BOI. Although the STIP investments held by the BOI have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons – the time when investments are due or reset and payable in days, months or years – weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 57 days for the portfolio.

The BOI has selected the effective duration method as a measure of interest rate risk for all fixed income portfolios. The TFIP investment policy requires average duration of the non-core income asset class will be maintained in a range within 25% of the index duration. The TFIP investment policy requires the average duration of any internally managed portfolio will be maintained in a range within 20% of the benchmark duration.

For funds held by the University's foundations or its trustee for cases where bond proceeds are held in accordance with restrictions set forth in the University's bond indenture, a specific interest rate risk policy has not been adopted by the University.

Land grant earnings – The University benefits from two separate land grants which total 240,000 acres. The first granted 90,000 acres for the University under provisions of the Morrill Act of 1862. The second, under the Enabling Act of 1889, granted an additional 50,000 acres for agricultural institutions and 100,000 acres for state normal schools.

Under provisions of both grants, income from the sale of land and land assets must be reinvested and constitutes, along with the balance of the unsold land, a perpetual endowment fund. The State of Montana, Board of Land Commissioners, administers both grants and holds all endowed assets. The University's land grant assets are not reflected in these financial statements, but are included as a component of the State of Montana Basic Financial Statements that are prepared annually and presented in the Montana Annual Comprehensive Financial Report.

Investment income from the perpetual endowment is distributed periodically to the University by the State of Montana, Board of Land Commissioners, and is reported as revenue in the accompanying financial statements. The University has currently pledged such income to the retirement of revenue bond indebtedness; after satisfying the liens of the indenture, the University may expend the funds for any lawful purpose.

In addition to distributed endowment income, the University also receives revenue generated from trust land timber sales. The University has the flexibility to designate timber sales revenues as either distributable or for reinvestment, should it choose to expend the funds for certain specified purposes.

Photo: University Business Services

NOTE 3 – ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

		2023
Accounts receivable	$	7,899,659
Other receivables, including private grants and contracts		5,969,334
Gross accounts and grants receivable	$	13,868,993
Less allowance for uncollectible accounts		(5,488,841)
Net accounts and grants receivable	$	8,380,152

NOTE 4 – INVENTORIES

Inventories consisted of the following as of June 30:

		2023
Bookstore	$	515,815
Food services		320,701
Facilities services		585,528
Livestock		814,276
Other		405,989
Total inventories	$	2,642,309

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses consisted of the following as of June 30:

		2023
Library subscriptions	$	1,533,028
Other (including summer session payments)		3,128,665
Total prepaid expenses	$	4,661,693

NOTE 6 – LOANS RECEIVABLE

Student loans made under the Federal Perkins Loan Program constitute the majority of the University's loan balances. Short-term loans receivable for June 30, 2023, totaled $1,497,853.55, of which $1.0 million related to the Perkins Loan Program. Included in non-current liabilities as of June 30, 2023 related to the program is $11,211,490 that will be repayable to the Federal government as loans are repaid to the University by students. Students whose loans were approved and for whom the first installment disbursed prior to September 30, 2017, continued to receive loans throughout the 2017-2018 academic year. Hereafter, no new loans will be disbursed due to the elimination of the program by the Federal government.

The Federal portions of interest income and loan program expenses are shown as additions to and deductions from the amount due to the Federal government, and not as operating transactions, in the accompanying financial statements.

NOTE 7 – CAPITAL, LEASES, AND OTHER NON-CURRENT ASSETS

Following are the changes in capital assets during the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 8,202,536	$ —	$ —	$ —	$ 8,202,536
Museum and fine art	6,099,767	90,000	—	—	6,189,767
Library special collections	3,870,854	15,952	—	—	3,886,806
Livestock for education	4,332,088	105,845	—	—	4,437,933
Construction work-in-progress	11,252,082	28,420,812	(207,834)	(4,891,437)	34,573,623
Total capital assets not being depreciated	$ 33,757,327	$ 28,632,609	$ (207,834)	$ (4,891,437)	$ 57,290,665
Other capital assets:					
Furniture and equipment	$ 185,289,681	$ 14,227,428	$ (2,030,658)	$ 745,010	$ 198,231,461
Library materials	67,820,994	859,603	(345,580)	—	68,335,016
Buildings	579,636,605	20,089	—	213,556	579,870,250
Building improvements	311,324,673	—	—	3,381,486	314,706,159
Land improvements	35,200,136	23,486	—	551,384	35,775,006
Infrastructure	45,121,634	—	—	—	45,121,634
Leasehold Improvements	8,667,986	—	—	—	8,667,986
Intangible Right to Use Equipment	395,342	53,918	(8,568)	—	440,692
Intangible Right to Use Bldg	36,348,774	12,917,766	(1,319,354)	—	47,947,185
Intg Right to Use SBITA[1]	5,562,415	—	—	—	5,562,415
Total capital assets being depreciated	$ 1,275,368,240	— 28,102,288	— (3,704,161)	— 4,891,437	— 1,304,657,804
Less accumulated depreciation for:					
Furniture and equipment	$ (140,061,637)	$ (9,796,728)	$ 1,916,763	$ —	$ (147,941,602)
Library materials	(61,141,678)	(1,238,434)	345,580	—	(62,034,532)
Buildings	(206,646,605)	(13,303,995)	—	—	(219,950,600)
Building Improvements	(227,297,037)	(11,506,174)	—	—	(238,803,212)
Land Improvements	(19,553,285)	(1,256,771)	—	—	(20,810,056)
Infrastructure	(29,098,548)	(846,825)	—	—	(29,945,372)
Leasehold Improvement	(4,379,256)	(390,097)	—	—	(4,769,353)
Intangible Right to Use Equipment	(144,120)	(164,902)	8,568	—	(300,453)
Intangible Right to Use Bldg	(4,357,689)	(4,684,387)	1,319,354	—	(7,722,722)
Accum Amort Intang Right to Use SBITA	—	(1,985,074)	—	—	(1,985,074)
Total Accumulated Depreciation	$ (692,679,855)	(45,173,388)	3,590,266	—	(734,262,976)
Other capital assets, net	$ 582,688,385	$ (17,071,100)	$ (113,895)	$ 4,891,437	$ 570,394,828
Intangible assets, net	376,276	$ —	$ (267,507)	$ —	$ 108,769
Capital Assets, net	$ 616,821,988	$ 11,561,510	$ (589,236)	$ —	$ 627,794,262

1. *Due to the implementation of GASB Statement No. 96, the university's beginning balance Right to Use SBITA was restated from fiscal year 2022. There was no impact to net position.*

Historical records are not available for certain of the University's assets. As such, some values have been estimated based on insurance values, industry-accepted valuation techniques, or estimates made by University personnel knowledgeable as to the assets' values. Livestock held for educational purposes consist primarily of cattle herds. Breeding cattle are routinely replaced in the herds by their offspring; additions and deductions from the asset cost are not reported for reproducing cattle replaced in this manner.

Lease receivables – The University's lease receivables are associated with the leasing of building space. For the fiscal year ended June 30, 2023, total lease revenue was $362,582, and the related interest revenue was $29,790.

Other non-current assets – As of June 30, 2023, other non-current assets of $0.7 million include a receivable from the MSU Alumni Foundation related to a key employee deferred compensation plan as described in Note 14 in addition to strategic reserves and repair and renovation funds.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30:

	2023
Compensation, benefits and related liabilities	$ 16,830,688
Accrued interest expense	774,368
Accounts payable and other accrued liabilities	26,015,482
Total	$ 43,620,538

NOTE 9 – UNEARNED REVENUES

Unearned revenues consisted of the following as of June 30:

	2023
Grant and contract funds received in advance	$ 8,252,309
Summer session payments received in advance	6,457,624
Other unearned revenues	1,795,868
Total	$ 16,505,801

Photo: University Business Services

NOTE 10 – NON-CURRENT LIABILITIES AND DERIVATIVE INSTRUMENTS

Following are the changes in non-current liabilities for the year ended June 30, 2023:

	June 30, 2022	Additions	Reductions	June 30, 2023	Amounts due within one year
Bonds, notes payable, and lease obligations					
Bonds payable, net of discount	$203,585,388	$16,026,752	$(25,512,198)	$194,099,942	$8,485,000
Bonds payable, direct placement	9,105,000	—	(305,000)	8,800,000	350,000
Notes and other long-term liabilities	481,532	12,072	(94,771)	398,833	—
Lease obligations	32,661,536	12,971,683	(4,237,190)	41,396,029	4,562,848
SBITA obligations[1]	5,261,703	—	(2,191,075)	3,070,628	1,494,361
Total bonds, notes payable, and lease obligations	$251,095,159	$29,010,507	$(32,340,234)	$247,765,432	$14,892,209
Compensated absence liability	38,609,328	13,055,821	(11,490,588)	40,174,561	12,127,661
Advances from primary government – Intercap	9,005,065	—	(1,561,085)	7,443,980	1,077,601
Advances from primary government - MSTA	4,419,027	—	(69,639)	4,349,388	71,378
Advances from primary government - DEQ	2,173,306	—	(450,646)	1,722,660	347,073
Amounts due to Federal government	14,219,412	26,148	(3,034,071)	11,211,489	—
OPEB liability— implicit rate subsidy for retiree health insurance	26,833,911	14,499,419	(21,014,007)	20,319,323	—
Net pension liability	72,698,939	62,219,511	(36,832,291)	98,086,159	—
Derivative instrument liability	78,869	—	(78,869)	—	—
Total NonCurrent Liabilities	$419,133,016	$118,811,406	$(106,871,430)	$431,072,992	$28,515,922

1. Due to the implementation of GASB Statement No. 96, the university's beginning balance of SBITA obligations was restated from fiscal year 2022. There was no impact to net position.

Amounts not due within one year are reflected in the non-current liabilities section of the accompanying Statement of Net Position.

Lease obligations – The University's lease obligations are associated with the leasing of copiers and space for offices, labs, and radio towers. As of June 30, 2023, the University has future minimum lease commitments payable for the following years ended:

June 30,	Principal	Interest	Total
2024	$4,562,840	$637,428	$5,200,275
2025	4,625,238	556,448	5,181,685
2026	3,905,939	484,553	4,390,492
2027	3,996,501	420,033	4,416,533
2028	3,854,343	355,094	4,209,438
2029 - 2033	9,571,222	1,147,615	10,718,837
2034 - 2038	4,116,837	661,668	4,778,504
2039 - 2043	3,406,183	398,468	3,804,651
2044 - 2048	3,356,926	113,223	3,470,149
Total payments	$41,396,029	$4,774,530	$46,170,564

Subscription-based Information Technology Arrangements (SBITAs) – As of June 30, 2023, the University has future minimum SBITA commitments payable for the following years ended:

June 30,	Principal	Interest	Total
2024	$1,494,362	$33,323	$1,527,685
2025	833,471	18,158	851,629
2026	433,444	8,463	441,908
2027	309,351	2,002	311,353
Total payments	$3,070,628	$61,946	$3,132,575

Derivative financial instruments

The University terminated it's two interest rate swap agreements in Fiscal Year 2023 and as of June 30, 2023, had no related outstanding obligations.

NOTE 11 – BONDS, NOTES, ADVANCES PAYABLE AND DEFERRED LOSS ON DEBT REFUNDING

The following chart details the amount of revenue bond principal outstanding as of June 30, 2023.

	Coupon rate	**Principal Outstanding**
Series 2017 D	2.00%-5.00%	$11,095,000
Series 2018 E	3.00%-5.00%	41,680,000
Series 2023J	5.000%	14,385,000
Series 2021 G	3.00%-5.00%	44,565,000
Series 2021 H	0.364%-2.797%	68,210,000
Series 2022 I	2.91%	8,800,000
Total Principal Outstanding		$188,735,000

Revenue bonds are payable for the Fiscal Years Ending June 30 as follows:

	Bonds Payable		Direct Placement Bonds		
	Principal	Interest	Principal	Interest	Total
2024	$8,485,000	$6,176,488	$350,000	$250,988	$15,262,476
2025	8,585,000	5,972,928	365,000	240,584	15,163,512
2026	8,920,000	5,701,971	375,000	229,817	15,226,788
2027	8,195,000	5,449,013	385,000	218,759	14,247,772
2028	8,505,000	5,184,707	395,000	207,410	14,292,117
2029 - 2033	37,260,000	22,050,496	2,155,000	855,176	62,320,672
2034 - 2038	37,165,000	15,070,402	2,500,000	517,253	55,252,655
2039 - 2043	36,560,000	8,625,062	2,275,000	134,806	47,594,868
2044 - 2048	26,260,000	2,134,072	—	—	28,394,072
2049 - 2053	—	—	—	—	—
Total cash requirements	$179,935,000	$76,365,139	$8,800,000	$2,654,793	$267,754,932
Unamortized premium (discount) net	14,164,944		—		
Bond payable, net	$194,099,944		$8,800,000		

Description of bonded indebtedness

Series D 2017, July 25, 2017 – The University issued its Series D refunding debt in the principal amount of $21.0 million. The proceeds were used for a current refunding of the Series K 2006 Facilities Refunding Revenue Bonds and an advance refunding of the Series M 2011 Facilities Improvement Revenue Bonds with stated maturities in 2022 and thereafter. The refunding resulted in an economic gain to the University of $1.3 million. The proceeds of the Series D 2017 bonds were used to acquire direct general obligations, the maturing principal and interest on which are calculated to be sufficient to pay, when due, at maturity or upon redemption, the principal of and interest on all $8.3 million of the Series K 2006 and $12.7 million of the Series M 2011 bonds with maturities in the year 2022 and thereafter. The refunded Series K 2006 bonds are no longer considered to be outstanding under the Indenture. The portion of the Series M bonds that were not refunded totals $0.9 million. A portion of the Series D bonds matured in November 2021. The portion of Series D still outstanding include:

Maturity Date		Principal
11/15/2023	$	1,975,000
11/15/2024	$	2,040,000
11/15/2025	$	2,150,000
11/15/2026	$	2,225,000
11/15/2027	$	2,305,000

Series E 2018, February 8, 2018 – The University issued $44.8 million of Series E 2018 Facilities Improvement Revenue Bonds to fund the construction of a new residence hall on the Bozeman Campus. Payments are scheduled each May and November through November 2047. The bonds are secured by a first lien on and pledge of the net pledged revenues, as described in Note 16.

Series F 2018, September 4, 2018 – The University issued its Series 2018 F refunding debt in the principal amount of $19.8 million. The proceeds were used for a refunding of the Series 2005 J Facilities Improvement Revenue Bonds, with stated maturities in November of the year 2018 and thereafter. The refunding was on a par-to-par basis at a rate of 0.45% above SIFMA. The proceeds of the Series F 2018 bonds were used to acquire direct general obligations, the maturing principal and interest on which are calculated to be sufficient to pay, when due, at maturity or redemption, the principal of and interest on all $19.8 million Series 2005J bonds with maturities in November 2018 and thereafter. In June 2023, the remaining Series F bonds were refunded and are no longer considered to be outstanding per the indenture.

Series G 2021, October 19, 2021 – In October 2021, the University issued its Series G 2021 tax-exempt bonds in the amount of $45.6 million. Proceeds of $12.4 million were used to refund the Series C 2016 Facilities Improvement Revenue draw-down bonds. The refunding resulted in an economic gain to the University of $1.0 million. The proceeds of the Series G 2021 bonds were used to acquire direct general obligations, the maturing principal and interest on which are calculated to be sufficient to pay, when due at maturity or upon redemption, the principal of and interest on the $12.4 million Series C 2016 bonds in the year 2022 and thereafter. The refunded Series C 2016 bonds are no longer considered to be outstanding under the indenture. Proceeds of $33.2 million were used to fund the construction of the Wellness Center on the Bozeman campus. Payments are scheduled for each May and November through November 2046. Bonds are secured by a first lien on and pledge of the net pledged revenues, as described in Note 16.

Series H 2021, October 19, 2021 – In October 2021, the University issued its Series H 2021 refunding taxable debt in the amount of $72.1 million. The proceeds were used for an advanced refunding of the Series N 2012 bonds, the Series O 2012 bonds, and the Series A 2013 bonds with stated maturities in 2022 and thereafter. The refunding resulted in an economic gain to the University of $.8 million for Series N 2012, $.2 million for Series O 2012, and $8.2 million for Series A 2013. The proceeds of the Series H 2021 bonds were used to acquire direct general obligations, the maturing principal and interest on which care calculated to be sufficient to pay, when due, at maturity or upon redemption, the principal and interest on all Series N 2012, Series O 2012 and Series A 2013 bonds with maturities in 2022 and thereafter. Series N 2012, Series O 2012 and Series A 2013 are no longer considered to be outstanding under the indenture.

Series I 2022, March 25, 2022 – In March 2022, the University closed on its Series I 2022 General Revenue bonds for $9.1 million, which were issued to acquire a research building on the Bozeman campus. Payments are scheduled each May and November through November 2041. The bonds are secured by a first lien on and pledge of the net pledged revenues, as described in Note 16.

Series J 2023, June 22, 2023 – In June 2023, the University issued its Series J refunding debt in the principal amount of $14.4 million. The proceeds were used for a refunding of the Series F 2018 Facilities Refunding Revenue Bonds with stated maturities in the year 2023 and thereafter. The refunding resulted in an economic loss of $4,552. Payments are scheduled for each May and November through November 2035. Bonds are secured by a first lien on and pledge of the net pledged revenues, as described in Note 16. The refunded F 2018 bonds are no longer considered to be outstanding per the indenture.

Photo: University Communications

Deferred Loss on Debt Refunding – Deferred loss on debt refunding is the excess of the reacquisition price of refunded debt over its net carrying amount. Deferred loss on debt refunding was $4.1 million as of June 30, 2023. Though the transactions resulted in an accounting loss, the refundings resulted in an economic gain, in that future principal plus interest (including issuance costs) will be less than the principal and interest that would have been paid had the original debt been paid out to its scheduled maturity. This occurs due to lower interest costs over the life of the debt.

Advances payable to primary government – The University participates in the State's Intercap loan program. Intercap loans contain a variable interest rate, which is based on the underlying bond rate of the BOI Intercap bonds, and is adjusted each February. The rate as of June 30, 2023 was 5.75%. Intercap loans are secured by the pledge of net income from revenue-producing facilities and student fees.

Other advances were made during the mid-1990s by the Montana Science and Technology Alliance (MSTA) to stimulate research and creative activities in Montana. Such loans were subsequently assumed by the State of Montana BOI. Amounts are expected to be repaid as follows; however, actual payments are allocated between three of the state institutions of higher education based on relative proportions of annual Research and Creative Activities expenditures, and actual repayments and the timing thereof may vary.

Advances were made to the University by the State Department of Environmental Quality (DEQ) as part of its State Building Energy Conservation Program (SBECP). The program provides funding for projects such as lighting, window replacement, and other energy-efficiency initiatives. The projects selected for funding under the program are done so only if utility savings resulting from the improvements are expected to offset the cost of the projects.

Amounts due to the State of Montana are scheduled to be repaid for each of the Years Ending June 30 as follows:

	Intercap Loans		MSTA Advances		DEQ SBECP		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	$1,077,601	$412,465	$71,378	$108,622	$347,072	$52,798	$2,069,936
2025	1,097,987	324,990	73,161	106,839	327,617	42,406	1,973,000
2026	1,118,854	265,664	74,988	105,012	337,917	32,114	1,934,549
2027	986,187	205,188	76,861	103,139	184,715	21,494	1,577,584
2028	801,874	156,911	78,780	101,220	233,192	18,457	1,390,434
2029 - 2033	2,048,244	356,393	424,415	475,585	207,806	28,800	3,541,243
2034 - 2038	313,232	12,050	480,126	419,874	84,343	6,217	1,315,842
2039 - 2043	—	—	543,150	356,850	—	—	900,000
2044 - 2048	—	—	614,446	285,554	—	—	900,000
2049 - 2053	—	—	695,101	204,899	—	—	900,000
2054 - 2058	—	—	786,343	113,657	—	—	900,000
2059 - 2063	—	—	430,637	19,363	—	—	450,000
2064 - 2068	—	—	—	—	—	—	—
2069 - 2073	—	—	—	—	—	—	—
Total	$7,443,979	$1,733,661	$4,349,386	$2,400,614	$1,722,662	$202,286	$17,852,588

NOTE 12 – NET POSITION

As of June 30, the University's unrestricted balances were as follows:

		2023
Board of Regents' approved reserves	$	57,973,878
Other designated purposes		120,069,102
Total unrestricted net position	$	178,042,980

Board of Regents' approved reserves represent cash and investments held for specific purposes that were generated through state appropriations and student tuition revenue in excess of operating expenses. The remainder of unrestricted net position is designated for other purposes that support the educational and general operations of the University. These resources also include those from auxiliary services, which are substantially self-supporting activities that provide services for students, faculty, and staff.

As of June 30, the University's restricted balances were as follows:

		2023
Restricted - nonexpendable:		
Endowments	$	8,589,005
Loans		2,018,085
Total restricted - nonexpendable	$	10,607,089
Restricted - expendable:		
Scholarships	$	3,756,168
Research and other		18,084,079
Loans		(834,514)
Construction and renewal of plant facilities		2,996,039
Debt retirement		562,067
Total restricted - expendable	$	24,563,839

NOTE 13 – OPERATING EXPENSES

Functional operating expenses were incurred in performance of the following during the years ended June 30:

		2023
Instruction	$	158,513,513
Research		165,367,218
Public service		52,525,527
Academic support		46,315,555
Student services		59,139,939
Institutional support		38,945,683
Plant-related expenses		51,785,582
Auxiliary enterprises		70,964,532
Scholarships and fellowships		30,991,100
Depreciation and amortization		45,440,895
Total	$	719,989,544

Natural operating expenses were incurred in the following categories during the years ended June 30:

		2023
Compensation and benefits	$	397,868,465
Pension		20,253,322
OPEB		1,379,896
Supplies and service		142,091,702
Travel		14,222,292
Utilities		11,420,915
Other operating expenses		56,319,613
Scholarship and fellowships		30,992,444
Depreciation and amortization		45,440,895
Total	$	719,989,544

NOTE 14 – RETIREMENT, TERMINATION AND OTHER POST-EMPLOYMENT BENEFITS

Retirement Plans

University employees eligible to participate in retirement programs are members of either the Montana Public Employees' Retirement System (PERS), the Game Wardens' and Peace Officers' Retirement System (GWPORS), Montana Teachers' Retirement System (TRS), the Montana University System Retirement Program (MUS-RP), Federal Employees' Retirement System (FERS), or the U.S. Civil Service Retirement System (CSRS). All are defined benefit plans except for the MUS-RP. Membership in the MUS-RP is compulsory for new faculty and administrative staff.

There are very few employees participating in the CSRS and FERS plans combined, and information is not available from the federal plan administrator with respect to the proportionate share for these employees. Due to the limited number of personnel involved, disclosure for these plans will be presented as if they were defined contribution plans.

MUS-RP – The MUS-RP is a defined contribution plan, established in 1988 under authority of Title 19, Chapter 21, MCA and is underwritten by the Teachers' Insurance and Annuity Association (TIAA). Benefits at retirement depend upon the amount of investment gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA. The University records employee/employer contributions, and remits monies to TIAA. Combined contributions cannot exceed 13% of the participants' compensation (MCA §19-21-203). Individuals are immediately vested with contributions. Annual reports that include financial statements and required supplemental information on the plan are available from TIAA, 730 Third Avenue, New York, New York 10017-3206, phone 1-800-842-2733.

FERS – This plan commenced in 1986 and is available to Federal employees joining the Extension Service staff that either had no prior covered service under CSRS or had a break in service. This retirement plan contains defined benefit plan components, a Basic Benefit Plan and Social Security, and a defined contribution component, the Thrift Savings Plan (TSP). Basic benefits can be received at age 55 with as little as 10 years of service, and minimum retirement benefits at age 62 with 5 years of service. The formula for basic benefits is 1% of the highest consecutive three-year-average salary multiplied by the number of years of service. The formula changes slightly if over 62 and over 20 years of service. At age 62, retirees are eligible for cost of living adjustments on retirement benefits. The employer is required to make at least a 1% contribution to the TSP. The TSP benefits at retirement depend upon the amount of employer contributions, employee voluntary contributions, and investment gains and losses. Further information regarding the Federal Employees Retirement System can be obtained from the U.S. Office of Personnel Management, 1900 E Street NW, Washington, DC 20415.

Photo: Bobcat Creative Services

CSRS – This retirement plan is authorized under the Smith-Lever Act of 1914 as amended and is available to Federal employees who first entered covered service before January 1, 1987 and who are joining the Extension Service staff without a break in service. CSRS is a defined benefit plan. The retirement benefits are based upon the highest consecutive three-year-average salary. Retirees are eligible for cost of living adjustments the year after retirement. Benefits can be received at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with five years of service. Further information regarding the Civil Service Retirement System can be obtained from the U.S. Office of Personnel Management, 1900 E Street NW, Washington, DC 20415.

PERS-DCRP – This plan is administered by the Public Employees Retirement Board and is reported as multiple-employer plan established July 1, 2002, governed by Title 19, chapters 2 & 3, MCA. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Member and employer contribution rates are specified by state law as a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates. Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

Key Employee Plans – One defined benefit plan and two defined contribution plans exist for a key employee of the University. The defined benefit plan and one defined contribution plan each will provide $500,000 plus applicable employer payroll taxes. The defined benefit plan has vested, while the first defined contribution plan has not. The MSU Alumni Foundation has agreed to reimburse the University $500,000 for the combined total $1,000,000 base wage of the plans, which together provide for payments beginning upon the employee's retirement. Expenses associated with the plan have been fully accrued for the vested portion and are being accrued throughout the vesting period for the remainder. The University is funding the plan with an outside administrator, to the extent that the IRS allows tax-advantaged contributions, with certain contributions occurring during the employee's tenure and others which may occur within up to 5 years after retirement. Because the University is funding a substantial proportion of the plan with reimbursement occurring from the MSU Alumni Foundation, a significant liability and effect on net position does not exist; therefore, balances related to these plans are not included within the net pension liability calculations or other disclosures below. The remaining defined contribution plan exists to provide $56,600 annually in deferred compensation to the key employee.

Pension data for the year ended June 30, 2023 for defined contribution and federal plans is as follows. Employer contributions for these plans are included within compensation and benefits in the accompanying financial statements.

	MUS-RP	CSRS	FERS	PERS- DCRP
Covered payroll*	$184,336,030	$241,886	$36,575	$4,475,352
Employer contributions/expense	$11,483,286	$14,907	$6,466	$405,915
% of covered payroll	6.012%-6.255%	6.16%	—	9.07%
Employee contributions	$13,124,808	$14,907	$2,049	$353,554
% of covered payroll	7.06%-7.13%	6.16%	—	7.90%

* Covered payroll excludes students employed under the College Work Study programs and part-time employees.

Total payroll for 2023 was $271,575,665. Amounts contributed to retirement plans during the past three years were equal to the required contribution each year. Federal plan administrators have not provided information with respect to net pension liability. Because only three individuals employed by the University participate in these plans, the University believes the balances are not material to its financial position or results of operations.

The amounts contributed by the University and its employees were as follows for the years ended June 30:

	MUS-RP	CSRS	FERS	PERS- DCRP
2019	$21,261,078	$27,584	$6,606	$506,089
2020	$22,265,354	$27,584	$7,101	$532,826
2021	$23,514,881	$30,011	$7,190	$636,123
2022	$23,255,294	$29,689	$8,394	$582,303
2023	$24,621,605	$29,699	$8,483	$759,768

Defined Benefit Plans

Following is the total of the University's share of balances for material defined benefit plans as of and for the years ended June 30:

	2023			
	TRS	PERS	GWPORS	Total
Net Pension Liability	$10,146,642	$82,984,960	$4,954,557	$98,086,159
Deferred Outflows of Resources	$18,536,038	$14,384,103	$3,763,325	$36,683,466
Deferred Inflows of Resources	$985,519	$6,506,552	$1,204,340	$8,696,411
Pension Expense (including state share paid on behalf of the University)	$7,277,591	$12,037,219	$938,566	$20,253,376

In accordance with Statement on Governmental Accounting Standard No. 68, Accounting and Financial Reporting for Pensions (Statement 68), employers are required to recognize and report certain amounts associated with their participation in retirement plans. Statement 68 became effective June 30, 2015 and includes requirements to record and report the University's proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows, and Deferred Outflows of resources associated with pensions. As defined by Statement 68, the University

Photo: University Communications

has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS that are used to provide pension benefits to the retired members of each of the plans. Due to the existence of a special funding situation, the University is also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability (NPL) that is associated with the University.

Teachers' Retirement System (TRS)

TRS Plan Description

TRS is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana. The TRS Board is the governing body, and the TRS staff administers the System in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

TRS Eligibility for Participation

Membership in TRS is mandatory for all K-12 public educators, except for persons teaching fewer than thirty days in each fiscal year. A University faculty member who is already an active, inactive, or retired member of TRS, if hired into a position that was previously covered by TRS, may have a choice to remain in TRS or transfer to the Montana University System Retirement Program (MUS-RP). University employees not already members of TRS, or that are members of TRS but are hired into a position that was not previously covered by TRS, will become members of the MUS-RP.

TRS Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Average final compensation (AFC) is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members, the GABA is a variable rate between 0.50% and 1.50% 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.

For the years ending June 30, 2023 and 2022, the University's net pension liability (NPL) related to TRS was as follows:

			Percent of Collective NPL at June 30,		Increase (Decrease) in Percent of Collective NPL
	2023	2022	2023	2022	
University Proportionate Share	$10,146,642	$9,443,846	0.52%	0.57%	(0.05)%
State of Montana Proportionate Share associated with the University	2,968,558	2,911,918	0.15%	0.17%	(0.02)%
Total	$13,115,200	$12,355,764	0.67%	0.74%	(0.07)%

The NPL was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The University's proportion of the net pension liability was based on the university's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of TRS' participating employers.

TRS Changes in Actuarial Assumptions and Other Inputs

Since the previous measurement date, the following changes to actuarial assumptions were made:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

TRS Changes Between the Measurement Date and the Reporting Date

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

TRS Pension Expense

The University's pension expense related to TRS was as follows for the year ended June 30,

	2023
University expense	$7,032,117
State of Montana expense/ University revenue recognized	245,474
Total	$7,277,591

TRS Deferred Inflows and Outflows

The University share of deferred outflows of resources and deferred inflows of resources related to TRS was as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$148,724	$—
Changes in actuarial assumptions	518,591	927,545
Difference between projected and actual investment earnings	237,328	—
Changes in proportion & differences between actual and expected contributions	8,563,013	57,974
Contributions paid to TRS subsequent to the measurement date *	9,068,382	—
Total	18,536,038	$985,519

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be fully recognized in pension expense during the year ending June 30:

	Amount of Deferred Outflows (Inflows) to be recognized as an increase (decrease) to Pension Expense
2024	$4,451,081
2025	$2,284,311
2026	$1,085,005
2027	$661,738

TRS Overview of Contributions

TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity. TRS receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. TRS also receives 0.11% of reportable compensation from the State's general fund for State and University employers. Finally, the State is also required to contribute $25 million annually to TRS in perpetuity, payable on July 1st of each year.

TRS Actuarial Assumptions

The Total Pension Liability as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2022. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases*
  4.25% for University members, 3.50%-9.00% for Non-University members
- Investment Return
  7.30%
- Price Inflation
  2.75%
- Post-retirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least three years, the retirement allowance will be increased by 1.5% each January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the

System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

- Mortality among contributing members service
    - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
- Mortality among service retired members
    - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
- Mortality among beneficiaries
    - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- Mortality among disabled members
    - PUBT-2010 Disabled Retiree mortality table projected to 2021

*Total Wage Increases include 3.50% general wage increase assumption

TRS Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions, the State general fund will contribute $25 million annually to TRS payable July 1 of each year. Based on those assumptions, the TRS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Photo: University Communications

TRS Target Allocations

Asset Class	Target Asset Allocation	Long Term Expected Real Rate of Return
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	-0.33%
	100.00%	

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

TRS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	Assuming 1.0% Decrease	At Current Discount Rate	Assuming 1.0% Increase
	6.3%	7.3%	8.3%
University proportion of Net Pension Liability	$14,173,300	$10,146,642	$6,776,836

TRS Summary of Significant Accounting Policies

TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of TRS and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

TRS's stand-alone financial statements, actuarial valuations and experience studies can be found online at https://trs.mt.gov/TrsInfo/NewsAnnualReports

Public Employees' Retirement System (PERS)

PERS Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), 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 and local governments, certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

The PERS-DBRP 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 are vested after five years of service.

PERS Eligibility for Participation

All new members in covered positions (generally all University classified employees which excludes faculty and professional staff) are defaulted to the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the University 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 contributions is used to pay down the liability of the PERS-DBRP. A new employee of the University who is already an active or inactive member of one of the PERS Plans may remain in the current retirement option or transfer to the MUS-RP. Written election to move to the MUS-RP must be done within 30 days of becoming eligible to participate, or employees default to their existing retirement plan.

PERS Summary of Benefits

Service retirement:
Hired prior to July 1, 2011
- Age 60, 5 years of membership service
- Age 65, regardless of membership service or
- Any age, 30 years of membership service

Hired on or after July 1, 2011:
- Age 65, 5 years of membership service
- Age 70, regardless of membership service

Early retirement
Hired prior to July 1, 2011
- Age 50, 5 years of membership service
- Any age, 25 years of membership service

Hired on or after July 1, 2011

- Age 55, 5 years of membership service

Second Retirement (requires returning to PERS-covered employer or PERS service)
- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
    - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018)
    - No service credit for second employment
    - Start the same benefit amount the month following termination
    - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
    - A recalculated retirement benefit based on provisions in effect after the initial retirement
    - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
    - The same retirement as prior to the return to service
    - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date
    - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months

Member's highest average compensation (HAC)
- Hired prior to July 1, 2011 – HAC during any consecutive 36 months
- Hired on or after July 1, 2011 – HAC during any consecutive 60 months

Compensation Cap

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

PERS Monthly benefit formula
Members hired prior to July 1, 2011:
- Less than 25 years of membership service: 1.785% of HAC per year of service credit
- 25 years of membership service or more: 2% of HAC per year of service credit

Members hired on or after July 1, 2011:
- Less than 10 years of membership service: 1.5% of HAC per year of service credit
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit
- 30 years or more of membership service: 2% of HAC per year of service credit

PERS Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 through June 30, 2013
- Members hired on or after July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%
    - 1.5% reduced by 0.1% for each 2% PERS is funded below 90%
    - 0% whenever the amortization period for PERS is 40 years or more

PERS Net Pension Liability

As defined by GASB Statement 68, the State of Montana contributed additional contributions, as the non-employer contributing entity, that qualify as special funding. The state contributed a Statutory Appropriation from the General Fund of $34,633,570 that was paid to the plan. Those employers who received special funding are all participating employers. Due to the existence of the this special funding situation, all participating employers, including the University, are required to report the portion of the State of Montana's proportionate share of the collective net pension liability that is associated with the employer. The State of Montana's proportionate share of net pension liability associated with the university is $23.8 million. This equals the ratio of state statutory contributions for the university to the total state contributions paid.

The University's net pension liability related to PERS was as follows for the years ended June 30,

			Percent of Collective NPL at June 30,		Increase (Decrease) in Percent of Collective NPL
	2023	2022	2023	2022	
University Proportionate Share	$82,984,960	$62,354,720	3.49%	3.44%	0.05%
State of Montana Proportionate Share associated with the University	23,844,568	17,651,148	1.00%	0.97%	0.03%
Total	$106,829,528	$80,005,868	4.49%	4.41%	0.08%

The Net Pension Liability (NPL) as of June 30, 2023, was determined based on the Total Pension Liability (TPL) using


Photo: University Business Services

the actuarial valuation performed by the Plan's actuary as of June 30, 2022.

PERS Changes in Actuarial Assumptions and Methods
The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%
- Updated all mortality tables to the PUB-2010 tables for general employees.
- Updated the rates of withdrawal, retirement, and disability.
- Lowered the payroll growth assumption from 3.5% to 3.25%.

PERS Changes in Benefit Terms and Proportionate Share

There have been no changes to benefit terms or changes in proportionate share to the Plan since the measurement date that would have a significant effect on the employers proportionate share of the collective NPL.

PERS Pension Expense

The University's pension expense related to PERS was as follows for the years ended June 30,

	2023
University share	$9,565,714
State of Montana expense/ University revenue recognized	2,471,505
Total PERS Pension expense recognized	$12,037,219

PERS Deferred Inflows and Outflows

The University share of deferred outflows of resources and deferred inflows of resources related to PERS was as follows:

	2023	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual economic experience	$1,057,890	$—
Changes in actuarial assumptions	2,438,897	—
Difference between projected and actual investment earnings	3,092,522	6,075,263
Change in proportionate share	1,167,534	431,289
Difference in expected versus actual contributions	—	—
Contributions paid to PERS subsequent to the measurement date *	6,627,260	—
Total	$14,384,103	$6,506,552

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be fully recognized in pension expense during the years ending June 30:

	Net Amount To Be Recognized as an increase or (decrease) to Pension Expense
2023	$1,257,858
2024	$(2,929,948)
2025	$(2,630,467)
2026	$5,552,848
Thereafter	$—

PERS Overview of Contributions

Rates are specified by Montana Statutes and are a percentage of the member's compensation. The State legislature has the authority to establish and amend contribution rates to the plan.

PERS Member contributions

- Plan members are required to contribute 7.9% of their compensation. Contributions are deducted from each member's salary and remitted by participating employers.
- The 7.9% member contribution rate is temporary and will be decreased to 6.9% on January 1 in the year following an actuarial valuation in which results show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

PERS Employer contributions

- State and University employers are required to contribute 9.07% of members' compensation.
- Local government entities are required to contribute 8.97% of members' compensation.
- School district employers are required to contribute 8.70% of members' compensation.
- Following the 2013 Legislative Session, and beginning July 1, 2014, employer contributions began increasing an additional 0.1% each year for 10 years, through 2024. The employer additional contributions, including 0.27% added in 2007 and 2009, will terminate on January 1 of the year following actuarial valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation, though member contributions for working retirees are not required.
- The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included inthe employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

PERS Non Employer Contributions

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

PERS Stand-Alone Statements

The PERS financial information is reported in the Public Employees Retirement Board (PERB) Annual Comprehensive Financial Report. These reports, as well as the actuarial valuations and experience study, are available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154 or are available on the MPERA website at https://mpera.mt.gov/about/annualreports1/annualreports.

PERS Actuarial Assumptions

The Total Pension Liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions.

- General wage growth* 3.50% (*includes Inflation at 2.75%)
- Merit increases 0% to 4.80%
- Investment return (net of expenses) 7.30%
- Administrative expense as a % of payroll 0.29%

Post-retirement benefit increases

- Guaranteed Annual Benefit Adjustment (GABA) each January after the member has completed 12 full months of retirement, inclusive of all other adjustments to the member's benefit
    - Members hired prior to July 1, 2007 3.0%
    - Members hired between July 1, 2007 and June 30, 2013 1.5%
    - Members hired on or after July 1, 2013 for each year that PERS is funded at or above 90% 1.5%
        - 1.5% reduced by .1% for each 2% PERS is funded below 90%
        - 0% whenever the amortization period for PERS is 40 years or more

Mortality

- Active Participants
    - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees
    - PUB 2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females
- Contingent Survivors
    - PUB-2010 General Amount Weighted Contingent Survivor Mortality Projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees
    - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

PERS Discount Rate

The discount rate used to measure the Total Pension Liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

PERS Target Allocations

The best estimates of arithmetic real rates of return for each major asset class included in the PERS target asset

allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

PERS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.30%	**7.30%**	**8.30%**
The University's proportion of Net Pension Liability	$119,626,691	$82,984,960	$52,242,989

PERS Summary of Significant Accounting Policies

MPERA prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions

are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Game Wardens' and Peace Officers' Retirement System (GWPORS)

GWPORS Plan Description

GWPORS is administered by the Montana Public Employee Retirement Administration (MPERA). It is a multiple-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. Benefits are established by state law and can only be amended by the Legislature. GWPORS provides retirement, disability and death benefits to those employed as game wardens, warden supervisory personnel, or state peace officers, and their beneficiaries. Member rights are vested after five years of service.

GWPORS Service Retirement and Monthly Benefit Formula:

- Age 50 with 20 years of membership service.
- 2.5% of highest average compensation (HAC) x years of service credit

GWPORS Early Retirement

- Age 55, vested members who terminate employment prior to 20 years of membership service.
- A reduced retirement benefit calculated using the HAC and service credit at early retirement.

GWOPRS Second Retirement

Applies to retirement system members re-employed in a GWPORS position on or after July 1, 2017:

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

GWPORS Member's Highest Average Compensation (HAC)

- Hired prior to July 1, 2011 – HAC is the average during any consecutive 36 months
- Hired on or after July 1, 2011 – HAC is the average during any consecutive 60 months

Compensation Cap

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

GWPORS Guaranteed Annual Benefit Adjustment (GABA)

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

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

GWPORS Net Pension Liability

The University's net pension liability related to GWPORS was as follows for the years ended June 30,

	2023	2022	Percent of Collective NPL at June 30, 2023	Percent of Collective NPL at June 30, 2022	Increase (Decrease) in Percent of Collective NPL
University Proportionate Share	$4,954,557	$900,373	3.25%	2.78%	0.47%

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year end. The Net Pension Liability as of June 30, 2023, was determined based on the Total Pension Liability measured on June 30, 2022, using the actuarial valuation performed as of June 30, 2022.

GWPORS Changes in Actuarial Assumptions or Methods

The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

- The discount rate was lowered from 7.06% to 5.55%.
- The investment rate of return was increased from 7.06% to 7.30%.
- The payroll growth rate was reduced from 3.50% to 3.25%
- All mortality tables were updated to the PUB2010 tables for public safety employees.
- Rates of withdrawal, retirement, disability, and merit increase scales were updated.
- The inflation rate was increased from 2.40% to 2.75%.

Changes in Benefit Terms and Proportionate Share

There have been no changes to benefit terms or changes in proportionate share to the Plan since the measurement date that would have a significant effect on the employers proportionate share of the collective NPL.

GWPORS Pension Expense

The University's proportionate share of the pension expense related to GWPORS was as follows for the years ended June 30,

	2023
University expense	$938,566

GWPORS Deferred Inflows and Outflows

At June 30, the University share of deferred outflows of resources and deferred inflows of resources related to GWPORS was as follows:

	2023 Deferred Outflows of Resources	2023 Deferred Inflows of Resources
Differences between expected and actual economic experience	$80,053	$88,247
Changes in actuarial assumptions	115,597	—
Difference between projected and actual investment earnings	3,289,177	1,116,093
Changes in proportionate share	84,265	—
Contributions paid to GWPORS subsequent to the measurement date*	194,234	—
Total	$3,763,326	$1,204,340

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be fully recognized in pension expense during the year ending June 30:

	Net Amount To Be Recognized as an increase or (decrease) to Pension Expense
2023	$722,981
2024	$738,551
2025	$701,878
2026	$201,341
Thereafter	$—

GWPORS Overview of Contributions

The State legislature has the authority to establish and amend contribution rates to the plan. Contribution rates are specified by Montana Statutes and are a percentage of the member's compensation. Plan members are required to contribute 10.56% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. Each state agency and university employers are required to contribute 9.0% of members' compensation.

GWPORS Stand-Alone Statements

The GWPORS financial information is reported in the Public Employees Retirement Board (PERB) Annual Comprehensive Financial Report. These reports, as well as the actuarial valuations and experience study, are available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154 or are available on the MPERA website at https://mpera.mt.gov/about/annualreports1/annualreports.

GWPORS Actuarial Assumptions

The Total Pension Liability in the June 30, 2022, actuarial valuation was determined using the following assumptions:

- General wage growth (includes inflation at 2.75%)
  - 3.50%
- Merit increases
  - 1.0% to 6.40%
- Investment return
  - 7.30%

Guaranteed Annual Benefit Adjustment (GABA)

- Requires 12 full months of retirement before GABA will be made
  - Members hired prior to July 1, 2007 3.0%
  - Members hired on or after July 1, 2007 1.5%

Mortality

- Active Participants
  - PUB-2010 Safety Amount Weighted Healthy Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees
  - PUB 2010 Safety Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for males
- Contingent Survivors
  - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality Projected to 2021 set forward one year for males. Projected generationally using MP-2021.
- Healthy Retirees
  - PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021, set forward one year for males, and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.

GWPORS Discount Rate

The discount rate used to measure the Total Pension Liability was 5.55%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the GWPORS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. A municipal bond rate of 3.37% was incorporated in the discount rate.

Photo: University Business Services

GWPORS Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
	100.00%	

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of the June 30, 2022, actuarial valuation is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until plan year ending June 30, 2059. Therefore, the long-term expected rate of return on pension plan investments of 7.30% was applied to all periods of projected benefit payments through June 30, 2059 and the applicable municipal bond index rate of 3.37%, based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of June 30, 2022, was applied to all periods of projected benefits payments after June 30, 2059. The Single Equivalent Interest Rate (SEIR) of 5.55% that discounts the entire

projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability as of June 30, 2022.

GWPORS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	4.55%	5.55%	6.55%
University proportion of Net Pension Liability	$7,264,814	$4,954,557	$3,103,043

GWPORS Summary of Significant Accounting Policies

The GWPORS prepares its financial statements using the accrual basis of accounting. For the purposes of determining the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been recognized on the same accrual basis as they are reported by GWPORS. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. The GWPORS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Termination Benefits

During the year ended June 30, 2023, certain employees were involuntarily terminated. The University agreed to contribute to certain employees health insurance for a specified period of time as severance. No employees who were offered severance had elected the Teachers' Retirement System Option 1 payout during the fiscal year ended June 2023. During the year ended June 30, 2023, incentive pay of $399,304 for voluntary and involuntary terminations plus benefits of $24,183 were paid to a total of 17 employees, for a total of $423,487 in expenses included in the accompanying financial statements.

Other Post-Employment Benefits

Other post-employment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave.

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense as reported in accordance with GASB Statement No. 75, for the fiscal year ended June 30, 2023.

	2023
Total OPEB Liability	$20,319,323
Deferred OPEB Outflows of Resources	$34,813,007
Deferred OPEB Inflows of Resources	$44,257,750
OPEB expense	$1,379,896

Plan Description – The Montana University System (MUS) Group Health Insurance plan is administered by the Office of the Commissioner of Higher Education. The MUS provides optional post-employment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Participants must elect to start medical coverage within 60 days of leaving employment. Coverage is effective the first day of the month following termination of employment. Medical, dental, and vision benefits are available through this defined benefit plan. The MUS OPEB plan is not administered through a trust; as such, no plan assets are eligible to be used to offset the total OPEB liability. The MUS group health insurance program operates in accordance with state law requiring it to be actuarially sound (20-25-1310, MCA) and have sufficient reserves to liquidate unrevealed claims liability and other liabilities.

The MUS OPEB plan is reported as single employer plan. The MUS pays for post-employment healthcare benefits on a pay-as-you-go basis from general assets from the MUS group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The MUS allows retirees to participate, as a group, at a rate that does not cover all of the related costs when retirees separated from the active participants in the group health insurance plan. This results in the reporting of the total OPEB liability in the related financial statements and note disclosures.

Employer proportionate share of total OPEB liability and basis for allocation – The total OPEB liability (TOL) was based on the actuarial valuation as of December 31, 2022, with a measurement date of March 31, 2023. The University's proportion of the TOL was based upon the total participants in the group health insurance plan. The actuary report presents a valuation of the TOL assigned to each participant in the group health insurance plan.

Proportionate share of collective total OPEB liability

The University's share of the total plan OPEB liability was as follows :

	2023		2022	
	OPEB Liability	**OPEB Proportionate Share**	**OPEB Liability**	**OPEB Proportionate Share**
Total OPEB Liability	$20,319,323	53.26%	$26,833,911	53.68%

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources were as follows:

The University's OPEB plan deferred outflows and inflows of resources are from the following sources:

	2023	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual economic experience	$12,229,412	$16,762,332
Changes in actuarial assumptions or other inputs	31,683,928	37,696,503
Prior Period Amortization	(5,594,295)	(5,804,936)
FY22 Amortization	(3,506,038)	(4,396,149)
Total	$34,813,007	$44,257,750

Photo: University Communications

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be fully recognized in expense during the fiscal years ending June 30, as follows:

	Net Amount To Be Recognized as an increase or (decrease) to OPEB Expense
2024	$(890,111)
2025	$(890,111)
2026	$(890,111)
2027	$(890,111)
2028	$(890,111)
Thereafter	$(4,994,188)

Funding Policy - The Montana University System funds the benefits on a pay-as-you-go basis from the general assets.

Actuarial Methods and Assumptions – The actuarial funding method used to determine the cost of the Montana University System Employee Group Benefits Plan is the entry age normal funding method. The key definition under this method is that the accrued liability is the present value of future benefits less the present value of future normal costs, where the entry age normal cost is the amount of level contribution such that the present value of future normal costs at entry age is exactly equal to the present value of future benefits at entry age. That is, the accrued liability is defined as the present value of prior normal cost deposits. For liability that is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- An individual's present value of future benefit at entry age is calculated as the monthly benefit due at the point of separation.
- The normal cost at entry age is the present value of future benefit divided by the working lifetime, accounting for interest and inflation assumptions.
- An individual's accrued liability is the present value of the future benefit for valuation purposes at the beginning of the plan year, and an individual's normal cost is the present value of the benefit from the prior year trended forward an increment. If multiple decrements are used, the accrued liability and the normal cost for an individual are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.

- The plan's service cost is the sum of the individual normal costs, and the plan's accrued liability is the sum of the accrued liabilities for all participants under the plan.

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

Average annual contribution:	Retiree/ Surviving Spouse	Spouse
Before Medicare eligibility	$11,772	$10,055
After Medicare eligibility	$4,416	$4,969

Actuarial valuation date	December 31, 2022
Actuarial measurement date [1]	March 31, 2023
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay
Amortization period	20 years
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75

Actuarial assumptions:	
Discount rate	3.98%
Projected payroll increases	3.5%
Participation:	
Future retirees	40%
Future eligible spouses	70%
Marital status at retirement	70%

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

Mortality - Contributing Members:

- For TRS and MUS-RP employees, mortality follows the Pub-2010 Teacher table, projected generationally using MP-2021.
- For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021.
- For GWPORS members, mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.

Mortality - Retired:

- For TRS and MUS-RP retirees, mortality follows the Pub-2010 Retired Teacher table adjusted 102% for males and 103% for females, projected generationally using MP-2021.
- For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.
- For GWPORS retirees, mortality follows the Pub-2010 Safety Retiree table set forward 1 year and adjusted 105% for males, or adjusted 100% for females, projected generationally using MP-2021.

Mortality - Surviving Beneficiaries:

- For TRS and MUS-RP survivors, mortality follows the Pub-2010 Contingent Survivor table, projected generationally using MP-2021.
- For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021.
- For GWPORS survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.

Mortality - Disabled:

- For TRS and MUS-RP retirees, mortality follows the Pub-2010 General Disabled table, projected generationally using MP-2021.
- For general MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021.
- For GWPORS retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

Changes in actuarial assumptions and methods since last measurement date: Changes to assumptions include an increase to the interest/discount rate and projected payroll increases.

Sensitivity of the TOL to changes in the healthcare cost trend rates
The following presents the Total OBEP Liability if calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Assuming 1.0% Decrease	At Current Rate	Assuming 1.0% Increase
	5.5%	**6.5%**	**7.5%**
University proportion of total OPEB Liability	$16,369,136	$20,319,323	$25,705,694

Sensitivity of the TOL to changes in the discount rate: The following presents the Total OBEP Liability if calculated using the 20-year municipal bond rates that are 1-percentage-point lower or 1-percentage-point higher than the March 31, 2019 20-year municipal bond rate:

	Assuming 1.0% Decrease	At Current Rate	Assuming 1.0% Increase
	2.98%	**3.98%**	**4.98%**
University proportion of total OPEB Liability	$25,407,374	$20,319,323	$16,476,628

Financial and plan information — The MUS Group Benefits Plan does not issue a stand-alone financial report, but is subject to audit as part of the State of Montana's Basic Financial Statements, included in the Annual Comprehensive Financial Report (ACFR). A copy of the most recent ACFR can be obtained online at https://sfsd.mt.gov/SAB/acfr or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

NOTE 15 – RISK MANAGEMENT

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Montana statutes, Sections 2-9-101 through 305, MCA, require participation of all state agencies in the self-insurance plan established by the Montana Department of Administration, Risk Management and Tort Defense Division (RMTDD). The self-insurance program includes coverage for automobile physical damage, aircraft physical damage and liability, general liability (including auto), and property exposures. The RMTDD provides coverage above self-insured retentions by purchasing other commercial coverage using Alliant Insurance Services as the primary insurance broker. Those coverages include Active Shooter coverage, volunteer accidental death & dismemberment, boiler & machinery, business interruption, crime, cyber/data information security, fine art, foreign liability and special risks, inland marine, student medical and non-medical professional liability, excess property, special events coverage, and Summer Camps Accident and Injury. The insurance broker for aviation excess liability and aircraft hull (physical damage) is held through a specialty broker, Mountain Air Aviation. MSU secures athletic injury and catastrophic sports injury insurance for its NCAA programs through AIG Insurance Company.

In addition to these basic policies, the University's Department of Safety and Risk Management establishes guidelines and provides consultation in risk assessment, avoidance, acceptance, and transfer. There have been no significant reductions in commercial property insurance protection from fiscal 2022 to fiscal 2023, and there were no instances in which settlements exceeded insurance coverage for the past three fiscal years.

Buildings and contents are insured for replacement cost value. For each loss covered by the State's self-insurance program and commercial coverage, MSU elects a $1,000 per occurrence retention.

General liability and tort claim coverage includes comprehensive liability for personal injury or property damage that may arise from a negligent act or omission of the state. Also included and provided for by the University's participation in the State's self-insurance program are automobile liability, UAV (drone) liability, and coverage for watercraft and mobile equipment. If the RMTDD pays damages on a claim, the division has the right to recover costs or damages from any party in connection with the claim. There is no agency deductible applied to tort liability claims. There is a $250/$500 deductible for comprehensive/collision claims on state owned, loaned, or leased vehicles.

The Tort Claims Act of the State of Montana, Section 2-9-102, MCA, provides that governmental entities are liable for its torts and of those of its employees acting within the course and scope of their employment or duties, whether arising out of a governmental or proprietary function, except as specifically provided by the Legislature. Accordingly, Section 2-9-305, MCA, requires that the State “provide for the immunization, defense and indemnification of its public officers and employees civilly sued for their actions taken within the course and scope of their employment.”

Self-Funded Programs include both health care and workers’ compensation. The University’s employee health care program is self-funded and is provided through participation in the Montana University System (MUS) Inter-unit Benefits Program. The MUS program is funded on an actuarial basis and the actuarial analysis indicates sufficient reserves to pay run-off claims related to prior years and considers premiums and University contributions sufficient to pay current and future claims.

The MUS provides workers' compensation coverage through the MUS Self-Funded Workers' Compensation Program (WC Program). The WC Program covers all Montana employees of the MUS while they are working within the course & scope of their MUS employment, including while in travel status inside & outside the U.S. The Program is self-insured for workers' compensation claims to a maximum of $750,000 per occurrence after July 1, 2013. Prior to July 1, 2013, the Program was self-insured for workers' compensation claims to a maximum of $500,000 per occurrence. Losses more than those limits, or $1,000,000 for an aircraft-related claim, are 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. The MUS also purchases state-specific workers’ compensation insurance policies for its permanent, non-MT employees.

The WC Program is administered by staff at the Office of the Commissioner of Higher Education. The Director reports to a governing Committee comprised of campus and OCHE representatives. Campuses pay work comp premiums to fund the Program based on risk class rates applied to payroll.

The WC Program utilizes a Third-Party Administrator with experienced senior staff to manage claims, and an actuary with experience in workers’ compensation to calculate its claim liability and to ensure adequate premium rates and reserving for the liability. The Program and its actuary will continue to incorporate Montana University System claim data, trends, and experience into the estimate of current and non-current claims liability and adjust accordingly. The Program and its actuary monitor its potential liabilities and work collaboratively with campus safety and risk managers to identify and mitigate risks and with along with internal and external partners to secure the fiscal health of the Program.

Premium rates for all members are established by the WC Program's governing Committee based upon anticipated premiums needed as determined by the actuary. Premium rates are adjusted annually based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies and in the event of increased costs due to changes in law or excessive claims costs. The Program considers anticipated investment income in determining if a premium deficiency exists.

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances – As of June 30, 2023, the University had issued purchase orders committing the expenditure of approximately $33.2 million for equipment, supplies and services which had not yet been received.

Legal actions – Montana State University is a defendant in legal actions arising in the normal course of business. While outcomes cannot be determined at this time, management is of the opinion that the liability from these actions will not have a material impact on the University's financial position.

In addition, MSU has been named as a defendant in a class action lawsuit alleging that students are due a refund for their paid tuition and fees based on the switch to remote learning in the spring 2020 due to the COVID-19 pandemic. The district court granted summary judgment in favor of the university and dismissed the case. The Plaintiff has indicated an intent to appeal, but no appeal has been filed.

Refundable and transferable grants – The University receives grants and other forms of reimbursement from various Federal and State agencies. These funds are subject to review and audit by cognizant agencies. As of June 30, 2023, certain audits were in progress. The University does not expect any material adjustments or repayments to result from such audits. Additionally, in the event that grant activity is moved to another University, as sometimes occurs when researchers leave for a different institution, assets acquired with grant funds may transferred at the request of the sponsoring agency with or without reimbursement.

Capital projects – As of June 30, 2023, the University had remaining budget authority on significant capital construction and renovation projects underway of approximately $97.3 million. Select projects are funded wholly or partially by the State’s Long Range Building Program, and are administered by the State Architecture and Engineering Division, and do not represent a commitment of funds on the part of the University.

Pledged revenues – Revenue bonds issued by the University to defease and refund outstanding indebtedness and to fund capital improvements as described in Note 11, are secured by a first lien on the combined pledged revenue of the MSU campuses. As defined in the Indenture, the University has pledged all permitted revenues after certain charges for payment of operation and maintenance expense. The total principal and interest remaining on the debt as of June 30, 2023 can be found in Note 11. Annual debt service requirements range from $15.2 million in FY24 to $2.9 million in FY48, the final year of repayment.

A schedule of revenues pledged as security for the bonds listed in Note 11 is presented as follows as of June 30, 2023.

	2023
Net Operating and Non-operating Revenues	$756,200,095
Tuition	(182,463,846)
Fees controlled by student associations	(3,678,012)
Grants and contracts	(190,112,521)
State Appropriations	(154,166,508)
Federal financial aid grants and contracts	(20,371,813)
Restricted gifts	(27,582,982)
Other restricted revenue	(2,965,027)
Interest Expense	8,415,762
Operation and maintenance expenses for Auxiliary operations	(43,591,179)
Net revenues pledged as security for debt	$139,683,969

NOTE 17 – RELATED PARTIES

Private nonprofit organizations affiliated with the University include the MSU Foundation, the MSU-Billings Foundation, the MSU-Northern Foundation, the MSU Bobcat Club, the MSU-Bozeman Bookstore, Friends of KUSM, Friends of KEMC and the Museum of the Rockies, Inc. As discussed in Note 19, certain parties are considered Component Units of the University.

During the year ended June 30, 2023, the Foundations provided $20,496,892 in scholarship, in-kind capital donations, and other gift support directly to the University, in addition to significant payments made to others in support of the University. The University paid to its Foundations $2,157,204 during the year ended 2023, which included payments for contracted services, capital campaign support, and leases.

MSU-Bozeman leased certain office space from the MSU Foundation’s wholly owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled $622,996 during 2023. Additional payments from the University to the Foundations for other operating items and capital contributions totaled $1,271,303.

Friends of Montana Public Television provided $2,421,736 during 2023 and Friends of KEMC Public Radio provided $1,248,587 during 2023 in support of the University’s television and radio stations.

The Museum of the Rockies, Inc. provided $2,512,216 in support of the University, primarily as reimbursement for Museum staff salaries and benefits.

The MSU Bobcat Club provided $519,092 in scholarship and other support during the fiscal year ended June 30, 2023. The University provided $233,237 in salary support to the MSU Bobcat Club during the year ended June 30, 2023 for services provided.

NOTE 18 – SUBSEQUENT EVENTS

On September 21, 2023, the Montana University System Board of Regents granted Montana State University authority to expend up to $92 million to construct five academic buildings to serve the Mark and Robyn Jones College of Nursing. The project will leverage the $101 million donor investment from Mark and Robyn Jones to transform healthcare delivery in Montana for current and future generations.

On September 21, 2023, the Montana University System Board of Regents granted Montana State University authority to expend up to $50 million to construct Gianforte Hall to serve the Gianforte School of Computing. The project will leverage the $50 million donation by the Gianforte Family Foundation.

On September 21, 2023, the Montana University System Board of Regents authorized MSU to spend up to $3 million to perform an investment-grade energy audit for academic, research, and administrative facilities at MSU to identify strategic opportunities to reduce utility consumption, maintenance costs, and environmental impacts.

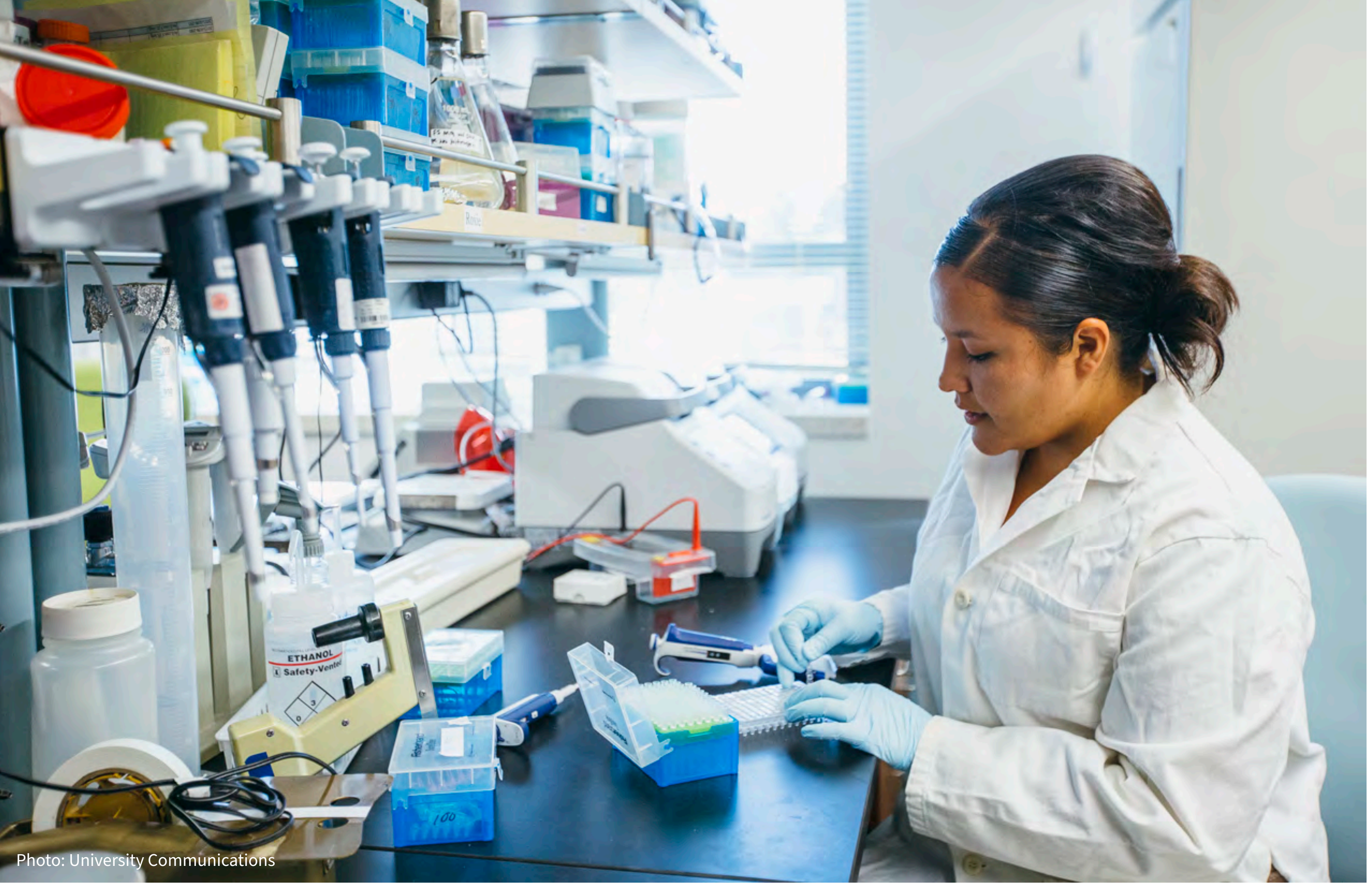


Photo: University Communications

On November 17, 2023, the Montana University System Board of Regents authorized MSU to spend up to $6.5 million for the construction of pedestrian access improvements to improve safe access along Grant Street.

On November 17, 2023, the Montana University System Board of Regents authorized MSU to design and construct the Facilities Yard Relocation Project. The total cost of the project is estimated to be up to $25 million.

On November 17, 2023, the Montana University System Board of Regents authorized MSU to expend up to $25 million for the construction of an indoor athletic practice facility. This project will be funded through donations and the university received a $10 million donation to the facility on January 4, 2024.

On November 17, 2023, the Montana University System Board of Regents authorized MSU - Northern to expend up to $2.5 million to program, plan, and design the Aurora Center Health and Recreation Complex.

On January 11, 2024, the Montana University System Board of Regents authorized MSU to spend up to $13.0 million to develop parking improvements on the Bozeman campus tied to multiple construction projects in the South District of campus.

NOTE 19 – COMPONENT UNITS

Entities included as component units of the University are nonprofit, tax exempt organizations operating exclusively for the purposes of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with the University. Although the University may not control the timing or amount of receipts from these entities, the majority of the revenues or incomes thereon that the entities hold and invest are restricted by donors to the activities of the University. The entities included as component units in the financial statements are the Montana State University Foundation (406-994-2053), the MSU-Billings Foundation (406-657-2244), the MSU-Northern Foundation (406-265-3711), the MSU Bobcat Club (406-994-3741), and the Museum of the Rockies, Inc. (406-994-3466).

The Foundations and the Museum of the Rockies, Inc., meet the test for component units based on the materiality of the support provided to the university. The Montana State University Bobcat Club has been included as a component unit because management believes it would be misleading to exclude it. Support received from this entity is significant and critical in relation to the operations of the individual sports it supports; additionally, many financial statement readers do not differentiate between the University and its sports support organizations, and would expect their financial information to be included within the University's audited statements.

Montana State University

Condensed Combining Schedule of Component Unit Statements of Financial Position
As of June 30, 2023 or December 31, 2022*

	Montana State University Alumni Foundation	Montana State University-Billings Foundation	Montana State University-Northern Foundation	Museum of the Rockies, Inc.	Montana State University Bobcat Club	Combined
Assets:						
Cash and investments	$340,972,194	$38,590,127	$13,722,153	$29,608,556	$2,117,812	$425,010,842
Amounts due from MSU	8,599	—	—	—	—	8,599
Other receivables, net	40,944,924	1,271,713	717,138	—	10,000	42,943,775
Capital assets, net	11,273,212	819,521	1,993,349	3,939,763	11,625	18,037,470
Other assets	1,093,515	111,322	27,554	416,212	994,918	2,643,521
Total assets	$394,292,444	$40,792,683	$16,460,194	$33,964,531	$3,134,355	$488,644,207
Liabilities:						
Accounts payable and other liabilities	$3,090,961	$725,497	$18,205	$472,728	$10,000	$4,317,391
Amounts due to MSU	210,832	—	—	180,122	—	390,954
Notes, bonds and debt obligations	3,936,840	—	566,265	—	—	4,503,105
Liabilities to external parties	5,290,879	397,945	691,994	—	—	6,380,818
Custodial funds	11,419,139	2,128,901	100,911	—	—	13,648,951
Total liabilities	$23,948,651	$3,252,343	$1,377,375	$652,850	$10,000	$29,241,219
Net assets:						
Without donor restrictions - undesignated	$1,227,712	$2,364,062	$1,123,983	$9,725,816	$1,080,169	$15,521,742
Without donor restrictions - designated	10,606,828	2,797,418	—	6,364,427	307,468	20,076,141
With restrictions	358,509,253	32,378,860	13,958,836	17,221,438	1,736,718	423,805,105
Total net assets	$370,343,793	$37,540,340	$15,082,819	$33,311,681	$3,124,355	$459,402,988
Total liabilities and net assets	$394,292,444	$40,792,683	$16,460,194	$33,964,531	$3,134,355	$488,644,207

*The Museum of the Rockies, Inc. maintains a December 31 year-end. All other component units' year-ends coincide with the University's June 30 fiscal year.

Montana State University
Condensed Combining Schedule of Component Unit Statements of Activities
For the Year Ended June 30, 2023 or December 31, 2022*

	Montana State University Alumni Foundation	Montana State University-Billings Foundation	Montana State University-Northern Foundation	Museum of the Rockies, Inc.	Montana State University Bobcat Club	Combined
Revenues:						
Contributions	$48,000,854	$2,228,779	$1,643,314	$5,386,115	$619,531	$57,878,593
Investment income and unrealized gain on investments	24,856,897	3,197,170	1,209,192	(2,946,133)	244,565	26,561,691
Support from University	1,850,000	125,000	182,204	2,992	—	2,160,196
Other income	3,278,278	648,153	78,608	4,733,381	713,887	9,452,307
Total revenues	$77,986,029	$6,199,102	$3,113,318	$7,176,355	$1,577,983	$96,052,787
Expenses:						
University support	$11,527,733	$1,161,674	$130,715	$1,945,046	$135,474	$14,900,642
Scholarships and other program expenses	8,250,050	1,327,281	1,056,962	1,050,763	519,092	12,204,148
Supporting services	11,628,083	1,533,935	491,585	1,259,267	798,061	15,710,931
Total expenses	$31,405,866	$4,022,890	$1,679,262	$4,255,076	$1,452,627	$42,815,721
Change in net assets before nonoperating items	$46,580,163	$2,176,212	$1,434,056	$2,921,279	$125,356	$53,237,066
Nonoperating items	730,152	—	—	—	—	730,152
Change in net assets	$47,310,315	$2,176,212	$1,434,056	$2,921,279	$125,356	$53,967,218
Net assets, beginning of fiscal year	$323,033,478	$35,364,128	$13,648,763	$30,390,402	$2,998,999	$405,435,770
Prior period adjustment	—	—	—	—	—	—
Net assets, beginning of fiscal year, as restated	$323,033,478	$35,364,128	$13,648,763	$30,390,402	$2,998,999	$405,435,770
Net assets, end of fiscal year	$370,343,793	$37,540,340	$15,082,819	$33,311,681	$3,124,355	$459,402,988

Component Unit Investment Composition*:

	2023
Pooled investments**:	
Equity securities	$144,781,943
Debt securities	78,266,211
Alternative investments	120,887,986
Real Estate	11,323,728
Cash equivalents	32,000,176
Other pooled investments	9,566,659
US Treasuries	1,085,404
Other real estate	2,339,841
Other investments	286,251
Investments held in trust for others	12,905,605
Total	$413,443,804

Component Unit Promises Receivable*:

	2023
Receivable in one year	$5,226,342
Receivable in one to five years	15,694,049
Receivable after five years	372,000
Less discounts and allowances	(1,618,276)
Total	$19,674,115

*The Museum of the Rockies, Inc. maintains a December 31 year-end. All other component units' year-ends coincide with the University's June 30 fiscal year.

**Foundation investment pools are not subject to regulatory oversight.

NOTE 20 – COVID-19 AND FEDERAL CARES LEGISLATION

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The University responded to the health crisis by moving to remote delivery of its courses and curtailing nonessential operating activities for much of the Spring 2020 semester. The financial impact to the University included a decline in auxiliary revenues due to refunds to students for room and board, costs associated with moving to online delivery of education, and COVID-19 mitigation costs. In the Fall 2020, the University largely shifted back to normal class schedules and student living arrangements with an emphasis on social distancing and mitigation strategies. At the end of fiscal year 2023, the university continues to operate under pre-pandemic conditions.

Expenditures for the CARES Act grants included COVID-19 mitigation and testing, replacing lost revenue due to the pandemic, and distributing grant aid for COVID-19 impacts to students. In fiscal year 2022, the four MSU campuses recorded $31.8 million in CARES Act revenues. In fiscal year 2023, CARES Act revenues decreased to $12.8 million. For fiscal year 2024, the university does not expect any further awards under the program as the grants have been closed by the Department of Education.

Photo: MSU - Billings

REQUIRED SUPPLEMENTARY INFORMATION

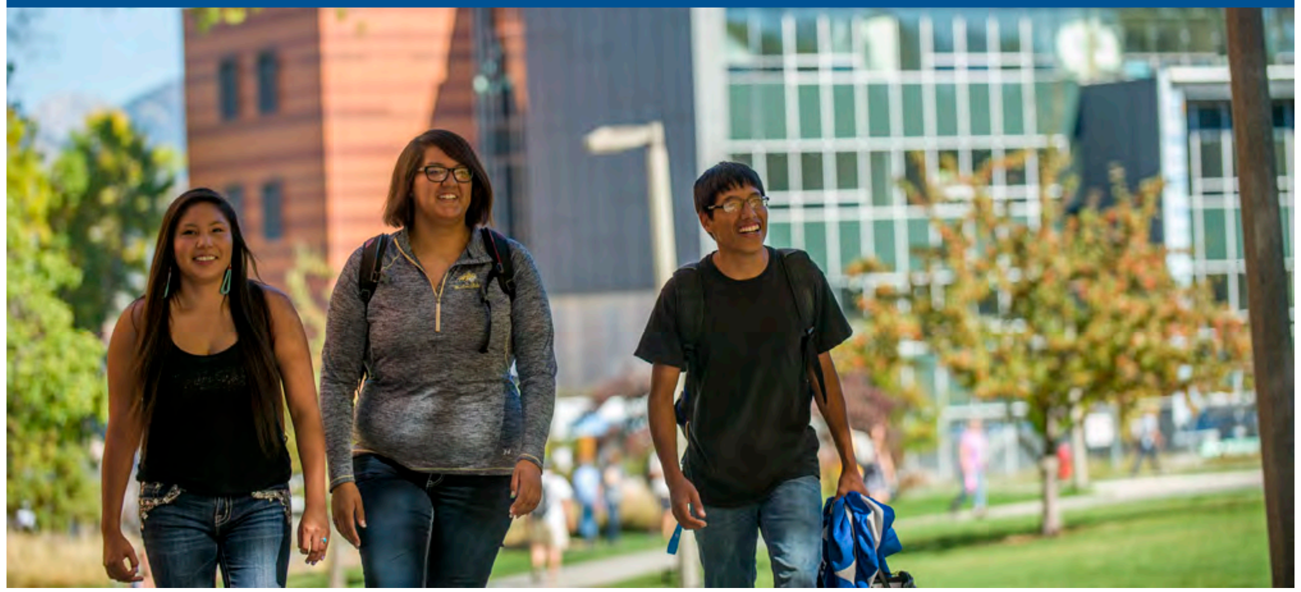


Photo: University Communications

PENSIONS

TRS Schedule of the University's Proportionate Share of the Net Pension Liability

Year	University's Proportion of the NPL	University's Share of the NPL	State of Montana Share of the NPL Associated with the University	Total University Share of the NPL	University's Covered Employee Payroll	University's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	1.24%	$19,038,438	$7,645,390	$26,683,828	$12,179,563	156.31%	70.36%
2016	1.13%	$18,636,406	$7,277,054	$25,913,460	$11,281,960	165.19%	69.30%
2017	0.96%	$17,469,027	$6,550,303	$24,019,330	$9,738,223	179.39%	66.69%
2018	0.85%	$14,368,327	$5,183,426	$19,551,753	$9,353,995	153.61%	70.09%
2019	0.76%	$14,016,684	$4,927,408	$18,944,092	$7,852,741	176.69%	69.09%
2020	0.71%	$13,638,368	$4,607,737	$18,246,105	$7,587,849	179.74%	68.64%
2021	0.66%	$14,952,221	$4,875,285	$19,827,506	$7,247,446	206.31%	64.95%
2022	0.57%	$9,443,846	$2,911,918	$12,355,764	$6,446,990	146.48%	75.54%
2023	0.52%	$10,146,642	$2,968,558	$13,115,200	$6,026,499	168.37%	70.61%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

TRS Schedule of University Contributions

Year	Contractually Required Contributions	Contributions Made*	Excess/ (Deficiency)	University's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$8,012,997	$8,012,997	$—	$11,281,960	71.02%
2016	$7,819,626	$7,819,626	$—	$9,738,223	80.30%
2017	$8,318,256	$8,318,256	$—	$9,353,995	88.93%
2018	$8,038,127	$8,038,127	$—	$8,840,624	101.07%
2019	$8,181,048	$8,181,048	$—	$7,952,741	107.48%
2020	$8,527,968	$8,527,968	$—	$7,587,849	112.39%
2021	$8,646,718	$8,646,718	$—	$7,247,446	119.31%
2022	$8,526,213	$8,526,213	$—	$6,446,990	132.25%
2023	$9,068,382	$9,068,382	$—	$6,026,499	150.48%

*Includes contributions made as a percent of MUS-RP covered payroll as well as TRS covered payroll at statutory rates.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

PERS Schedule of the University's Proportionate Share of the Net Pension Liability

Year	University's Proportion of the NPL	University's Share of the NPL	State of Montana Share of the NPL Associated with the University	Total University Share of the NPL	University's Covered Employee Payroll	University's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	4.06%	$50,597,799	—	$50,597,799	$45,405,357	111.44%	79.90%
2016	4.12%	$57,646,591	—	$57,646,591	$47,364,867	121.71%	78.40%
2017	4.08%	$69,576,861	—	$69,576,861	$48,343,193	143.92%	74.71%
2018	4.18%	$81,386,415	—	$81,386,415	$51,513,790	157.99%	73.75%
2019	3.22%	$67,104,384	$21,580,841	$88,685,225	$52,551,576	127.69%	73.47%
2020	3.35%	$70,034,424	$21,949,017	$91,983,441	$54,692,819	128.02%	73.85%
2021	3.44%	$90,852,389	$27,542,683	$118,395,072	$57,257,359	158.67%	68.90%
2022	3.44%	$62,354,720	$17,651,148	$80,005,868	$59,928,678	104.05%	79.91%
2023	3.49%	$82,984,960	$23,844,568	$106,829,528	$60,508,228	137.15%	73.66%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

PERS Schedule of University Contributions

Year	Contractually Required Contributions	Contributions Made	Excess/ (Deficiency)	University's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$4,427,288	$4,427,288	$—	$47,364,867	9.35%
2016	$4,470,903	$4,470,903	$—	$48,343,193	9.25%
2017	$4,589,245	$4,589,245	$—	$51,513,790	8.91%
2018	$4,571,908	$4,571,908	$—	$52,132,694	8.77%
2019	$5,022,398	$5,022,398	$—	$52,551,576	9.56%
2020	$5,329,618	$5,329,618	$—	$54,692,819	9.74%
2021	$5,315,673	$5,315,673	$—	$57,257,359	9.28%
2022	$5,427,589	$5,427,589	$—	$59,928,678	9.06%
2023	$6,627,260	$6,627,260	$—	$60,508,228	10.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

GWPORS Schedule of the University's Proportionate Share of the Net Pension Liability

Year	University's Proportion of the NPL	University's Share of the NPL	University's Covered Employee Payroll	University's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	3.63%	$548,897	$1,511,439	36.32%	90.20%
2016	3.44%	$723,801	$1,546,185	46.81%	87.60%
2017	3.32%	$1,089,310	$1,562,149	69.73%	82.48%
2018	3.22%	$1,201,302	$1,490,991	80.57%	82.48%
2019	3.18%	$1,303,370	$1,617,730	80.57%	82.54%
2020	3.03%	$1,234,096	$1,570,338	78.69%	83.54%
2021	3.30%	$4,459,503	$1,773,943	251.39%	61.17%

2022	2.78%	$900,373	$1,665,544	54.06%	89.39%
2023	3.25%	$4,954,557	$1,763,825	280.90%	63.08%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

GWPORS Schedule of University Contributions

Year	Contractually Required Contributions	Contributions Made	Excess/ (Deficiency)	University's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$139,455	$139,455	$—	$1,546,185	9.02%
2016	$140,761	$140,761	$—	$1,562,149	9.01%
2017	$143,393	$143,393	$—	$1,490,991	9.62%
2018	$129,188	$129,188	$—	$1,450,141	8.91%
2019	$141,072	$141,072	$—	$1,617,730	8.72%
2020	$159,872	$159,872	$—	$1,570,338	10.18%
2021	$149,899	$149,899	$—	$1,773,943	8.45%
2022	$158,744	$158,744	$—	$1,665,544	9.53%
2023	$194,234	$194,234	$—	$1,763,825	11.01%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Notes to Required Supplementary Information – Pensions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and wage rates. Amounts determined regarding the plans are subject to continual revision as actual results are compared with past expectations.

TRS

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in the TRS schedules:

Reporting Date	Actuarial Valuation Date	Actuarial cost method	Amortization method	Remaining amortization period	Asset valuation method	Inflation	Salary increase for non-University members	Salary increase for University Members	Investment rate of return (shown net of pension plan investment expense, and including inflation)
June 30, 2015	July 1, 2014	Entry age	Level percentage of pay, open	28 years	4-year smoothed market	3.25%	4.00% - 8.51%	5.00%	7.75%
June 30, 2016	July 1, 2015	Entry age	Level percentage of pay, open	26 years	4-year smoothed market	3.25%	4.00% - 8.51%	5.00%	7.75%
June 30, 2017	July 1, 2016	Entry age	Level percentage of pay, open	24 years	4-year smoothed market	3.25%	4.00% - 8.51%	5.00%	7.75%
June 30, 2018	July 1, 2017	Entry age	Level percentage of pay, open	22 years	4-year smoothed market	3.25%	4.00% - 8.51%	5.00%	7.75%
June 30, 2019	July 1, 2018	Entry age	Level percentage of pay, open	22 years	4-year smoothed market	3.25%	4.00% - 8.51%	5.00%	7.75%
June 30, 2020	July 1, 2019	Entry age	Level percentage of pay, open	31 years	4-year smoothed market	2.50%	3.25% - 7.76%	4.25%	7.50%
June 30, 2021	July 1, 2020	Entry age	Level percentage of pay, open	29 years	4-year smoothed market	2.50%	3.25% - 7.76%	4.25%	7.50%
June 30, 2022	July 1, 2021	Entry age	Level percentage of pay, open	29 years	4-year smoothed market	2.50%	3.25% - 7.76%	4.25%	7.50%
June 30, 2023	July 1, 2022	Entry age	Level percentage of pay, open	24 years	4-year smoothed market	2.50%	3.25% - 7.76%	4.25%	7.50%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Changes That Affect Trend Data

Changes of Benefit Terms – The following changes to the plan provisions were made as identified:

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below.

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

2) 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

3) 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

4) 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%

5) Annual Contribution: 8.15% of member's earned compensation

6) Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
    a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
    b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
    c. 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.

7) Disability Retirement: 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

8) Guaranteed Annual Benefit Adjustment (GABA):
    a. 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 Board.

House Bill 377 increased revenue from the members, employers, and the State as follows:

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
    - 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%.

- The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 through fiscal year 2024. For fiscal years beginning after June 30, 2024, the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs

The following changes to the actuarial assumptions were adopted in 2022:
- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

The following changes to the actuarial assumptions were adopted in 2021:
- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%.

The following changes to the actuarial assumptions were adopted in 2020:
- The discount rate was lowered from 7.50% to 7.34%.
- The investment rate of return assumption was lowered from 7.50% to 7.34%.
- The inflation rate was reduced from 2.50% to 2.40%.

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

The following changes to the actuarial assumptions were adopted in 2018:
- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

The tables include margins for mortality improvement which is expected to occur in the future.

- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:
- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:
- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:
- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

PERS

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in the PERS schedules:

Reporting Date	Actuarial Valuation Date	Actuarial cost method	Amortization method	Remaining amortization period	Asset valuation method	Inflation	Salary increase	Investment rate of return (shown net of pension plan investment expense, including inflation)	Expenses	Other
June 30, 2015	June 30, 2014	Entry age	Level percentage of pay, open	unavailable	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0% - 6%	7.75%	unavailable	GABA- 3.0% or 1.5% for hires after July 1, 2007
June 30, 2016	June 30, 2014, rolled forward to 2015	Entry age	Level percentage of pay, open	unavailable	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0% - 7.3%	7.75%	0.27% administrative expenses as a % of payroll	
June 30, 2017	June 30, 2015, rolled forward to 2016	Entry age	Level percentage of pay, open	unavailable	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0% - 6%	7.75%	0.27% administrative expenses as a % of payroll	GABA- 3.0% or 1.5% for hires after July 1, 2007 and before July 1, 2013; for members hired after July 1, 2013: 1.5% for each year PERS is funded at or above 90%; 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, 0% whenever the amortization period for PERS is 40 years or more
June 30, 2018	June 30, 2016, rolled forward to 2017	Entry age	Level percentage of pay, open	unavailable	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 6.3%	7.65%	0.26% administrative expenses as a % of payroll	
June 30, 2019	June 30, 2017 rolled forward to 2018	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 6.3%	7.65%	0.26% administrative expenses as a % of payroll	
June 30, 2020	June 30, 2018 rolled forward to 2019	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 8.47%	7.65%	0.26% administrative expenses as a % of payroll	
June 30, 2021	June 30, 2019 rolled forward to 2020	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 8.47%	7.65%	0.30% administrative expenses as a % of payroll	
June 30, 2022	June 30, 2020 rolled forward to 2021	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 8.47%	7.65%	0.28% administrative expenses as a % of payroll	
June 30, 2023	June 30, 2021 rolled forward to 2022	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 8.47%	7.65%	0.29% administrative expenses as a % of payroll	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

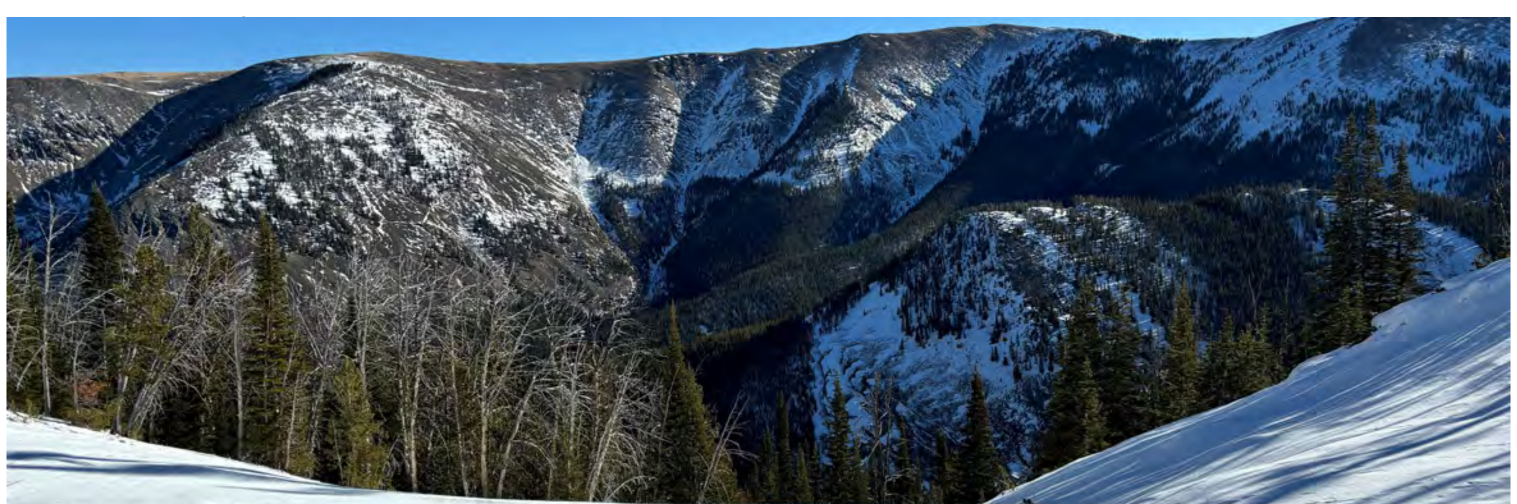


Photo: University Business Services

2017 Legislative Changes, General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations for PERS – If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.

2) Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refund must do so within 90 days of termination of service.

3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts – Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members – PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in actuarial assumptions and other inputs

The following changes in assumptions or other inputs were made that affected measured of the Total Pension Liability for the 2022 actuarial valuation:

- The discount rate was increased from 7.06% to 7.30%
- The investment rate of return was increased from 7.06% to 7.30%.
- Updated all mortality tables to the PUB-2010 tables for general employees.
- Updated the rates of withdrawal, retirement, and disability.
- Lowered the payroll growth assumption from 3.50% to 3.25%.
- The inflation rate was increased from 2.40% to 2.75%.

The following changes to the actuarial assumptions were adopted in 2021:

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return was lowered from 7.34% to 7.06%.

Photo: University Communications

GWPORS

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in the GWPORS schedules:

Reporting Date	Actuarial Valuation Date	Actuarial cost method	Amortization method	Asset valuation method	Inflation	Salary increase	Investment rate of return (net of pension plan investment expense, including inflation)	Other
June 30, 2015	July 1, 2014	Entry age	Level percentage of pay, open	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0%-7.3%	7.75%	unavailable
June 30, 2016	June 30, 2014, rolled forward to 2015	Entry age	Level percentage of pay, open	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0%-7.3%	7.75%	0.17% administrative expenses as a % of payroll
June 30, 2017	June 30, 2015, rolled forward to 2016	Entry age	Level percentage of pay, open	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0%-7.3%	7.75%	0.17% administrative expenses as a % of payroll
June 30, 2018	June 30, 2016, rolled forward to 2017	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.17% administrative expenses as a % of payroll
June 30, 2019	June 30, 2017 rolled forward to 2018	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.23% administrative expenses as a % of payroll
June 30, 2020	June 30, 2018 rolled forward to 2019	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.23% administrative expenses as a % of payroll
June 30, 2021	June 30, 2019 rolled forward to 2020	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.16% administrative expenses as a % of payroll
June 30, 2022	June 30, 2020 rolled forward to 2021	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.17% administrative expenses as a % of payroll
June 30, 2023	June 30, 2022	Entry age	Level percentage of pay, open	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0%-6.3%	7.65%	0.17% administrative expenses as a % of payroll

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Changes That Affect Trend Data

2017 Legislative Changes, General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations for GWPORS

1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
2) Members who return for less than 480 hours in a calendar year:
   a. May not become an active member in the system; and
   b. Are subject to a $1 reduction in their retirement benefit for each $3 earned in excess of $5,000 in the calendar year.
3) Members who return for 480 or more hours in a calendar year:
   a. Must become an active member of the system;
   b. Will stop receiving a retirement benefit from the system; and
   c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
4) Employee, employer and state contributions, if any, apply as follows:
   a. Employer contributions and state contributions (if any) must be paid on all working retirees;
   b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit for GWPORS

1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   a. Is not awarded service credit for the period of reemployment;
   b. Is refunded the accumulated contributions associated with the period of reemployment;
   c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
   d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
3) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   a. Is awarded service credit for the period of reemployment;
   b. Starting the first month following termination of service, receives:
      i. The same retirement benefit previously paid to the member, and
      ii. A second retirement benefit for the period of reemployment based on the laws in effect as of the member's rehire date; and
   c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
      i. On the initial retirement benefit in January immediately following second retirement, and
      ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
4) A member who returns to covered service is not eligible for a disability benefit. Refund are as follows:
   e. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
   f. Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refund must do so within 90 days of termination of service.

g. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts – Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.

Changes in actuarial assumptions and other inputs

The following changes in assumptions or other inputs were made that affected measured of the Total Pension Liability for the 2022 actuarial valuation:

- The discount rate was lowered from 7.06% to 5.55%.
- The investment rate of return was increased from 7.06% to 7.30%.
- The payroll growth rate was reduced from 3.50% to 3.25%.
- All mortality tables were updated to the PUB2010 tables for public safety employees.
- Rates of withdrawal, retirement, disability, and merit increase scales were updated.
- The inflation rate was increased from 2.40% to 2.75%.

The following changes to the actuarial assumptions were adopted in 2021:

- The discount rate was increased from 5.65% to 7.06%.
- The investment rate of return was lowered from 7.34% to 7.06%.

Other Post-Employment Benefits

The MUS OPEB plan has not established a trust to accumulate employer contributions; as such, net assets are not considered irrevocable, legally required to be used to provide OPEB to plan members, or protected from creditors.

Schedule of the University's Proportionate Share of the total OPEB Liability

Measurement Year	University's Proportion of the OPEB Liability	University's Share of the OPEB Liability	University's Covered Employee Payroll	University's share of the OPEB Liability as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total OPEB Liability
2018	48.92%	$18,130,942	$225,842,121	8.03%	0.00%
2019	54.44%	$20,363,797	$225,896,948	9.01%	0.00%
2020	53.22 %	$15,052,050	$239,454,928	6.29%	0.00%
2021	53.68%	$32,324,640	$247,082,152	13.08%	0.00%
2022	53.68%	$26,833,911	$253,259,209	10.60%	0.00%
2023	53.26%	$20,319,323	$266,243,143	7.63%	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Note to Required Supplementary Information – OPEB

Other Post-Employment Benefits (OPEB) Trend Data

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Changes to the plan that affect trends will be reported as they occur in the future.

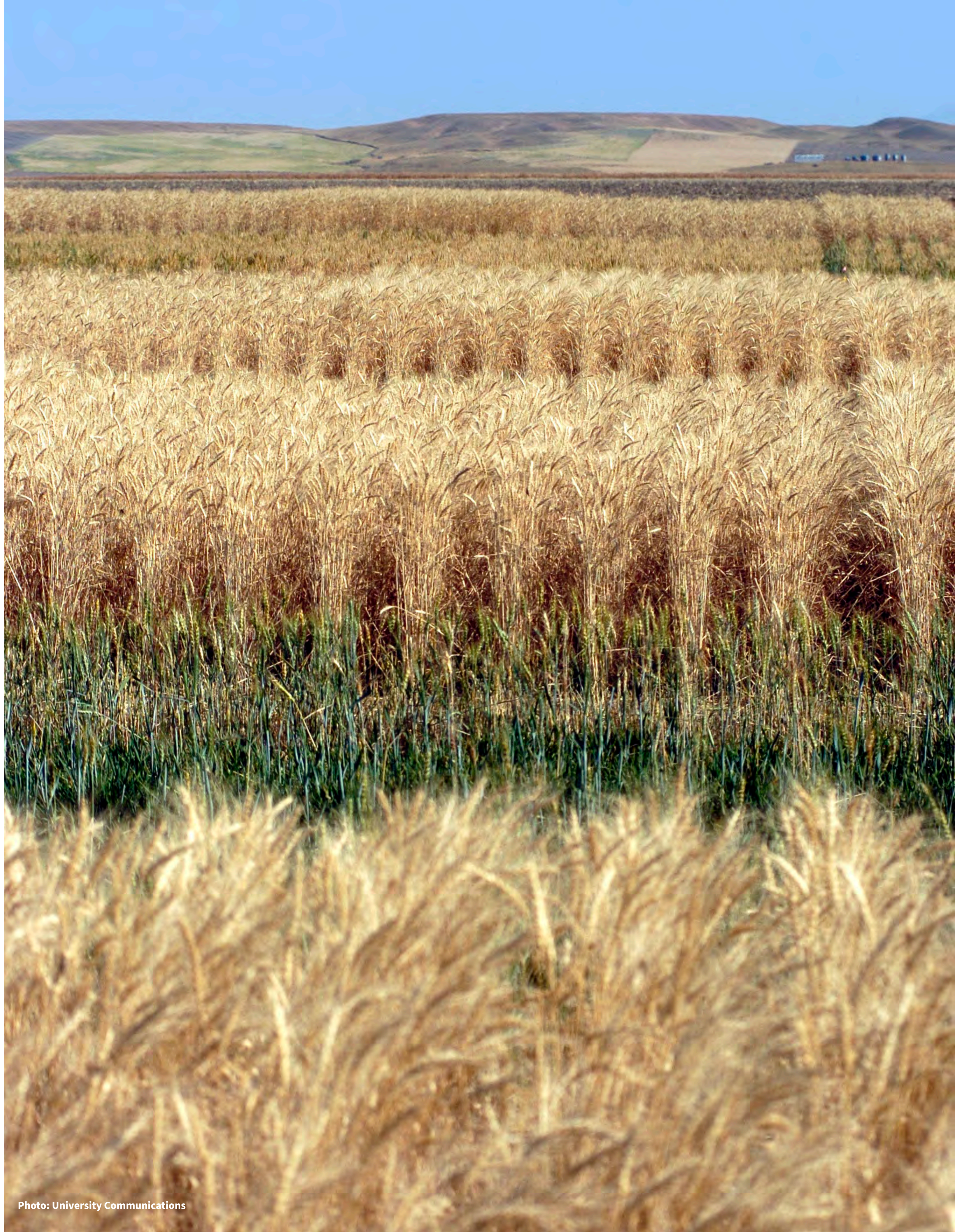


Photo: University Communications

UNAUDITED SUPPLEMENTARY INFORMATION

Montana State University
Unaudited Consolidating Statements of Net Position
As of June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	MSU Consolidated Total
ASSETS									
Current assets:									
Cash and cash equivalents (Note 2)	$255,653,481	$12,097,085	$3,926,118	$281,118	$36,516,123	$9,255,657	$6,835,215	$—	$324,564,796
Securities lending collateral	843,046	—	—	—	—	—	—	—	$843,046
Accounts and grants receivable, net (Note 3)	6,555,476	20,445	192,784	1,590	899,261	585,700	124,897	—	$8,380,152
Lease receivable	195,408	—	—	—	15,012	—	—	—	$210,420
Amounts receivable from Federal government	38,590,181	4,833	27,936	—	75,764	51,181	2,305	—	$38,752,199
Amounts receivable from primary government	804,913	—	—	—	17,865	106	—	—	$822,884
Loans receivable, net (Note 6)	1,164,283	—	—	—	132,610	84,132	—	—	$1,381,026
Inventories (Note 4)	1,078,335	814,276	—	—	228,156	184,497	337,046	—	$2,642,310
Prepaid expenses and other current assets (Note 5)	3,887,923	—	8,054	1,780	420,980	261,075	81,881	—	$4,661,693
Total current assets	$308,773,044	$12,936,639	$4,154,891	$284,488	$38,305,770	$10,422,348	$7,381,343	$—	$382,258,524
Noncurrent assets									
Restricted cash and cash equivalents	$3,053	$—	$—	$—	$12,400	$65,612	$—	$—	$81,066
Restricted investments	8,443,780	—	—	—	—	100,911	—	—	$8,544,691
Loans receivable, net (Note 6)	6,687,999	—	—	—	1,095,129	257,808	—	—	$8,040,935
Investments	58,006,310	—	—	—	2,326,410	—	—	—	$60,332,720
Capital assets, net (Note 7)	513,251,776	19,334,495	240,734	461,746	48,987,283	24,872,647	20,645,580	—	$627,794,262
Lease receivable non-current	1,110,630	—	—	—	109,939	—	—	—	$1,220,569
Other noncurrent assets (Note 7)	697,718	—	—	—	—	—	—	—	$697,718
Total noncurrent assets	$588,201,266	$19,334,495	$240,734	$461,746	$52,531,160	$25,296,978	$20,645,580	$—	$706,711,960
Total assets	$896,974,311	$32,271,134	$4,395,625	$746,235	$90,836,931	$35,719,327	$28,026,923	$—	$1,088,970,484
DEFERRED OUTFLOWS									
Deferred loss on debt refunding (Note 11)	$4,083,692	$—	$—	$—	$63,527	$—	$—	$—	$4,147,219
Deferred pension and OPEB outflows (Note 14)	51,877,259	3,320,469	2,663,314	125,585	8,620,176	3,085,406	1,804,265	—	$71,496,473
Total deferred outflows	$55,960,951	$3,320,469	$2,663,314	$125,585	$8,683,703	$3,085,406	$1,804,265	$—	$75,643,693
TOTAL ASSETS AND DEFERRED OUTFLOWS	$952,935,261	$35,591,603	$7,058,939	$871,820	$99,520,634	$38,804,732	$29,831,188	$—	$1,164,614,177

Montana State University
Unaudited Consolidating Statements of Net Position (continued)
As of June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	MSU Consolidated Total
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities (Note 8)	$36,241,459	$988,883	$655,741	$66,820	$3,109,146	$1,748,345	$810,144	$—	$43,620,538
Advances (current) and other amounts payable to primary government	1,391,038	—	—	—	200,468	64,120	—	—	$1,655,626
Amounts payable to other State of Montana component units	85,014	—	—	—	—	—	—	—	$85,014
Securities lending liability	843,046	—	—	—	—	—	—	—	$843,046
Property held in trust for others	1,625,754	—	—	—	134,859	87,820	29,390	—	$1,877,823
Unearned revenues (Note 9)	14,901,524	—	22,965	—	1,224,222	179,136	177,954	—	$16,505,801
Current portion compensated absences	8,054,890	647,931	515,151	35,972	2,141,803	324,748	407,165	—	$12,127,661
Current portion debt and lease obligations (Note 10)	13,305,906	22,709	—	18,111	1,539,633	5,845	—	—	$14,892,203
Total current liabilities	$76,448,631	$1,659,522	$1,193,857	$120,903	$8,350,131	$2,410,014	$1,424,653	$—	$91,607,712
Noncurrent liabilities:									
Advances from primary government	$10,541,751	$—	$—	$—	$939,592	$538,627	$—	$—	$12,019,970
Debt, lease, and other obligations (Note 10)	230,120,313	—	—	187,083	2,547,999	17,837	—	—	$232,873,232
Compensated absences	22,308,692	1,794,499	1,426,754	99,629	1,149,483	981,997	285,844	—	$28,046,898
OPEB implicit rate subsidy	14,488,627	827,701	821,411	41,211	2,621,395	973,897	545,082	—	$20,319,324
Net pension liability	69,989,015	4,414,239	2,154,511	118,817	13,361,475	5,087,403	2,960,699	—	$98,086,159
Due to Federal government (Note 6)	8,698,488	—	—	—	1,017,993	1,495,008	—	—	$11,211,490
Total noncurrent liabilities	$356,146,886	$7,036,439	$4,402,676	$446,739	$21,637,937	$9,094,769	$3,791,625	$—	$402,557,072
Total liabilities	$432,595,517	$8,695,962	$5,596,533	$567,643	$29,988,068	$11,504,783	$5,216,278	$—	$494,164,784
DEFERRED INFLOWS									
Deferred Inflows-Pension and OPEB (Note 14)	$37,339,220	$2,186,602	$1,990,904	$103,262	$7,271,239	$2,540,447	$1,522,488	$—	$52,954,161
Deferred Inflows-Leases	1,258,699	—	—	—	120,540	—	—	—	$1,379,239
Total deferred Inflows	$38,597,918	$2,186,602	$1,990,904	$103,262	$7,391,779	$2,540,447	$1,522,488	$—	$54,333,400
NET POSITION									
Net investment in capital assets	$294,402,047	$19,311,786	$243,254	$254,032	$43,839,795	$24,205,589	$20,645,580	$—	$402,902,084
Restricted - nonexpendable	9,833,631	—	—	—	340,690	421,468	11,300	—	$10,607,089
Restricted - expendable	19,294,647	978,822	(231,662)	—	3,914,422	576,311	31,299	—	$24,563,839
Unrestricted (Note 12)	158,211,500	4,418,431	(540,091)	(53,117)	14,045,880	(443,867)	2,404,242	—	$178,042,980
Total net position	$481,741,825	$24,709,039	$(528,498)	$200,915	$62,140,787	$24,759,502	$23,092,422	$—	$616,115,992
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$952,935,260	$35,591,603	$7,058,939	$871,820	$99,520,634	$38,804,732	$29,831,188	$—	$1,164,614,176

Montana State University

Unaudited Consolidating Statement of Revenues, Expenses and Changes in Net Position

As of and for the Year Ended June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	Total
Operating revenues:									
Tuition and fees	$202,845,322	$(2,650)	$—	$—	$16,789,291	$4,573,932	$2,925,535	$—	$227,131,430
Federal appropriations		2,671,256	3,862,791	—	—	—	—	—	$6,534,047
Federal grants and contracts	143,872,714	4,833	(97,995)	—	3,755,080	1,260,923	558,488	(221,585)	$149,132,458
State grants and contracts	6,019,139	—	26,721	—	388,133	171,218	133,847	—	$6,739,058
Non-governmental grants and contracts	13,487,232	—	213,579	—	298,042	(651)	194,500	—	$14,192,703
Grant and contract facilities and administrative cost recoveries	30,002,727	—	—	—	287,433	110,130	19,416	—	$30,419,707
Educational, public service and outreach revenues	21,970,338	3,007,807	5,018,327	103,988	1,958,639	217,616	280,053	(803,246)	$31,753,522
Auxiliary - housing	25,912,480	2,835	—	—	1,569,880	603,703	—	—	$28,088,898
Auxiliary - food service	25,408,014	—	—	—	1,037,745	722,287	92,011	—	$27,260,057
Auxiliary - other auxiliary sales and services	7,672,782	2,568	(38)	—	1,746,785	355,136	670,991	(434,314)	$10,013,910
Interest earned on loans	4,442	—	—	—	400	14,120	—	—	$18,963
Other operating revenues	2,461,259	87,998	26	—	127,278	4,140	3,088	—	$2,683,789
Total operating revenues	$479,656,449	$5,774,647	$9,023,410	$103,988	$27,958,706	$8,032,556	$4,877,929	$(1,459,145)	$533,968,541
Operating expenses:									
Compensation and benefits, including pensions	$323,871,525	$16,859,567	$14,324,113	$710,899	$37,967,651	$14,678,084	$9,709,949	$—	$418,121,788
OPEB expense	1,007,503	57,556	57,119	2,866	146,019	61,530	47,303	—	$1,379,896
Operating expenses	190,017,725	4,978,365	2,606,295	231,886	17,341,949	6,983,665	3,353,780	(1,459,145)	$224,054,521
Scholarships and fellowships	23,957,229	18,533	1,747	—	3,894,668	1,442,801	1,677,466	—	$30,992,444
Depreciation and amortization	37,076,295	1,231,299	39,284	81,051	3,990,245	1,583,912	1,438,809	—	$45,440,895
Total operating expenses	$575,930,277	$23,145,320	$17,028,559	$1,026,701	$63,340,533	$24,749,992	$16,227,308	$(1,459,145)	$719,989,544
Operating loss	$(96,273,827)	$(17,370,673)	$(8,005,149)	$(922,713)	$(35,381,826)	$(16,717,436)	$(11,349,379)	$—	$(186,021,003)
Nonoperating revenues (expenses):									
State and local appropriations	$84,759,302	$17,991,872	$7,278,140	$838,684	$25,177,702	$10,743,761	$8,078,496	$—	$154,867,956
Pell Grants	11,895,516	—	—	—	4,779,091	1,796,299	1,900,907	—	$20,371,813
Federal CARES Act grant	11,280,337	—	—	—	382,566	880,013	269,893	—	$12,812,808
Land grant and timber sales income	2,010,506	—	—	—	430,953	—	—	—	$2,441,459
Gifts	22,338,920	—	258,072	—	3,125,440	1,593,293	267,257	—	$27,582,982
Investment Income	9,828,564	411,080	120,680	9,096	1,608,461	322,529	269,890	—	$12,570,299
Interest expense	(8,227,280)	(1,994)	—	(3,545)	(147,124)	(35,418)	(401)	—	$(8,415,762)
Net nonoperating revenues (expenses)	$133,885,865	$18,400,958	$7,656,892	$844,234	$35,357,089	$15,300,476	$10,786,042	$—	$222,231,555

Montana State University

Unaudited Consolidating Statement of Revenues, Expenses and Changes in Net Position

As of and for the Year Ended June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	Total
Income before other revenues, expenses, gains and losses	$37,612,037	$1,030,285	$(348,257)	$(78,479)	$(24,738)	$(1,416,960)	$(563,337)	$—	$36,210,551
Transfers in (out)	133,015	(175,859)	42,844	—	—	—	—	—	$—
Gain or loss on disposal of capital assets	(135,106)	2,023	—	10,442	841	(7,641)	4,809	—	$(124,633)
Additions to permanent endowments	87	—	—	—	—	—	—	—	$87
Gifts, capital grants and contributions	2,301,970	—	—	—	207,946	60,074	5,600	—	$2,575,590
Change in net position	$39,912,003	$856,449	$(305,413)	$(68,037)	$184,049	$(1,364,527)	$(552,928)	$—	$38,661,596
Net position, beginning of year restated	$441,829,822	$23,852,590	$(223,085)	$268,953	$61,956,738	$26,124,029	$23,645,350		$577,454,396
Net position, end of year	$481,741,825	$24,709,039	$(528,498)	$200,915	$62,140,787	$24,759,502	$23,092,422	$—	$616,115,992

Montana State University
Unaudited Selected Cash Flow Data
As of And For the Year Ended June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	Total
Cash flows from operating activities:									
Tuition and fees	$203,197,029	$—	$—	$—	$16,970,680	$4,518,597	$2,866,580	$—	$227,552,886
Federal appropriations	—	2,671,256	3,988,232	—	—	—	—	—	6,659,488
Federal grants and contracts	129,660,378	—	(98,548)	(584)	3,495,939	1,454,275	557,899	(221,585)	134,847,773
State grants and contracts	6,255,453	—	26,721	—	432,286	171,218	154,779	—	7,040,456
Private grants and contracts	13,024,908	—	213,579	—	199,179	(651)	194,500	—	13,631,515
Grant and contract indirect cost recoveries	28,161,229	—	—	—	287,433	110,130	19,416	—	28,578,209
Educational, public service and outreach revenues	22,854,939	2,995,623	5,009,352	113,533	1,952,086	217,616	265,656	(803,246)	32,605,557
Sales and services of auxiliary enterprises	59,208,614	5,403	(38)	—	4,369,674	1,646,784	766,043	(434,314)	65,562,166
Interest on loans receivable	4,442	—	—	—	400	14,120	—	—	18,963
Other operating receipts	1,169,118	87,998	26	(713,764)	57,603	(70,073)	161,231	—	692,138
Compensation and benefits	(318,771,851)	(16,493,747)	(14,237,535)	(168,545)	(38,138,625)	(14,490,924)	(9,768,557)	—	(412,069,785)
Operating expenses	(176,932,275)	(4,988,085)	(2,566,147)	2,207	(17,040,370)	(7,247,379)	(3,287,251)	1,459,145	(210,600,155)
Scholarships and fellowships	(23,957,229)	(18,533)	(1,747)	—	(3,894,668)	(1,442,801)	(1,677,466)	—	(30,992,444)
Loans made to students and federal funds repaid	(382,048)	—	—	—	7,554	25,155	—	—	(349,338)
Loan payments received from students	1,778,973	—	—	—	150,070	100,121	—	—	2,029,164
Intercampus payments	325,000	(325,000)	—	—	—	—	—	—	—
Net cash used in operating activities	$(54,403,320)	$(16,065,085)	$(7,666,105)	$(767,153)	$(31,150,759)	$(14,993,812)	$(9,747,170)	$—	$(134,793,407)
Cash flows from noncapital financing activities:									
Receipts (Payments) of funds held in trust for others	$(307,661)	$—	$—	$—	$21,168	$(26,857)	$(4,831)	$—	$(318,181)
Direct lending proceeds	59,493,122	—	—	—	10,800,084	2,264,407	2,579,307	—	75,136,920
Direct lending disbursements	(59,493,122)	—	—	—	(10,800,084)	(2,264,407)	(2,579,307)	—	(75,136,920)
State and local appropriations	84,759,302	17,991,872	7,278,140	838,684	25,177,702	10,743,761	8,078,496	—	154,867,956
Federal CARES Act Grant	11,280,337	—	—	—	382,566	880,013	269,893	—	12,812,808
Federal Pell grant funds received	11,895,516	—	—	—	4,779,091	1,796,299	1,900,907	—	20,371,813
Gifts and contributions (expendable)	22,338,920	—	258,072	—	3,125,440	1,593,293	267,257	—	27,582,982
Land grant income	2,010,506	—	—	—	430,953	—	—	—	2,441,459
Repayment of long-term advance from primary government	(69,639)	—	—	—	—	—	—	—	(69,639)
Additions to permanent endowments	87	—	—	—	—	—	—	—	87
Transfers between campuses and agencies	133,015	(175,859)	42,844	—	—	—	—	—	—
Net cash flows from noncapital financing activities	$132,040,383	$17,816,013	$7,579,056	$838,684	$33,916,920	$14,986,509	$10,511,722	$—	$217,689,285

Montana State University
Unaudited Selected Cash Flow Data
As of And For the Year Ended June 30, 2023

	MSU - Bozeman	MT Agricultural Experiment Station	MSU Extension Service	Fire Services Training School	MSU - Billings	MSU - Northern	Great Falls College MSU	Intercampus Eliminations	Total
Cash flows from capital financing activities:									
Purchase of capital assets	$(45,992,828)	$(1,023,985)	$(142,765)	$(67,990)	$(2,176,560)	$(386,855)	$(378,439)	$—	$(50,169,421)
Proceeds from sale of capital assets	142,277	2,023	—	14,474	31,912	—	6,411	—	197,096
Gifts restricted for capital purchase	2,252,820	—	—	—	—	—	—	—	2,252,820
Other capital financing activities	133,403	—	—	—	—	—	—	—	133,403
Proceeds from borrowings	16,026,752	—	—	—	—	—	—	—	16,026,752
Debt principal paid	(23,420,000)	(36,045)	—	—	(868,561)	—	—	—	(24,324,606)
Payment of capitalized debt issue costs	—	—	—	—	—	—	—	—	—
Advances from primary government	—	—	—	—	(91,129)	—	—	—	(91,129)
Repayment of advances from primary government	(1,205,528)	—	—	—	(576,084)	(63,804)	(75,187)	—	(1,920,603)
Interest paid	(9,150,171)	(1,994)	—	(3,545)	(149,457)	(22,938)	(4,813)	—	(9,332,918)
Net cash change from capital financing activities	$(61,213,275)	$(1,060,001)	$(142,765)	$(57,061)	$(3,829,879)	$(473,597)	$(452,028)	$—	$(67,228,606)
Cash flows from investing activities:									
Purchase of investments	$—	$—	$—	$—	$—	$—	$—	$—	$—
Proceeds from sale of investments	—	—	—	—	—	—	—	—	—
Investment income	12,084,248	411,080	120,680	9,096	1,220,966	328,675	246,626	—	14,421,370
Net cash change from investing activities	$12,084,248	$411,080	$120,680	$9,096	$1,220,966	$328,675	$246,626	$—	$14,421,370
Net change in cash and cash equivalents	$28,508,036	$1,102,007	$(109,134)	$23,566	$157,248	$(152,225)	$559,150	$—	$30,088,642
Balances at beginning of year	$227,148,499	$10,995,077	$4,035,252	$257,554	$36,371,278	$9,473,491	$6,276,068		$294,557,219
Balances at end of year	$255,656,535	$12,097,084	$3,926,118	$281,120	$36,528,526	$9,321,266	$6,835,218	$—	$324,645,861

Montana State University—All Campuses and Agencies

Overview

The University campuses are accredited by the Northwest Commission on Colleges and Universities and, in addition, by national professional accrediting organizations in teacher education, nursing, environmental health, engineering, engineering technologies, architecture, foods and nutrition, chemistry, art, music and business.

Enrollment

Annual Full Time Equivalent Students

	2023	2022	2021
Montana residents			
Undergraduate	10,588	10,170	10,597
Graduate	1,070	887	962
Nonresidents			
Undergraduate	5,529	5,659	4,980
Graduate	658	588	596
Western Undergraduate Exchange	2,046	2,052	2,169
Total	19,891	19,356	19,304

Tuition and Fees

Tuition and fees vary from campus to campus, and on each campus differ for residents and nonresidents and for undergraduate students and graduate students. The ranges of tuition and fees charged for full-time students during the 2022-2023 academic year, on a per-semester basis, were as follows:

	Resident		Nonresident		
	Undergraduate	Graduate	Undergraduate	WUE [2]	Graduate
Bozeman Campus	$3,863	$4,446	$14,802	$5,330	$15,419
Billings Campus	$3,129	$3,905	$9,992	$4,231	$11,147
Northern Campus	$3,090	$3,732	$9,634	$4,179	$10,452
Great Falls Campus [1]	$1,766	N/A	$5,669	$2,413	N/A

(1) Undergraduate program only.

(2) Western Undergraduate Exchange

Employees and Graduate Assistants

As of Fall 2022, the University had 6,546 employees and utilized 880 graduate assistants at the following degree-granting locations:

	MSU-Bozeman	MSU-Billings	MSU-Northern	Great Falls College MSU	Total
Faculty/Professional	2,130	235	156	106	2,627
State classified system	1,293	178	56	41	1,568
Temporary hourly	122	45	3	15	185
Students	2,015	62	72	17	2,166
Total employees	5,560	520	287	179	6,546
Graduate assistants	880	—	—	—	880

Non-tenure track faculty and classified employees at the University are members of and represented by various collective bargaining units. Currently, tenure track faculty, part-time employees and administrative professionals are not represented by any of the collective bargaining units.

Photo: University Communications

MSU-Bozeman

Campus Overview

Montana State University was founded in 1893 as the Agricultural College of the State of Montana. By the 1920s, the institution's preferred name was Montana State College, and so it remained until July 1, 1965, when, in recognition of the advances in the college's commitment to scientific and humanistic research, the 39th Montana Legislature changed MSC's name to Montana State University. Located in Bozeman, the campus comprises approximately 1,800 acres and more than 40 academic and administrative buildings.

In 1994, the Montana Board of Regents approved a restructuring plan that created a four-campus Montana State University. The Bozeman campus was given administrative oversight of what became MSU Billings, Great Falls College MSU and MSU Northern. Statutory authority for Montana State University Bozeman is contained in Title 20, Chapter 25, Section 201 of Montana Code Annotated.

MSU is organized into seven undergraduate colleges: the College of Agriculture; College of Arts and Architecture; College of Education, Health and Human Development; Jake Jabs College of Business and Entrepreneurship; College of Letters and Science; Norm Asbjornson College of Engineering; and Mark and Robyn Jones College of Nursing. Post-graduate master’s and doctoral degrees are offered through the Graduate School. One-year and two-year degrees and certificates are offered through Gallatin College MSU. The university’s Honors College offers curriculum for students to qualify for one of three honors designations on their transcripts in addition to their degrees.

The campus offers more than 250 academic programs, including more than 115 graduate programs — such as master’s degrees, doctorates and many certificate options. In the 2022 fiscal year, Montana State University awarded 3,481 degrees, including 509 master’s degrees and 130 doctorates.

The university’s annual research expenditures — almost entirely federal dollars competitively won — set a record in fiscal year 2023 with total expenditures at nearly $230 million. The total marks 10 years in a row that research expenditures have exceeded $100 million. The university is home to 300 laboratories, 44 research centers and seven agricultural research stations. MSU is classified as having “very high research activity” by the Carnegie Classification of Institutions of Higher Education, and it is one of just two that also have the profile of “Very High Undergraduate” enrollment. MSU has also been named among the top universities in the world for its scientific impact and collaboration, ranking 161st out of the top 206 in the U.S. recognized for the largest contributions to international scientific journals by the CWTS Leiden Ranking.

MSU continues to be one of the top institutions in producing Goldwater scholars. The Goldwater Scholarship is a competitive national award given to math, science and engineering students. Since the scholarship's inception in 1989, 86 MSU students have become Goldwater scholars. MSU's number of scholarships ranks among, and is ahead of, some other prominent schools like Johns Hopkins, Yale and Cornell.

In 2018, MSU won the Connections Award by the Association of Public and Land-grant Universities in recognition of its economic engagement efforts, specifically its work with public- and private-sector partners in Montana and the region to support economic development through innovation, entrepreneurship, technology transfer, talent, workforce and community development.

In addition to its academic mission, MSU is home to numerous entities that help strengthen the state through outreach efforts. First among them is MSU Extension, which has agents serving all 56 Montana counties and seven reservations in the areas of youth development, agriculture, community development, and family and consumer science. MSU is also home to the Montana Manufacturing Extension Center, a statewide manufacturing outreach and assistance center whose professional staff have extensive experience in manufacturing and business in a variety of industries. Other examples of the university's statewide reach include its Center for Mental Health Research and Recovery, Montana PBS and the Museum of the Rockies.

Enrollment and Degrees Granted

		Student FTE at Fall Census for Years				
		2022	2021	2020	2019	2018
MSU Bozeman	Resident Undergraduate	6,237	6,632	7,137	7,685	7,975
	Resident Graduate	680	748	705	666	692
	NR Undergraduate	5,185	4,579	4,521	4,583	4,423
	WUE	1,731	1,835	1,224	1,068	1,063
	NR Graduate	551	561	465	429	439
	Total MSU Bozeman	14,384	14,355	14,052	14,431	14,592
Gallatin College	Resident Undergraduate	400	406	406	478	480
	NR Undergraduate	296	228	191	208	208
	WUE	29	24	7	5	4
	Total Gallatin College	725	658	604	691	692
	Grand Total	15,109	15,013	14,656	15,122	15,284

		Degrees Granted - Fiscal Years Ended June 30,				
		2023	2022	2021	2020	2019
MSU Bozeman	Certificates	7	8	3	3	3
	Associate	13	11	6	16	11
	Bachelor	2,569	2,552	2,669	2,699	2,558
	Graduate	646	639	497	499	530
	Total MSU Bozeman	3,235	3,210	3,175	3,217	3,102
Gallatin College	Certificates	89	77	62	63	75
	Associate	117	104	114	104	97
	Bachelor	1	1	—	—	—
	Total Gallatin College	207	182	176	167	172
	Grand Total	3,442	3,392	3,351	3,384	3,274

Campus Outlook

The university's current strategic plan, "Choosing Promise," was adopted in January 2019. The seven-year plan has three areas of focus - teaching, research and outreach - that also align with university's historic mission as articulated by the Morrill Land Grant College Act of 1862 and the subsequent Hatch and Smith-Lever acts passed by the U.S. Congress. Central to all parts of the plan is an emphasis to improve Montana's, people, environment and economy.

Few programs better epitomize the university's new strategic plan than its Hilleman Scholars Program, named after Maurice Hilleman – an MSU alumnus now widely recognized as the most prolific vaccinologist in history. Now in its eighth year, the Hilleman Scholars Program seeks Montana high school students who may not have performed well on traditional academic measures but who have shown grit and promise. Each year, MSU selects at least 50 Hilleman Scholars from across Montana. They are eligible for financial support for four years of college, provided they make satisfactory academic progress and demonstrate commitment to the program, including participating in a summer success academy, tutoring and advising services, and, later, mentoring younger scholars. The Hilleman story is one of how nurturing the promise in hard-working Montanans of ordinary or humble means can transform them, their families, the state and even the world.

In August 2021, the university announced a $101 million investment from Mark and Robyn Jones, the founders of Goosehead Insurance. The funds were aimed at addressing one of the most defining challenges of our time: access to health care, particularly for rural and frontier communities. The gift — the largest gift ever given to a college of nursing at the time and the largest private gift in Montana history — will fund new nursing education buildings at each of the College of Nursing's five statewide campuses in Bozeman, Billings, Great Falls, Kalispell and Missoula. This investment will create five endowed professorships and establish Montana's only certified nurse midwifery program preparing doctoral-level nurses to benefit maternal health care statewide.

In early 2022, MSU announced that the Gianforte Family Foundation pledged $50 million to construct a new building to house MSU's school of computing and related fields such as cybersecurity, optics and photonics, electrical and computer engineering, and creative industries. The gift ties for the second largest in MSU history and is another of the largest philanthropic gifts in Montana history. Planning and design are underway for the future Gianforte Hall.

Change is occurring rapidly at Montana State University to accommodate the tremendous growth the university has experienced over the last decade. In fall 2021, the university opened its American Indian Hall, a $20 million facility that serves as a home away from home for MSU's growing Native American/Alaska Native student population, a home for the Department of Native American Studies, and valuable classroom space shared by all of MSU.

The university saw the grand re-opening of Romney Hall in November 2021. This $32 million renovation, funded in part by $25 million from the 2019 Montana Legislature, repurposed MSU's original, century-old physical education building — which had fallen into disrepair — into a classroom building that now seats more than 1,000 students per hour in the heart of campus. It provides a home for high-impact student services such as the MSU Writing Center, Disability Services, the Travis W. Atkins Veterans Support Center and the Christopher B. Lofgren Center for Excellence in Mathematics and Statistics.

In late 2021, MSU opened its Bobcat Athletic Complex, a 40,000-square-foot facility at Bobcat Stadium that supports student-athletes with study spaces, locker rooms, team meeting rooms and health and rehabilitation facilities. It also houses MSU's football program, including offices for coaches and staff. The building was funded with $18 million in private donations raised in just two years.

These are in addition to the campus' recent notable building openings, including the classroom and laboratory building Norm Asbjornson Hall in spring 2019 and the 510-bed residence Hyalite Hall in fall 2020.

MSU's new Student Wellness Center is slated to open in spring 2024. In March 2019, MSU lost two of its recreational gymnasiums due to a roof collapse caused by a 100-year snow event. The Montana Board of Regents subsequently approved a $60 million project for MSU to replace the lost gymnasium space and to integrate a new home for student health services. The facility will conveniently co-locate all student health, counseling, recreation, fitness and other wellness services in a single facility.

The university is also seeing development moving forward on its Innovation Campus, located just west of the main MSU campus, where an 87,000-square-foot office space called INDUSTRY Bozeman is currently under construction. Plans are in the works for a 78,000-square-foot facility for the self-driving vehicle technology company Aurora. Additionally, Hyundai Motor Group has announced plans to bring its New Horizons Studio headquarters to the Innovation Campus to develop advanced all-terrain robotic vehicles.

All of MSU's physical growth is an attestation of its increased student population. The enrollment in the fall semester

2023 was the highest in MSU's 135-year history, at 16,978, beating the previous record set in 2018. MSU's fall 2023 retention rate – the percentage of first-year students returning for their second year – hit 77.9%, the highest since 2020. Graduate enrollment is growing as well. The number of MSU graduate students, which sits at 2,093 this fall, increased 2% over the prior year.

In fall 2023, MSU also attracted 144 recipients of the prestigious Montana University System Honors Scholarship — accounting for 72% of all recipients statewide. The scholarship grants four years of tuition at an eligible state campus.

Other highlights from MSU's enrollment headcount for fall 2023 included:

- MSU's incoming class of first-time students is the third largest in history at 3,634. Of those, 1,400 were Montana residents.
- Just over 30% of MSU's students live in on-campus housing between MSU's residence halls and apartments for graduate students, a total of nearly 5,200 students — the highest total ever. MSU's residence halls are at 96% capacity and have been at or near capacity for a decade.
- The number of students taking advantage of veteran benefits at MSU was up 2% this fall to 556. MSU has been named a top university in the nation three years in a row for its support of student veterans.
- MSU enrolled record numbers of African-American students (293), American Indian/Alaska Native students (817), Asian students (708) and Hispanic students (955).

Photo: University Communications

Montana Agricultural Experiment Station (MAES)

Agency Overview

The Hatch Act of 1887 created the Montana State Agricultural Experiment Station system. This unique federal/state partnership, supporting agricultural and natural resource research and outreach, is a contract for maintaining viable agricultural and natural resource communities and an affordable supply of food and fiber for America.

In 1893, Montana endorsed the terms of the Morrill Act, creating the land-grant university and the designation of the Montana Agricultural Experiment Station (MAES). The MAES operates under these enabling Acts and subsequent federal and state legislation and amendments through the authority of the MAES Director as approved by USDA. MAES houses people and programs at its research centers throughout Montana and the main station at the Bozeman campus.

The research center system consists of: Northern Agricultural Research Center (ARC) at Havre, Northwestern ARC at Creston, Western ARC at Corvallis, Central ARC at Moccasin, Southern ARC at Huntley, Western Triangle ARC at Conrad, and Eastern ARC at Sidney. The research centers are located so they address the diverse climatological, ecological and environmental challenges of Montana's largest economic sector. Individual research center priorities reflect challenges faced by producers in that region. The oldest research centers, Central and Western, were established in 1907 with the most recent, Western Triangle, established in 1978. MAES also cooperates with the federal USDA ARS Fort Keogh Livestock and Range Research Laboratory at Miles City, a partnership that has been in place since 1924, and the USDA ARS research programs at the Northern Plains Agricultural Research Center in Sidney.

The Bozeman MAES component includes research in the academic departments of Agricultural Economics and Economics, Agricultural and Technological Education, Animal and Range Sciences, Land Resources and Environmental Sciences, Plant Sciences and Plant Pathology, and Microbiology and Cell Biology. The majority of the MAES faculty are located on the main station at MSU-Bozeman campus, with split appointments between research, teaching and extension service, which provides unique and high-quality educational opportunities on- and off-campus that are appropriate for the region, and also appeal to students and clientele from around the world.

MAES cooperates with state, regional, and federal agencies on research to generate and disseminate superior knowledge and produce advances in technology that increase the competitiveness, profitability, and sustainability of agricultural and natural resource systems. MAES aids agricultural stakeholders in competing and succeeding in a global environment, preserving environmental quality, improving the quality of life, and adding value to state, regional and national resources within the global economy, as well as developing cutting-edge outreach and education programs.

Highlights

MAES and the College of Agriculture continue to be successful in securing and leveraging new extramural funding to support research programs. The College of Agriculture, which is collaboratively funded by MAES, has been among the most productive of the academic disciplines in terms of research expenditures with a total of $50 million for FY2023. This represents a 4% increase in sponsored research from the prior year.

Outlook

MAES base-funded programs are financed by state (85.5%) and federal (14.5%) funding. MAES foresees continued legislative pressure to reduce Federal agricultural research funding, while competitive grant programs at state, regional and national levels are also significantly constrained. These concerns occur concurrently with the continued need for agriculture to succeed as a primary economic engine for Montana.

MSU Extension (ES)

Agency Overview

The mission of Montana State University Extension ("Extension" or "ES") is to improve the lives of Montana citizens by providing unbiased, research-based education and information that integrates learning, discovery and engagement to strengthen the social, economic and environmental well-being of individuals, families and communities.

To meet the educational needs of Montanans, Extension coordinates educational and research resources in the region through campus-based specialists and 54 local Extension offices, providing outreach to all 56 Montana counties and seven reservations. Because Montana's communities are as diverse as its landscape, the structure of Extension — MSU faculty living in Montana's small towns and cities — ensures that programs are in tune with local issues and can adapt quickly to changing needs.

The unique funding structure of ES combines state general fund, federal Smith-Lever and county resources. The state Legislature appropriates general funds on a biennial basis. Extension agents' salaries are paid from both federal Smith-Lever and county funding sources, while Extension specialists are paid from state general funds. Extension funds the payroll benefit costs for all employees hired on state funding, while county agents' benefits are paid from a blend of Federal Smith-Lever and state general fund dollars. Operational allocations are made to specialists based on a pre-established formula, and other operating dollars are allocated to support staff development, program development, personnel recruitment and general operating purposes.

To deliver the practical advice and information needed by Montana's agricultural community, Extension taps into the resources of the entire university system. Research results from the Agricultural Research Centers and funding through USDA assist in developing programmatic responses. Primary concerns related to sustainability and profitability, natural resources and the environment, and technology transfer/value-added opportunities are addressed through outreach efforts across the state.

Extension's Family & Consumer Sciences program area serves a wide variety of people and families and provides specialized programs, including those targeted toward the elderly, children, single parents and step-families. Topics include food and nutrition, housing, health, family issues, personal finance, environmental health and many other subjects useful to Montanans. One special program emphasizes nutrition education for families with limited resources.

Extension agents also work with Montana 4-H programs to serve youth throughout the state. In 2022-2023, Montana 4-H reached 17,253 Montana youth, ages 6-19. Approximately 60% of these youth are involved in yearlong community clubs, while the rest are active through a variety of short-term and special interest education programs. The many school collaborations engaged in by 4-H programs were rebuilt after COVID and are continuing to grow. Enrollment numbers are expected to rise as these partnerships gain strength. Montana 4-H youth are supported by 3,149 trained adult and youth volunteers who lead local programs and activities.

Local community and economic viability efforts continue to be an area of major emphasis for Extension's Community Development program. Extension continues to collaborate with state and federal agencies to provide local governance, strategic planning and leadership development education for communities and individuals. The MSU Extension Local Government Center provides the only extensive education and training for Montana's elected and government officials at the local and county level.

MSU Extension's strategic plan complements the university's strategic plan by focusing on engagement within Montana communities and the integration of learning, discovery and engagement. Extension is successful throughout the state in meeting and excelling at this tripartite mission. Within MSU's strategic plan, Extension has a clear leadership role in increasing the university's capacity as a statewide resource to collaborate, respond to local needs and address the state's greatest challenges.

Fire Services Training School (FSTS)

Agency Overview

The Fire Services Training School (FSTS) is state-level agency and is attached to MSU Extension. The FSTS is authorized in 20-31-102 of the Montana Code Annotated. Its purpose is to provide fire service personnel with professional training; identify new methods of fire prevention and suppression, and disseminate information; provide a resource center for use by local fire services; provide testing and certification for personnel and apparatus; and coordinate fire services training in the state. FSTS certifications are internationally accredited by two different accrediting agencies.

These goals are accomplished by building capacity in local governments for protecting citizens' lives and property and safeguarding the community tax base and infrastructure from harm caused by fires, accidents, injuries, hazardous materials incidents and other emergencies. FSTS trainers provide instruction and resources to local fire and rescue services and are strategically located in Cascade, Custer, Valley, Flathead, Missoula, Beaverhead and Yellowstone counties.

The FSTS audience consists of 10,000 fire fighters in more than 380 organizations, 96% of whom are volunteers. The FSTS provides 69% of its services to all-volunteer fire companies, 20% to combination fire companies (with both paid and volunteer firefighters), and 11% to all-paid fire companies.

The FSTS curriculum includes entry level recruit academies, hazardous materials and technical rescue courses, and leadership and management, as well as tactical- and strategic-level incident operations courses. The FSTS continues to introduce new methods and technology into local fire service organizations, resulting in enhanced firefighter safety, a higher level of citizen protection and significantly reduced costs for fire insurance premiums in many communities.

MSU-Billings

Campus Overview

Montana State University Billings is a regional comprehensive public four-year higher education institution located in Montana's largest population center, whose faculty is actively engaged in teaching, research, creative endeavors and public service. MSU Billings is unique in that it is one of a select few higher education institutions that also boasts an embedded two-year community college. The university's mission is to deliver a transformative education that empowers students from diverse backgrounds to succeed.

Photo: MSU - Billings

The institution, founded in 1927, was initially called Eastern Montana Normal School, and was established to prepare teachers for elementary schools in eastern Montana. It was again renamed in 1965 as Eastern Montana College (EMC). It merged into the Montana University System in 1994 under its present name. MSU Billings has grown, with the city of Billings and Yellowstone County, into the major comprehensive higher education center of south central and eastern Montana. The University has five colleges: the College of Liberal Arts & Social Sciences (CLASS), the College of Business (COB), the College of Education (COE), the College of Health Professions and Science (CHPS), and City College. City College serves the comprehensive two-year mission of the university. MSU Billings offers a full complement of certificate programs, associate, bachelor and master degrees, as well as pre-professional academic offerings in many academic areas, featuring 23 online degree programs. Several academic programs are unique to the Montana University System. In addition, MSU Billings offers graduate degrees from the CLASS, COE, and CHPS.

MSU Billings is accredited by the Northwest Commission on Colleges & Universities. The MSU Billings College of Business is accredited by the Association to Advance Collegiate Schools of Business, whose standards are used as the basis to evaluate a business school's mission, operations, faculty qualifications and contributions, programs, and other critical areas. The MSU Billings College of Education is accredited by the Council for the Accreditation of Educator Preparation for preparing elementary and secondary teachers and school counselors through the Bachelor of Science and Master of Education degrees, and the Master of Science in Special Education degree. Disciplinary departments that have received national accreditation include the Music Department (National Association of Schools of Music), the Art Department (National Association of Schools of Art and Design), the Department of Health and Human Performance (Commission on Accreditation of Athletic Training Education), the Department of Rehabilitation and Human Services (Council for Accreditation of Counseling and Related Educational Programs), and Department of Health Care Services (Commission on Collegiate Nursing Education).

The Association for Behavior Analysis International (ABAI) Accreditation Board has awarded MSU Billings' Master of Science in Special Education Advanced Studies Applied Behavior Analysis (MSSED ABA) degree program a five-year accreditation.

City College programs are accredited and approved by the Montana Board of Nursing, the National League for Nursing Commission for Nursing Education Accreditation, the Committee on Accreditation of Allied Health Education Programs, the Committee on Accreditation of Educational Programs for the EMS Professions, the Joint Review Committee on Education in Radiologic Technology, and International Fire Service Accreditation Congress.

Public service is integral to the mission of the University. Its two primary public service entities are Yellowstone Public Radio (KEMC), serving Montana and Northern Wyoming with local, regional and nationally acclaimed educational programming, including NPR; and the Montana Center for Inclusive Education (MCIE), which serves the diverse population of Montana and provides continuing professional development opportunities for educators and direct service providers.

In 2022, Montana State University Billings announced the launch of the Institute for Neurodiversity and Applied Behavior Analysis at the Montana Center for Inclusive Education (MCIE) on university campus. The Institute will serve children in the region with mental, social, and behavioral differences associated with autism spectrum disorders, developmental disabilities, similar mental health disorders, and other behavioral disabilities, by providing direct and telehealth clinical support.

Enrollment and Degrees Granted

Student FTE at Fall Census for Years

		2022	2021	2020	2019	2018
MSU Billings	Resident Undergraduate	1,606	1,649	1,686	1,930	1,945
	Resident Graduate	188	191	193	194	185
	NR Undergraduate	101	104	80	100	112
	WUE	180	188	190	184	192
	NR Graduate	36	34	35	14	11
	Total MSU Billings	2,111	2,166	2,184	2,422	2,445
City College	Resident Undergraduate	544	549	540	571	588
	NR Undergraduate	15	13	15	13	8
	WUE	23	31	29	37	30
	Total City College	582	593	584	621	626
	Grand Total	2,693	2,759	2,768	3,043	3,071

Degrees Granted - Fiscal Years Ended June 30,

		2023	2022	2021	2020	2019
MSU Billings	Certificates	16	17	33	30	36
	Associate	398	415	409	434	412
	Bachelor	118	110	104	116	110
	Total MSU Billings	532	542	546	580	558
City College	Certificates	50	48	44	48	42
	Associate	172	185	188	182	206
	Total City College	222	233	232	230	248
	Grand Total	754	775	778	810	806

MSU Billings is the third largest public university in Montana. Alumni and workforce data show that graduates from MSU Billings stay in Montana and contribute to the state's economy and betterment of its communities. MSU Billings started the 2022-2023 academic year with 4,057 students enrolled, with 2,322 students at university campus and 1,735 enrolled at City College campus. In fall of 2022, MSU Billings welcomed its largest freshman class in three years, with increases in military-affiliated, Hispanic, and Native American student enrollment. Retention rates for first-time freshmen and transfer students have exceeded targets set by the newly formed Retention and Graduation Council and a record-high number of students are also taking online or HyFlex classes, reaffirming that MSU Billings is offering the right learning modalities to meet the needs of their students. High school student enrollment in University Connections courses also increased by 21%. This increase speaks to the strong partnership MSUB has with School District 2 and other Yellowstone County schools.

Fall 2022 enrollment data showed additional areas of growth including a first-time freshman increase of four percent and nontraditional freshmen student enrollment increase of 14 percent. Nontraditional students are classified as having been out of high school three or more years. Programs with significant enrollment growth include: Health and Human Performance 3+2 program (includes a combined bachelor's and master's program) 94%, Registered Nurse to Bachelor of Nursing program 37%, Master of Clinical Rehabilitation and Mental Health Counseling program 25%, Master of School Counseling program 22%, Bachelor of Business Administration – Finance Option 39.5%, Computer technology associate programs 23%, Fire science associate program 50%, and the Associate in Nursing 14%.

Campus Outlook

MSU Billings continues to serve our students and community with superior levels of excellence and efficiency. MSU Billings has invested in distance learning by developing full degree programs, and general education, online. This investment continues to provide educational offerings to Montana citizens who are place bound or time bound. Increasing opportunities for students to participate in internships and cooperative education experiences also continue to be a priority for the University.

Grants and research production continues. The University recently received notification of a new National Institutes of Health grant for $1,221,143 over 5 years. This grant is designed to build knowledge, interest, and authentic community engagement in science. Also, the University received notification of a new National Science Foundation grant for $173,296 for 3 years. This grant is a collaborative research project focusing on mental health opportunities for professional empowerment in STEM. Continuing major grants include TRIO – Upward Bound, Talent Search, SSS TRIO, NIH, Social Security, OPI, Corporation for Public Broadcasting, iEMBER, CCAMPIS, INBRE and Title III.

Photo: University Communications

This fall, MSU Billings launched the Montana 10 program with 108 student scholars. Montana 10 is a new scholarship program from the Montana University System that offers academic, social, and financial support designed to help students succeed in college. Montana 10 scholars have a community of support staff who knows them individually and supports them along their college journey, ensuring they receive tailored support to achieve their educational and career goals. There are currently 77 Montana 10 scholars enrolled at the university campus and 31 students enrolled at the City College campus.

Support for the University continues to be strong. The Foundation distributed nearly $1.1 million in scholarships for MSU Billings students in FY22.

MSU-Northern

Campus Overview

Founded by the Legislative Assembly of the State of Montana in 1913, "The Northern Montana Agricultural and Manual Training School" opened in 1929 in Havre, Montana, under the name "The Northern Montana School." In 1931, the common use of "Northern Montana College" came into existence. In 1994, Northern Montana College became Montana State University-Northern (MSU-Northern) as part of the restructuring of the Montana University System.

The university is known for its supportive, student-centered environment in which a unique mix of academic programs are responsive to local, regional, and state workforce needs. MSU-Northern provides liberal arts, professional and technical programs, ranging from certificates through master's degrees, that serve a diverse student population; promotes a student-centered and culturally enriched environment which fosters student success; and partners with external entities to enhance and expand learning experiences.

MSU-Northern programs are in the disciplines of business, nursing, engineering and mechanical technology, teacher education, natural sciences, and humanities. Applied research and service functions are aligned with many of the university's disciplines and respond directly to the region's economic and societal needs.

MSU-Northern is accredited by the Northwest Commission on Colleges and Universities. The university's programmatic accreditations also include the Accreditation Commission for Education in Nursing (ACEN), the Montana State Board of Nursing, the Engineering Technology Accreditation Commission/Accreditation Board of Engineering Technology (ETAC/ABET), the National Automobile Technicians Education Foundation (NATEF) and the Montana Office of Public Instruction.

MSU-Northern values individualized attention to its students, experiential learning, and creating a culturally rich and intellectually stimulating environment. From its main campus on the Montana Hi-Line, the university serves as a regional cultural center and maintains strong partnerships with communities, education, business and industry.

Enrollment and Degrees Granted

		Student FTE at Fall Census for Years				
		2022	**2021**	**2020**	**2019**	**2018**
MSU Northern	Resident Undergraduate	694	672	686	743	757
	Resident Graduate	19	23	23	34	28
	NR Undergraduate	41	39	43	51	48
	WUE	84	87	99	108	112
	NR Graduate	1	1	—	—	1
	Total MSU Northern	839	822	851	936	946

		Degrees Granted - Fiscal Years Ended June 30,				
		2023	**2022**	**2021**	**2020**	**2019**
MSU Northern	Certificates	24	22	20	33	16
	Associate	108	105	114	133	114
	Undergraduate	122	135	121	134	141
	Graduate	15	16	15	18	16
	Total MSU Northern	269	278	270	318	287

Campus Outlook

Located in Havre, Montana, Montana State University-Northern is north central Montana's comprehensive university offering programs and services at the associate, baccalaureate, and master's levels. Degree programs range from teacher education to engineering technology, emphasizing both technology and liberal arts education. MSU-Northern programs are in the disciplines of business, nursing, engineering and mechanical technology, teacher education, natural sciences, and humanities. Applied research and service functions are aligned with many of the university's disciplines and respond directly to the region's economic and societal needs.

Specializing in serving a large geographic region, MSU-Northern serves an area that includes four Native American reservations along with Montana's smallest and largest towns. The University functions as an important cultural resource and continuing education center.

MSU-Northern is deeply committed to providing a supportive, student-centered environment. Northern utilizes innovative teaching, alternate delivery methods and partnerships with tribal colleges across Montana and a number of two-year colleges throughout the Northwest helping these institutions expand their program offerings in the realm of 4-year Baccalaureate degrees. Together, we ensure that Northern students can attain an Education that Works.

After five consecutive years of enrollment declines starting in 2017, MSU-Northern reversed the trend and increased FTE enrollment in the fall 2022 census.

Great Falls College MSU

Campus Overview

Great Falls College Montana State University, an affiliated campus of Montana State University, is an independently accredited, comprehensive two-year college primarily serving north-central Montana. Great Falls College prides itself on being a student-centered two-year college providing quality educational opportunities responsive to community needs. Great Falls College is a progressive public institution offering two-year transfer degrees as well as degrees and certificates preparing students to enter high-skill, high-wage, high-demand careers. Transfer degrees include general education (Associate of Arts, Associate of Science, and the Montana University System Core) offerings. The Certificate and Associate of Applied Science degrees include one- and two-year applied programs in Health Sciences, Accounting and Business, Substance Abuse and Addictions Counseling, Trades, and Technology disciplines.

The college works closely with employers to ensure students are learning the skills they need to be successful in employment. Additional offerings related to workforce development and customized and contracted training are provided as part of economic and community development. Popular training programs include Commercial Driver's Licensing, Certified Nurse Assistant and a new short-term training in Structural Welding

In partnership with the Great Falls Public Schools, the Career and College Readiness (CCRC) program also is housed on the Great Falls College campus. The CCRC served 568 students in the 2022-2023 school year totaling 20,906 attendance hours. In partnership with the CCRC, 39 students went through the award-winning Connections 101 with many then matriculating at Great Falls College. From the CCRC, 48 entered the CDL program and 85 sought health care certificates, including 16 high schoolers at C.M. Russell High and Great Falls High.

Great Falls College is regionally accredited by the Northwest Commission on Colleges and Universities. Various academic programs are accredited individually as well, primarily those within medical fields.

Enrollment and Degrees Granted

Great Falls College	Student FTE Fiscal Year Fall Census	2022	2021	2020	2019	2018
	Resident Undergraduate	689	689	705	791	933
	Resident Graduate	21	17	14	24	30
	NR Undergraduate	5	4	10	3	6
	Total	715	710	729	818	969

Great Falls College	Degrees Granted - Fiscal Years Ended June 30,	2023	2022	2021	2020	2019
	Certificates	80	80	92	79	145
	Associate	162	205	222	207	265
	Total	242	285	314	286	410

Campus Outlook

Great Falls College has started work on its new strategic plan, Forging Futures, looking at programming mix, aligning resources and personnel to the three areas of emphasis: increasing opportunities by expanding enrollment and engaging the community through branding, marketing and alumni relations; becoming more inclusive by removing barriers and providing support in academics, non-instructional support and forging a stronger campus community; and pursuing excellence through learning, assessing and innovating processes and aligning resources. The college also is preparing a comprehensive facilities plan.

The college completed the expansion of its dental clinic in August 2021. The expansion was funded by a $4.25 million appropriation from the 2019 Legislature thanks to wide bi-partisan support from all corners of Montana. The 12,000-square-foot addition that also features 6,600 square feet of renovated space, allowing the state's only Dental Hygiene program to increase capacity from 18 to 25 students each year. Every other year, the hygiene program will be able to accept 35 students.

Great Falls College beat out hundreds of colleges to be a finalist in the Lumina Foundation Million Dollar Community Challenge. It received $100,000 to be used toward branding and marketing. The college created a mascot, the River Otters, with the Lumina money and engaged the campus and public in its creation. Great Falls College also updated its signage and worked on its website. The Lumina Foundation awarded the college an additional $150,000 to help with branding.

Great Falls College was an early adaptor of HyFlex teaching modality in which student can participate in a class in-person, remotely synchronously, or remotely asynchronously. The demand continues for the HyFlex and online courses and the Teaching and Learning Center will continue to provide workshops and individualized training to support faculty's online and HyFlex teaching efforts.

The Respiratory Care program has been revitalized through the OneMSU Network with a three-campus partnership with City College and Gallatin College. The program is now offered using remote technologies, similar to Surgical Technology and the Practical Nursing program to provide access to more communities and health care partners. Physical Therapist Assistant is looking to use this model as well after seeing respiratory program go from nine students in 2021 to full capacity in fall 2022. The college also created programming in Substance Abuse and Addictions Counseling and Early Childhood Education, and it is working to start a veterinarian technician program to start in fall 2024.

The trades division will continue to strengthen its dual credit program with the Great Falls Public Schools, develop new ties to industry for internships and expand concurrent enrollment opportunities with local school districts.