A Report
to the
Montana
Legislature

Financial Audit

Montana State University

For the Fiscal Year Ended June 30, 2022

April 2023

Legislative Audit
Division

22-11

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Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2021, was issued June 21, 2022. The Single Audit Report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

Audit Staff

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

April 2023

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial audit report on the Montana State University (MSU) consolidated financial statements for the fiscal year ended June 30, 2022. The financial statements include financial information from five related organizations: the foundations at MSU Bozeman, MSU Billings, MSU Northern, the MSU Bobcat Club, and the Museum of the Rockies Incorporated. These entities are considered component units of the university. The organizations were audited by public accounting firms, and our opinion on the university's financial statements is based, in part, on the work of these other auditors.

We issued unmodified opinions on the financial statements, which means you can rely on the information presented. Our report contains two recommendations to the university related to internal controls over inventorying capital assets and preparing and reviewing the financial statements and note disclosures.

We thank President Cruzado and her staff for their cooperation and assistance during the audit.

Respectfully submitted,

Angus Maciver
Legislative Auditor

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Elected, Appointed, and Administrative Officials

		Location	Term Expires
Board of Regents of Higher Education	Brianne Rogers, Chair	Bozeman	February 1, 2024
	Loren Bough	Big Sky	January 31, 2027
	Todd Buchanan	Billings	January 31, 2028
	Joyce Dombrouski	Missoula	February 1, 2026
	Casey Lozar	Helena	February 1, 2025
	Robert A. Nystuen	Lakeside	February 1, 2022
	Jeff Southworth	Lewistown	January 31, 2029
	Norris Blossom, Student Regent	Bozeman	June 30, 2023
	Clayton Christian, Commissioner of Higher Education*		
	Greg Gianforte, Governor*		
	Elsie Arntzen, Superintendent of Public Instruction*		
	*Ex officio members		

Office of the Commissioner of Higher Education	Clayton Christian	Commissioner of Higher Education
	Helena Thigpen	Deputy Commissioner, Government Relations and Public Affairs
	Tyler Trevor	Deputy Commissioner for Budget & Planning, Chief of Staff
	Ali Bovingdon	Montana University System (MUS) Chief Legal Counsel
	Margaret Wallace	Director of Assurance and Enterprise Risk
	Joe Thiel	Interim Deputy Commissioner, Academic, Research, and Student Affairs
	Kevin McRae	Deputy Commissioner, Human Resources
Montana State University All Campuses	Waded Cruzado	President
	Kellie Peterson	Legal Counsel
	Brad White	Director of Audit Services

Montana State University Bozeman	Terry Leist	Vice President for Administration and Finance
	Robert Mokwa	Vice President for Academic Affairs and Provost
	Alison Harmon	Vice President of Research, Economic Development, and Graduate Education
	Ryan Knutson	Vice President of Information Technology
	Chris Kearns	Vice President of Student Success
	Aaron Mitchell	Associate Vice President of Financial Services
	Sandra Sward	Associate Vice President of Research Administration
	James Broscheit	Director of Financial Aid
	Megan Lasso	Chief Budget Officer
Montana State University Billings	Stefani Hicswa	Chancellor
	Sep Eskandi	Provost and Vice Chancellor for Academic Affairs
	Leslie Weldon	Interim Vice Chancellor of Administration and Finance
	Kimberly Hayworth	Vice Chancellor of Student Access and Success
	Heather Hanna	Assistant Vice Chancellor of Finance
	Barb Shafer	Director of Business Services
	Thomas Valles	Director of Financial Aid
Montana State University Northern	Greg Kegel	Chancellor
	Darci Hertz	Vice Chancellor for Administration and Finance
	Carol Reifschneider	Vice Chancellor for Academic Affairs (as of January 2023)
	R. Neil Moisy	Vice Chancellor for Academic Affairs (through December 2022)
	Maura Gatch	Vice Chancellor of Enrollment Management
	Alisha Schroeder	Registrar

Montana State University Northern (con't)	Corey Kopp	Dean of Students
	Cindy Small	Director of Financial Aid
Great Falls College Montana State University	Stephanie Erdmann	CEO/Dean
	Carmen Roberts	Executive Director of Operations
	Mary Kay Bonilla	Executive Director of Student Affairs and Human Resources
	Lisa Ward	Controller
Montana Agricultural Experiment Station	Sreekala Bajwa	Vice President for Agriculture
	Theresa Marchwick	Budget and Fiscal Director
Montana State University Extension	Cody Stone	Director
	Sandra Rahn Gibson	Budget and Fiscal Director
Montana State University Fire Services Training School	John Culbertson	Director

For additional information concerning Montana State University, contact:

Brad White, Director of Audit Services
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Montana Legislative Audit Division

Financial Audit
Montana State University
For the Fiscal Year Ended June 30, 2022

A report to the Montana Legislature

Background

Montana State University (MSU or university) includes four campuses located in Bozeman, Billings, Great Falls, and Havre. The MSU campuses and programs provide undergraduate and graduate academic degrees and two-year vocational and technical programs to state, national, and international students. Additionally, MSU includes the Montana Agricultural Experiment Station, Montana Extension, and the Fire Services Training School.

The university's financial statements also include financial activity for the foundations of the Bozeman, Billings, Great Falls, and Havre campuses, the Museum of the Rockies Incorporated, and the MSU Bobcat Club. These entities are component units of the university and are audited by other audit organizations, and our opinion of their financial statements is based on the results of those other audits.

The university's net position increased by approximately $58.2 million between fiscal years 2021 and 2022. This is primarily due to a return to normal operations on campus as COVID-19 restrictions eased, impacting tuition and fees, housing, and food service revenues. The university also continued to experience increased research activity coupled with federal CARES Act emergency funding. This report contains two recommendations to the university related to internal controls over preparing the financial statements and related notes and inventorying capital assets.

AUDITOR'S OPINION (page A-1): UNMODIFIED
An unmodified opinion means the reader can rely on the information contained in the financial statements for decision-making purposes.

For the full context of the university's financial activity, see the financial schedules and notes beginning on page A-5.

RECOMMENDATIONS:
In this report, we issued the following recommendations:
To the university: 2
To the legislature: 0

In this report, we determined the implementation status of recommendations in the prior audit:
Fully Implemented: 0
Partially Implemented: 1
Not Implemented: 0

Recommendation #1 (page 6):
Internal Controls
We recommend Montana State University improve internal controls and provide training to staff over preparation and review of the financial statements and related notes.

University response: Concur

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

leg.mt.gov/lad

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Recommendation #2 (page 7):
Internal Controls
We recommend Montana State University conduct a physical inventory of capital assets every two years, as required by state accounting policy.

University response: **Concur**

SUMMARY OF AUDIT WORK:
Our audit efforts focused on the university's tuition and fees, federal grant and contract revenues, state appropriation support, scholarships and fellowships, operating expenses, capital assets, and bonds payable. We performed work over the implementation of Governmental Accounting Standards Board Statement No. 87, Leases. We also performed audit procedures over the presentation and disclosure of the financial statements and note disclosures and performed work necessary under the audit standards to rely on the audits completed by other organizations over the component units.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):
In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 2
Material Non-Compliance: 0
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction and Background

Introduction

We performed a financial audit of Montana State University (MSU or university) for the fiscal year ended June 30, 2022. The objectives of our audit were to:

1. Determine whether the university's consolidated financial statements present fairly, in all material respects, the financial position and the results of operations and cash flows of the university.
2. Obtain an understanding of the university's internal control systems to the extent necessary to support our audit of the consolidated financial statements.
3. Determine compliance with state and federal laws and regulations having a direct effect on the determination of material amounts on the financial statements.

Our audit efforts focused on the university's material revenues, expenses, assets, and liabilities, including tuition and fees, federal grant and contract revenues, state appropriation support, scholarships and fellowships, operating expenses, and capital assets and bonds payable. We performed work on the implementation of Governmental Accounting Standards Board Statement No. 87, Leases (GASB 87). We also performed audit procedures over the presentation and disclosure of the financial statements and note disclosures and work necessary under the audit standards to rely on the audits completed by public accounting firms over the university's component units. We issued unmodified opinions on the financial statements, which means you can rely on the information they present. Our report contains two recommendations to the university related to internal controls over inventorying capital assets and preparing and reviewing the financial statements and note disclosures.

Background

Montana State University consists of four campuses:

- Montana State University Bozeman (MSU Bozeman)
- Montana State University Billings (MSU Billings)
- Montana State University Northern (MSU Northern)
- Great Falls College Montana State University (Great Falls College MSU)

All campuses are accredited by the Northwest Commission on Colleges and Universities. The four university campuses provide students with undergraduate, graduate, or two-year vocational-technical programs.

MSU Bozeman offers four-year undergraduate programs along with master's and doctoral graduate programs. It includes the colleges of Agriculture, Arts and Architecture, Business and Entrepreneurship, Education, Honors, Health and Human Development, Engineering, Letters and Science, Nursing, Graduate School, and Gallatin College. The Bozeman campus also includes the MSU Extension, the Montana Agricultural Experiment Station, and the Fire Services Training School.

MSU Billings consists of five colleges: The College of Liberal Arts & Social Sciences, the College of Business, the College of Education, the College of Health Professions & Science, and City College. MSU Billings offers one-year and two-year certificate programs, associate degrees, bachelor's degrees, master's degrees, and pre-professional academic offerings in several fields.

MSU Northern is a regional, multipurpose educational center serving students seeking a technical and liberal arts education. MSU Northern offers courses at two locations, including Havre and Great Falls. MSU Northern offers associate degrees, bachelor's degrees, and master's degrees. The master's degree program is in education, with options in counseling and learning development, and general science.

Great Falls College MSU serves as a comprehensive two-year college within the Montana University System. Great Falls College MSU offers Associate of Applied Science degrees and certificates preparing students for high-demand in health sciences, business, and technology careers. In addition, Great Falls College MSU offers an Associate of Arts degree and an Associate of Science degree for students interested in completing the first two years of a bachelor's degree in Great Falls.

Additional detailed information for each of the MSU campuses is included in the Unaudited Supplemental Information beginning on page A-72.

Prior Audit Recommendation

The prior audit report for fiscal year ended June 30, 2021, included one recommendation to the university. We recommended the university establish and maintain adequate internal controls over capital asset activity to ensure complete and accurate financial reporting.

The prior audit found the university did not have adequate internal controls over the data tracked and calculated by its asset management system, which is used to record accounting entries related to capital assets. The entries include acquiring and disposing of capital assets and related depreciation. The software vendor is considered a service organization as they service the university as a user entity. In the prior audit, we noted the university did not have any assurance the system was processing data completely and accurately.

A common method to ensure a service organization is achieving its obligations is to obtain an examination of the controls and processes of the service organization. This generally occurs by contracting with a certified public accounting firm that conducts the examination and discusses the results, which are accumulated into a System and Organization Controls (SOC) report. In the current audit period, the university inquired about the availability of a SOC 1 report from the vendor, which would provide the university assurance over the processing integrity of the system. The vendor does not obtain a SOC 1 engagement to provide users with a SOC 1 report.

Without this type of assurance, the university needed to implement compensating controls. The university added procedures to reconcile capital assets between the asset management system and accounting records. However, it does not provide any assurance as to whether the system accurately calculates depreciation. The university needs to enhance internal controls over this aspect of the system's processing.

Given the university has taken steps to improve internal controls, we consider the recommendation to be partially implemented. The continued need to enhance internal controls discussed above ensure depreciation is properly calculated. When aggregated with the issue in Recommendation #2 on page 6 related to inventorying capital assets, this is a significant deficiency in internal controls and has been reported as such in our Report on Internal Controls and Compliance on page B-1.

Chapter II – Findings and Recommendations

Preparation of Financial Statements and Notes

The university's internal controls can be enhanced to prevent or detect errors in the financial statements and note disclosures.

State accounting policy indicates part of the university management's responsibility in achieving its goals and objectives is establishing internal control policies and procedures. This includes internal controls over activity reported on their financial statements. The university's procedures for preparing its financial statements and note disclosures, including review procedures, did not detect all significant errors in the financial statements and related notes, as discussed below.

Table 1
Table of Misclassifications

Statement of Cash Flows		
	As Initially Reported	**Final Reported Amounts**
Purchase of Investments	$ (261,800)	$ (42,515,986)
Investment Income	$ (42,269,811)	$ (15,625)
Note 10 - Non-Current Liabilities and Derivative Instruments		
	As Initially Reported	**Final Reported Amounts**
Bonds Payable, Net of Discount - Additions	$ 126,437,171	$ 127,767,447
Bonds Payable, Net of Discount - Reductions	$ (93,288,332)	$ (79,389,804)
Bonds Payable, Net of Discount - Ending Balance June 30, 2022	$ 188,356,585	$ 203,585,389
Bonds Payable, Direct Placement - Reductions	$ -	$ (15,228,805)
Bonds Payable, Direct Placement - Ending Balance June 30, 2022	$ 24,333,805	$ 9,105,000

Source: Compiled by the Legislative Audit Division.

The Statement of Cash Flows describes the primary sources and uses of cash during the fiscal year. Cash outflows for the purchase of investments were misclassified as negative inflows resulting from interest on investments. The university's debt note describes changes in long-term debt. Several amounts were misclassified within the table in the note. These errors were identified by university personnel as a result of our staff's inquiries when reported amounts were inconsistent with our understanding of the bond activity.

The university uses a checklist to ensure the financial reporting package is reviewed by a different staff member than the preparer. We confirmed the university used this checklist while preparing the fiscal year 2022 financial reporting package. While the checklist was effective in ensuring accurate information in much of the financial reporting package, it did not detect or correct the errors previously noted. These errors indicate a need for the university to enhance its review process to identify errors before the audit process. Such review procedures should prompt staff to determine whether line items on the statements are logical and ensure amounts tie to supporting documentation.

We discussed each of the misclassifications with management during the audit. Regarding the error in the Statement of Cash Flows, management agreed with our analysis and corrected the financial statements. They indicated changes in investments that did not occur in previous years contributed to the review process not identifying the misclassification. Regarding the debt note, management indicated the preparer overlooked unusual activity associated with bonds during the fiscal year. Additionally, the reviewer was also new to the note, which contributed to the misclassifications not being identified through the review process. The university also corrected these misclassifications.

The university's controls can be improved to ensure the accuracy and completeness of its financial statements and note disclosures before the audit process. Management stated they have learned their review efforts and the structure/size of their accounting team need an overhaul and investment. Turnover experienced in recent years, the loss of institutional knowledge, and challenges in hiring experienced staff made it difficult for the team to complete all required work. We acknowledge current recruiting and retention challenges associated with the cost of living. Through training or enhancing internal controls, the university may be able to detect and correct errors with existing personnel. We consider this to be a significant deficiency in internal controls, and have reported it as such in our Report on Internal Controls and Compliance on page B-1.

Recommendation #1

We recommend Montana State University improve internal controls and provide training to staff over preparation and review of the financial statements and related notes.

Inventory of Capital Assets

The university is not regularly conducting a physical inventory of capital assets at the MSU-Bozeman campus.

At the time of our audit, the university's inventory process was behind schedule. The inventory report showed the last date each capital asset was inventoried. Of 5,101 assets, 3,273 were last inventoried in the period between August 2014 through June 2020. Some examples of these assets are vehicles, office equipment, and scientific instruments.

In addition to requiring the university to establish internal control policies and procedures, state accounting policy requires a physical inventory of capital assets be taken a minimum of every two years.

Management indicated the university did not have adequate staff to conduct inventory regularly in fiscal year 2022. Specifically, management noted they could not fill all of their property coordinator positions, which traditionally were responsible for performing the physical inventory.

The university has capital assets valued at approximately $154,794,526 for the MSU-Bozeman campus, which should be subject to routine physical inventories. Without conducting inventory on a regular basis, the reported status of capital assets could be incorrect, and the university may not detect loss or theft of assets in a timely manner. Based on the review of inventory records, this issue has become an ongoing problem. When aggregated with the ongoing issue reported in the Prior Audit Recommendation section on page 2, we consider the university to have a significant deficiency in internal controls related to capital assets and have reported such a deficiency in our Report on Internal Control and Compliance on page B-1.

Recommendation #2

We recommend Montana State University conduct a physical inventory of capital assets every two years, as required by state accounting policy.

Independent Auditor's Report and University Financial Statements

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of Montana State University which are comprised of the Consolidated Statement of Net Position as of June 30, 2022, 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 Net Position as of June 30, 2022, and the related University Component Units–Combined Statement of Activities for the fiscal year then ended and the related notes to the financial statements.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Montana State University as of June 30, 2022, 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 Montana State University Foundation, the Museum of the Rockies Incorporated, the Montana State University-Billings Foundation, the Montana State University–Northern Foundation, and the Montana State University Bobcat Club. 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 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 Montana State University Foundation, the Museum of the Rockies Incorporated, the Montana State University-Billings Foundation, the Montana State University–Northern Foundation, and the Montana State University Bobcat Club were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the university implemented Governmental Accounting Standards Board Statement No. 87, Leases, in fiscal year 2022. Under this standard, the

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university reports significantly more capital assets and lease obligations on its Consolidated Statement of Net Position than in prior years. Our opinion is not modified with respect to this matter.

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 opinion. 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 MSU'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 MSU'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 A-5, Required Supplementary Information–Pensions beginning on page A-64, and Required Supplementary Information–Other Post-Employment Benefits beginning on page A-71 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information beginning on page A-72. The other information comprises the unaudited supplemental information but does not include the financial statements and our 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 February 17, 2023, on our consideration of MSU'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 MSU's internal control over financial reporting and compliance.

Respectfully submitted,

Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 17, 2023

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

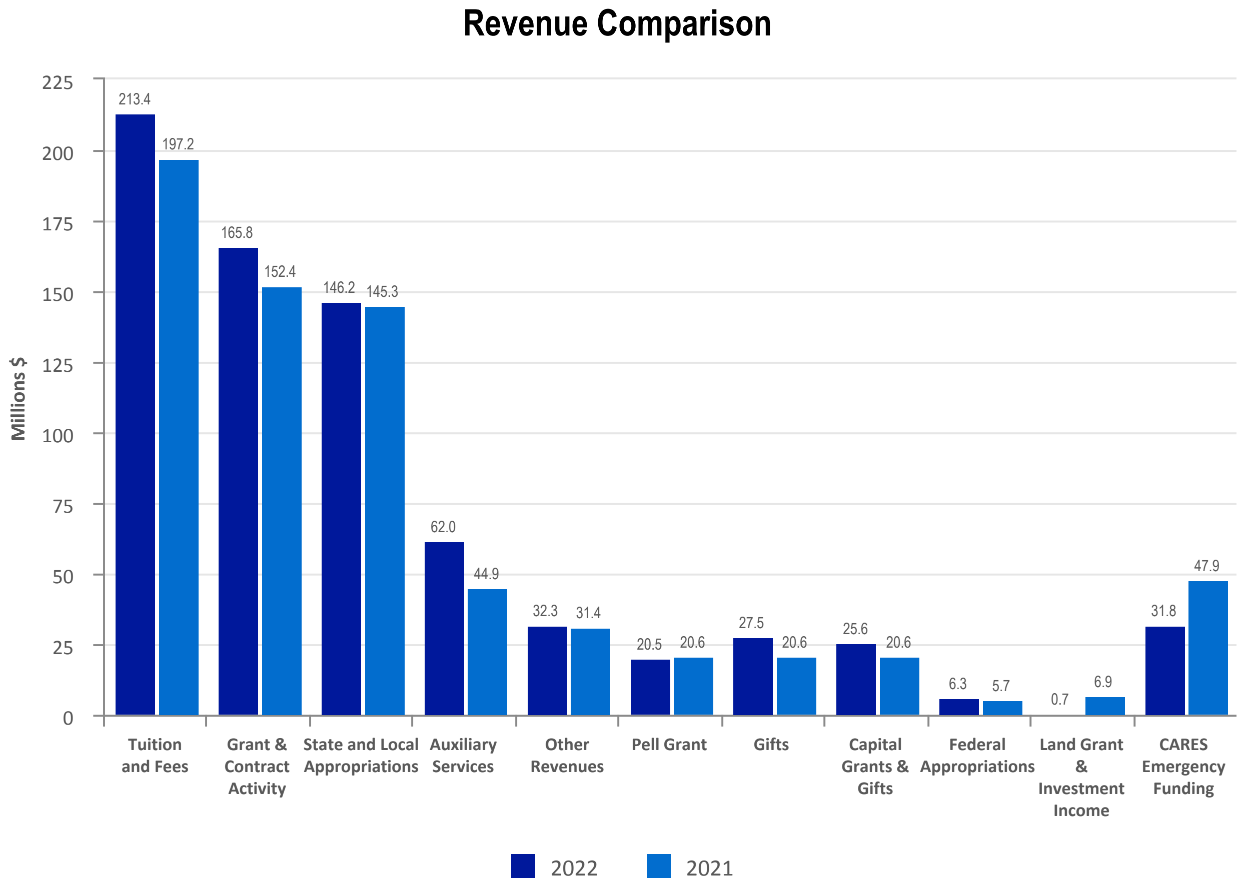
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in millions)

	2022	2021
Operating revenues	$ 479.9	$ 431.7
Operating expenses	665.5	628.7
Operating loss	(185.6)	(197.0)
Non-operating revenues and expenses (net)	218.6	234.2
Income before capital & other items	33.0	37.2
Capital & other items	25.6	20.4
Change in net position	$ 58.5	$ 57.6

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.

Comparison of 2022 and 2021 Results of Operations

The University's net financial position increased $58.5 million during 2022, resulting from strong tuition and fees revenues, rebounded auxiliary revenues from pandemic related closures, and continued increased research activity coupled with $31.8 million in Federal CARES emergency funding.



Operating revenues contain the majority of the University's income, and increased $48.2 million, or 11.2%, from 2021 to 2022.

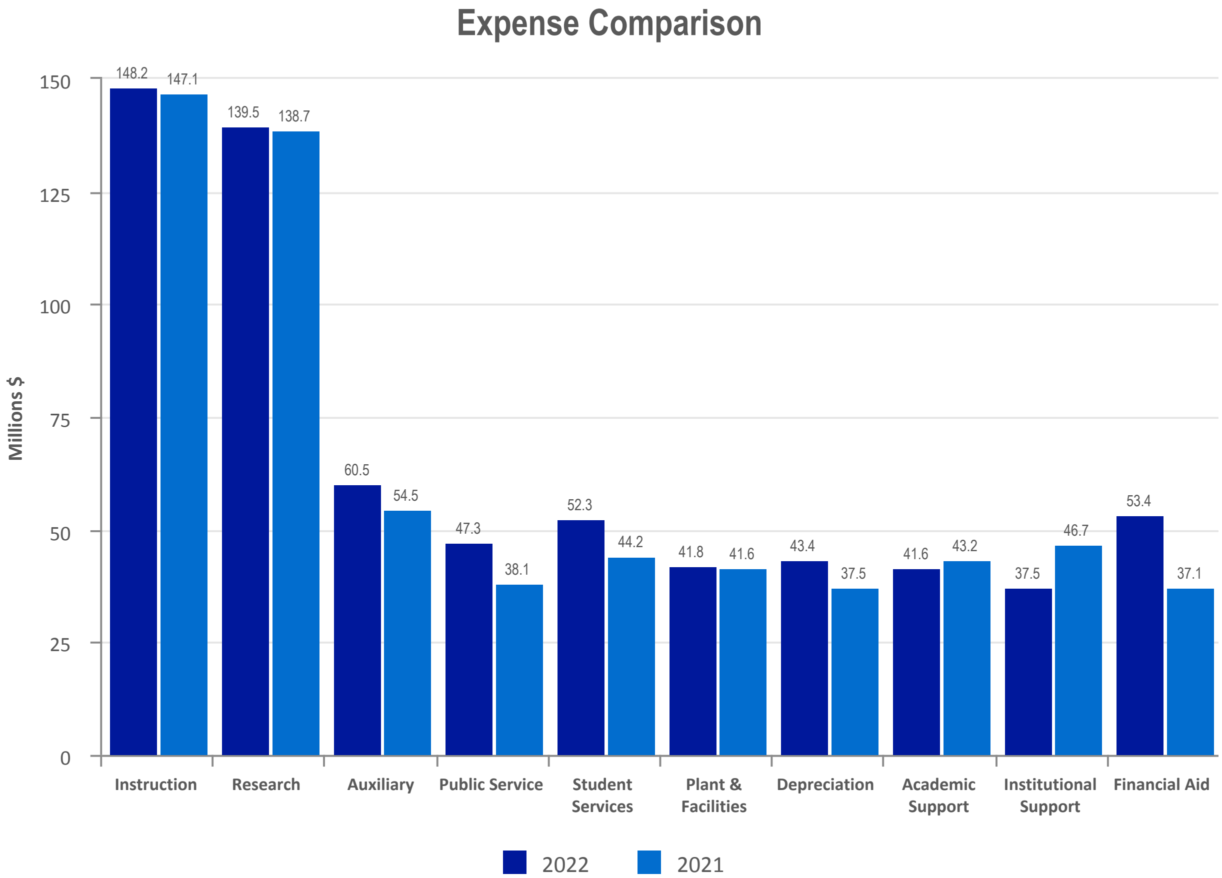
Tuition and fee revenues remained strong in 2022 at approximately $213.4 million. Tuition rates were increased by 4.0% for nonresident undergraduates and 4.0% for nonresident graduate students at the Bozeman campus; tuition rates at MSU-Billings were increased by 5% for graduate students; tuition rates at Great Falls College were increased by 5% for nonresident undergraduates and nonresident distance students. Tuition rates at MSU-Northern remained consistent with fiscal year 2021.

The number of full-time-equivalent students enrolled increased from 19,304 to 19,356. Three of the four MSU campuses had increased enrollments, with MSU-Billings being the only exception with an enrollment loss of 66 FTE students.

Grant and contract operating revenues, including facility and administrative cost recoveries, increased 8.8%, to $165.8 million, compared with 2021 revenues of $152.4 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 decreased $15.7 million from 2021 to 2022, primarily due to a decrease in Federal CARES revenues to $31.8 million, as compared with $47.9 million in 2021. The Universities also received a modest increase in State and local appropriations of $0.9 million, or 0.6%, from 2021.

Capital and other items increased from $20.4 million in 2021 to $25.6 million in 2022, a change of $5.2 million, including $16.8 million in capital contributions towards the construction of the Bobcat Athletic Complex on the Bozeman campus.



Operating expenses increased $36.8 million, or 5.8%, from 2021 to 2022. The most significant changes were to financial aid expenses, increasing by $16.3 million, or 30.6%. Financial aid expenses were largely driven by CARES Act grants to eligible students. Public service expenses increased by $9.2 million, or 19.4%, and student service expenses increased by $8.2 million, or 15.6%. These increases were partially offset by a $9.2 million, or 24.6%, decrease to institutional support expenses and a $1.6 million, or 3.8%, decrease to academic support expenses.

Compensation and benefits expenses remained relatively stable throughout the fiscal year 2022, decreasing slightly by .8%, or $2.98 million. Merit and tenure increases were given throughout the year, and those increases were offset by higher than average open positions due to post-pandemic labor market challenges. Pension and OPEB expenses decreased $9.6 million collectively across all areas of the institution, due to strong market conditions and related interest earnings as of the measurement date of the associated liabilities.

Research-related expenses remained stable in FY22, only increasing $0.7 million. Increases in research expenditures for compensation and benefits of $1.8 million and travel of $1.7 million, were offset by a decrease in supplies of $1.4 million. 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 $5.9 million, or 9.8%, primarily due increased contracted services and supplies expenses. Since the prior year, disrupted food and housing operations related to the Covid-19 global pandemic were put back in full operations and social distancing was relaxed in those spaces.

Instructional operating expenses increased in 2022 by $1.06 million. Increases to travel expenses of $1.0 million and repairs and maintenance expenses of $0.34 million were offset by reductions to compensation and benefits of $0.65 million and supplies of $0.64 million.

Public service operating expenses increased in 2022 by $9.2 million. This increase was primarily due to a 68.5%, or $6.1 million, increase in contracted service expenses.

Plant-related operating expenses remained stable in FY22, increasing slightly at $0.25 million for a total of $41.8 million.

NET POSITION

Condensed Statements of Net Position
(in millions)

ASSETS	2022	2021
Current assets	$ 341.3	$ 307.7
Capital assets, net	611.3	562.1
Other noncurrent assets	82.2	42.6
Total assets	1,034.8	912.4
DEFERRED OUTFLOWS	66.8	75.0
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,101.6	$ 987.4
LIABILITIES		
Current liabilities	$ 76.1	$ 80.7
Noncurrent liabilities	388.3	362.3
Total liabilities	464.4	443.0
DEFERRED INFLOWS	59.8	25.1
NET POSITION		
Net investment in capital assets	400.7	382.3
Restricted, non-expendable	11.3	11.3
Restricted, expendable	23.0	18.0
Unrestricted	142.4	107.7
Total net position	577.4	519.3
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 1,101.6	$ 987.4

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 $58.2 million from 2021 to 2022, as discussed below.

Comparison of 2022 and 2021 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 $33.7 million in current assets resulted primarily from an increase of $25.9 million in cash and cash equivalents. Accounts receivable increased by $8.8 million. Accounts receivable result primarily from student account's balances related to tuition and fees, $3.4 million, and federal accounts receivable at $5.4 million.

Capital assets, net increased $49.1 million, resulting from asset additions of $56.8 million and lease right to use assets per GASB 87 additions of $36.7 million, offset by depreciation and amortization expense of $43.4 million, as shown in further detail in Note 7 to the financial statements.

Asset additions included $18.6 million in construction projects. The Bozeman campus completed construction of the American Indian Hall, expending $5.6 million in 2022. In addition, the Bozeman campus completed the renovation of Romney Hall, expending $4 million in 2022. The Billings campus completed construction of the new Science and Allied Health building, spending $2.5 million in 2022. Additional, smaller projects making up the remaining increase include residence hall and classroom upgrades, office and lab renovations, energy efficiency enhancements and other building improvement projects at all of the University's campuses and agencies.

Equipment additions totaled $10.0 million during 2022. Research and instruction in the sciences require a substantial equipment investment, and many specialized pieces of equipment are grant funded. In 2022, equipment related to research accounted for $3 million of the additions. Approximately $0.6 million in library materials were acquired in 2022 as well.

Building and land additions totaled $69 million during 2022. These additions resulted primarily from the completion of American Indian Hall, Romney Hall renovations, Science and Allied Health building and the Bobcat Athletic Complex.. There were no land purchases in 2022.

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 21% to $0.83 million in 2022 due to a reduction to a MSU Alumni Foundation receivable and a residence life repair and renovation reserve .

Deferred outflows represent the University's non-hedging derivative financial instrument value, deferred loss on debt refundings, and pension and OPEB-related balances.

Derivative financial instruments are presented as deferred outflows, which offset the University's hedging derivative instrument liability recorded in non-current liabilities. The University pays a variable rate of interest to the holders of its Series J bonds. To hedge against rises in interest rates, a transaction was entered into whereby the counterparty pays to the University that same variable rate of interest, and in return the University pays the counterparty a fixed rate of interest. Because current bond interest rates are lower than the fixed amount paid to the counterparty, the market value of the instrument is negative. As such, a liability was recorded and is included in noncurrent liabilities. The offsetting entry is displayed as a deferred outflow rather than being recorded as an expense, because the cash flow hedge is operating as anticipated to achieve the intended synthetic fixed interest rate.

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 deferred loss on refunding balances that were reclassified were related to Series 2004I, Series 2006K, Series 2008L, Series 2012N and Series 2012O.

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 decreased $4.6 million, or 5.7%, from 2021 to 2022, primarily as a result of a $3.4 million decrease in accounts payable and a $2.6 million decrease in the current portion of compensated absences.

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. These balances increased $26.0 million, or 7.2%, resulting primarily from increases to long-term leases payable due to a change in reporting requirements from GASB 87 of $28.7 million and bonds payable of $44.4 million due to new monies issued tied to Series G and I. These increases were offset by a decrease in pension and OPEB liabilities of $43.0 million (Note 14).

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. Balances increased $18.5 million due to asset additions and debt repayment.

Restricted, non-expendable balances must be held in perpetuity, and include endowment principal as well as certain balances in student loan funds. Balances remained stable at $1.1 million between fiscal years 2022 and 2021.

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 increased $34.7 million in comparison with 2021. Strong tuition and fees revenues, auxiliary revenues, and research revenues contributed to additional balances as a result of steady enrollment on the Bozeman campus, research growth, and the reopening of auxiliary enterprises to full capacity.

CASH FLOWS

Condensed Statements of Cash Flows
(in millions)

		2022		2021
Cash provided/(used) by:				
Operating activities, net	$	(155.0)		(153.4)
Noncapital financing activities, net		227.8		244.7
Capital and related financing activities, net		(3.1)		(62.2)
Investing activities, net		(43.9)		2.7
Net change in cash & equivalents		25.9		31.8
Cash & equivalents, beginning of year		268.6		236.8
Cash & equivalents, end of year	$	294.5	$	268.6

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.

Comparison of 2022 and 2021 Cash Flows

Operating activities in 2022 used $155.0 million in cash, resulting primarily from an operating loss of $185.6 million. The operating loss was offset by non-cash expenses of $30.6 million, which includes $43.4 million in depreciation and amortization expenses. Other less significant increases and decreases also contributed to the change. In 2021, operating activities used $152.4 million in cash with an operating loss of $188.1 million, offset by non-cash expenses of $38.2 million.

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 grant revenue, and $2.4 million of land grant income. In 2021, noncapital financing activities provided $244.7 million in cash, resulting from $145.3 million in state and local appropriations, $20.6 million in federal Pell grant revenue, $20.5 million in expendable gifts, $47.9 million in federal CARES Act revenue, and $3.0 million of land grant income.

Capital and related financing activities used $3.1 million in cash, resulting primarily from cash expended on capital assets of $43.7 million (see Note 7 to the financial statements), principal debt repayments of $89.1 million, and interest payments of $7.1 million. These uses were offset by restricted gifts received for capital purchases of $8.8 million. In 2021, these activities used $62.2 million in cash, resulting primarily from cash expended on capital assets of $41.8 million, principal debt repayments of $19.2.0 million, and interest payments of $7.6 million.

DEBT AND ADVANCES

As of June 30, 2022, the University had approximately $245.8 million in outstanding bond, note, and lease principal, compared with $206.9 million at June 30, 2021 (see Note 10 to the financial statements). The balance increased due to GASB 87 lease requirements and new monies issued in Series 2021G and 2022I. The majority of bond debt bears interest at fixed rates, while $16.6 million in bonds are reset at a weekly municipal bond index rate. A fixed-payer swap and a constant maturity swap are associated with the Series 2018F variable rate debt, as described in Note 10 to the financial statements. Intercap debt is issued at a variable rate, reset each February, and as of June 30, 2022, was 1.55%. As of June 30, 2022, the University's bonds are rated Aa3 by Moody's Investor Services and A+ by Standard and Poor's.

ECONOMIC OUTLOOK

Montana State University's enrollment remains strong. The Bozeman campus experienced 11 continuous years of enrollment growth from 2007 to 2018, and for the fall semester 2022, the university reported 16,688 enrolled students. Even though enrollment declined about 1% from the previous year, MSU still welcomed its second largest incoming class in university history. To put MSU's enrollment success into context, 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. In addition, the College Gazette ranked Montana State University as one of the top 10 public universities on the rise across the nation.

Overall enrollment is expected to remain stable due to the careful attention devoted to maintaining an appropriate mix of in- and out-of-state students, as well as initiatives to increase retention, particularly from freshman to sophomore year, including structured tutoring and mentoring opportunities. MSU's retention rate – the percentage of first-year students returning for their second year – was 75.2%. First-to-second-year retention is a key indicator as it is highly predictive of how many students will continue to graduation. New initiatives are also being implemented to address fall-to-spring retention as well.

Of equal importance, the university 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 modern-era records in its four- and six-year graduation rates. The four-year graduation rate was up to 36.3% from 34.1% the prior year. And the six-year rate — which is commonly looked at in federal statistics — was up slightly to 56.3%.

MSU is seeing record demand for its Gallatin College MSU programs, and that demand is expected to remain extremely strong as the city and the county both experience unprecedented population and economic growth. The university currently leases space for the majority of programs offered at Gallatin College MSU, and, due to its continued growth, the university has placed a new building for Gallatin College MSU among its top priorities for legislative funding requests in the upcoming session.

A combination of modest tuition increases, as well as 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 funds and scholarship funding and to provide a means to absorb unexpected expenses or decreases in revenue, should they occur.

To assist in the allocation of its resources, university management evaluates programs regularly and maintains a transparent budgeting process, stressing 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.

Montana State University (a component unit of the State of Montana)
Consolidated Statement of Net Position
As of June 30

ASSETS		2022
Current assets:		
Cash and cash equivalents (Note 2)	$	294,478,139
Securities lending collateral		913,300
Accounts and grants receivable, net (Note 3)		8,680,759
Lease receivable		395,002
Amounts receivable from Federal government		25,582,884
Amounts receivable from primary government		1,030,286
Loans receivable, net (Note 6)		1,798,234
Inventories (Note 4)		2,947,153
Prepaid expenses and other current assets (Note 5)		4,129,872
Total current assets		339,955,629
Noncurrent assets		
Restricted cash and cash equivalents		79,080
Restricted investments		8,544,603
Loans receivable, net (Note 6)		10,451,606
Investments		62,373,477
Capital assets, net (Note 7)		611,259,573
Lease receivable non-current		1,379,239
Other noncurrent assets (Note 7)		831,120
Total noncurrent assets		694,918,698
Total assets		1,034,874,327
DEFERRED OUTFLOWS		
Deferred loss on debt refunding (Note 11)		4,632,416
Deferred pension and OPEB outflows (Note 14)		62,141,787
Total deferred outflows		66,774,203
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	1,101,648,530

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

Montana State University (a component unit of the State of Montana)
Consolidated Statement of Net Position (continued)
As of June 30

LIABILITIES		2022
Current liabilities:		
Accounts payable and accrued liabilities (Note 8)	$	28,027,754
Advances (current) and other amounts payable to primary government		1,830,897
Amounts payable to other State of Montana component units		262,795
Securities lending liability		913,300
Property held in trust for others		1,767,359
Unearned revenues (Note 9)		17,760,664
Current portion compensated absences		11,279,955
Current portion debt and lease obligations (Note 10)		12,524,228
Total current liabilities		74,366,952
Noncurrent liabilities:		
Advances from primary government		13,817,272
Debt, lease, and other obligations (Note 10)		233,309,233
Compensated absences		27,329,373
OPEB implicit rate subsidy		26,833,911
Net pension liability		72,698,939
Due to Federal government (Note 6)		14,219,412
Derivative instrument-- swap liability (Note 10)		78,869
Total noncurrent liabilities		388,287,009
Total liabilities		462,653,961
DEFERRED INFLOWS		
Deferred Inflows-Pension and OPEB (Note 14)		59,474,419
Derivative financial instrument (Note 10)		323,931
Deferred Inflows-Leases		1,741,821
Total deferred Inflows		61,540,171
NET POSITION		
Net investment in capital assets		400,725,581
Restricted - nonexpendable		11,295,981
Restricted - expendable		23,043,651
Unrestricted (Note 12)		142,389,185
Total net position		577,454,398
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	1,101,648,530

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

Montana State University (a component unit of the State of Montana)
University Component Units
Combined Statement of Financial Position
As of June 30, 2022 or December 31, 2021

Assets:		
Cash and cash equivalents	$	10,404,235
Accrued dividends and interest		18,346
Investments		365,284,237
Amounts due from the institution or other MSU component units		36,978
Contributions receivable, net of allowance		19,729,224
Contracts, notes and other receivables		22,687,315
Non-depreciable capital assets		5,998,232
Depreciable capital assets, net		7,812,312
Other assets		2,600,218
Total assets	$	434,571,097
Liabilities and net assets:		
Liabilities		
Accounts payable	$	441,243
Accrued expenses and other liabilities		2,803,437
Compensated absences		159,318
Notes and bonds payable		5,549,633
Amounts due to the institution or other MSU component units		417,051
Liabilities to external beneficiaries		6,729,912
Custodial funds		13,034,733
Total liabilities		29,135,327
Net assets		
Without donor restrictions - undesignated		16,825,981
Without donor restrictions - designated		19,058,484
With restrictions		369,551,305
Total net assets		405,435,770
Total liabilities and net assets	$	434,571,097

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

Montana State University (a component unit of the State of Montana)
Consolidated Statement of Revenues, Expenses and Changes in Net Position
As of and for the Year Ended June 30

		2022
OPERATING REVENUES		
Tuition and fees (net of $43,164,718 scholarship discount)	$	213,432,103
Federal appropriations		6,328,548
Federal grants and contracts		119,497,843
State grants and contracts		7,042,575
Non-governmental grants and contracts		11,876,236
Grant and contract facilities and administrative cost recoveries		27,393,133
Educational, public service and outreach revenues		28,963,004
Auxiliary revenues:		
Housing (net of $4,136,143 scholarship discount)		27,141,414
Food services (net of $4,123,215 scholarship discount)		26,532,878
Other auxiliary sales and services (net of $288,746 scholarship discount)		8,370,787
Interest earned on loans		71,259
Other operating revenues		3,239,562
Total operating revenues		479,889,342
OPERATING EXPENSES		
Compensation and benefits, including pensions (Note 14)		381,663,954
OPEB amortization (Note 15)		2,841,409
Operating expenses (Note 13)		184,125,132
Scholarships and fellowships (net of $51,712,822 scholarship discount)		53,457,867
Depreciation and amortization		43,398,666
Total operating expenses		665,487,028
Operating loss		(185,597,686)
NONOPERATING REVENUES (EXPENSES)		
State and local appropriations		146,195,755
Federal Pell grant revenue		20,478,805
Federal CARES Act grant		31,763,145
Land grant income (pledged as security for repayment of bonds)		2,409,507
Gifts (expendable)		27,514,759
Investment income (loss)		(1,725,251)
Interest expense		(8,088,907)
Net non operating revenues (expenses)		218,547,813
Income before other revenues, expenses, gains and losses		32,950,127
Loss on disposals of capital assets		(32,498)
Additions to permanent endowment		16,166
Capital gifts, grants and contributions		25,581,229
Change in net position		58,515,024
Net position, beginning of year as previously stated		519,266,397
Restatement of beginning net position		(327,023)
Net position, beginning of year as restated		518,939,374
Net position, end of year	$	577,454,398

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

Montana State University (a component unit of the State of Montana)
University Component Units
Combined Statement of Activities
As of and for the Year Ended June 30, 2022 or December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	$ 1,518,956	$ 62,847,928	$ 64,366,884
Investment, interest and dividend income	2,235,062	1,895,571	4,130,633
Net realized and unrealized gain (loss) on investments	(3,241,171)	(12,871,697)	(16,112,868)
Contract support and contributions from University	2,157,194	—	2,157,194
Special events	1,169,204	38,185	1,207,389
Other income	11,981,371	(4,275,973)	7,705,398
Net assets released from restrictions	41,336,916	(41,336,916)	—
Total revenues	57,157,532	6,297,098	63,454,630
Expenses:			
Program services			
University support	32,645,677	—	32,645,677
Academic and institutional	1,441,880	—	1,441,880
Scholarships and awards	10,049,470	—	10,049,470
Total program services expense	44,137,027	—	44,137,027
Operating expenses			
Fundraising efforts	4,883,835	—	4,883,835
General and administrative	6,114,105	—	6,114,105
Investment management and subsidiary operations	0	—	0
Other miscellaneous	2,062,503	—	2,062,503
Total operating expenses	13,060,443	—	13,060,443
Change in net assets before nonoperating items	(39,938)	6,297,098	6,257,160
Nonoperating expenses			
Payments to beneficiaries and change in liabilities to external beneficiaries	(20,155)	(1,759,573)	(1,779,728)
Change in net assets	(60,093)	4,537,525	4,477,432
Net assets, beginning of year, as previously stated	35,944,558	365,013,780	400,958,338
Reclassification Due to Adoption of Standard	—	—	—
Net assets, beginning of year, as reclassified	35,944,558	365,013,780	400,958,338
Net assets, end of year	$ 35,884,465	$ 369,551,305	$ 405,435,770

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

Montana State University (a component unit of the State of Montana)
Consolidated Statement of Cash Flows
As of and for the Year Ended June 30

		2022
Cash flows from operating activities:		
Tuition and fees	$	212,208,960
Federal appropriations		6,175,171
Federal grants and contracts		112,699,911
State grants and contracts		6,645,484
Private grants and contracts		12,651,147
Grant and contract facilities and administrative cost recoveries		26,385,772
Educational, public service and outreach revenues		26,713,610
Sales and services of auxiliary enterprises		61,815,372
Interest on loans receivable		71,259
Other operating receipts		1,954,583
Compensation and benefits		(383,646,383)
Operating expenses		(188,173,866)
Scholarships and fellowships		(53,457,867)
Loans made to students and federal loan funds repaid		(135,685)
Loan payments received		3,134,291
Net cash used in operating activities		(154,958,239)
Cash flows from noncapital financing activities:		
Receipts (disbursements) of funds held in trust for others		(508,020)
Direct lending proceeds		79,573,583
Direct lending disbursements		(79,573,583)
State and local appropriations		146,195,755
Federal CARES Act Grant		31,763,145
Federal Pell grant funds received		20,478,805
Gifts and contributions		27,514,759
Land grant income (see Note 2)		2,409,507
Repayment of long-term operating advance from primary government		(67,942)
Additions to permanent endowment		16,166
Net cash provided by noncapital financing activities		227,802,175
Cash flows from capital financing activities:		
Purchase of capital assets		(43,661,261)
Proceeds from sale of capital assets		203,759
Gifts restricted for capital purchase		8,843,286
Other capital financing activities		174,601
Proceeds from borrowings		128,721,243
Debt principal repayment		(89,113,952)
Advances from primary government		(87,536)
Repayment of advances from primary government		(1,108,552)
Interest paid		(7,056,341)
Net cash provided by (used in) capital financing activities		(3,084,753)
Cash flows from investing activities:		
Purchase of investments		(42,515,986)
Proceeds from sale of investments		(1,353,031)
Investment income		(15,625)
Net cash provided by (used in) investing activities		(43,884,642)
Net change in cash and cash equivalents		25,874,540
Cash and equivalents at beginning of year		268,682,679
Cash and equivalents at end of year	$	294,557,219

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

Montana State University (a component unit of the State of Montana)
Consolidated Statement of Cash Flows (continued)
As of and for the Year Ended June 30

Reconciliation of Operating Loss to Net Cash Used in Operations

		2022
Operating loss	$	(185,597,686)
Noncash income and expense:		
Depreciation and amortization on capital assets		43,398,666
Provision for uncollectible accounts		449,465
Changes in operating assets and liabilities, deferred inflows and deferred outflows:		
Accounts and grants receivable		(9,089,685)
Loans receivable		3,230,451
Inventories		(171,198)
Prepaid expenses		1,209,009
Accounts payable and other accrued liabilities		(5,208,083)
Net pension obligation and related deferred inflows and outflows		1,478,477
Unearned revenue		(1,309,050)
Compensated absences		(729,805)
Amounts due to Federal government		(2,618,802)
Net cash used in operations	$	(154,958,239)

Schedule of noncash financing and investing activities

		2022
Capital assets contributed to the University	$	16,861,944
Capital assets acquired through issuance of lease obligations		36,686,992.99
Bond issue costs, discounts, premiums and deferred loss on refunding amortized or written off to interest expense (net)		995,753
Net increase (decrease) in fair value of investments		18,679

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

		2022
Cash and cash equivalents classified as current assets	$	294,478,139
Cash and cash equivalents classified as noncurrent assets		79,080
Total cash and cash equivalents as reported on the Statements of Cash Flows	$	294,557,219

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

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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.

Certain prior year amounts have been reclassified or restated.

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 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, 2022, the university implemented the provisions of GASB Statement No. 87, Leases. GASB Statement No. 87 establishes criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. With the implementation of GASB Statement No. 87, additional footnote disclosures are provided in Notes 7 and 10.

For the year ended, June 30, 2022, the university implemented the provisions of GASB Statement No. 93, Replacement of Interbank Offered Rates. The university has determined that the changes in Statement No. 93 will have no effect on the university's financial statements.

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

Accounting standards not yet implemented – In March 2020, GASB issued Pronouncement No. 94, Public-Private Partnerships and Availability Payment Arrangements which is aimed at improving the financial reporting for transactions surrounding these arrangements. Statement No. 94 will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to Public-Private Partnerships consistently and to disclose important information about these transactions.

In May 2020, GASB issued Pronouncement No. 96, Subscription-based Information Technology Arrangements (SBITA), which provides guidance on accounting and financial reporting for government end-users. The changes presented by this pronouncement will improve financial reporting by establishing a definition of SBITA's and providing uniform guidance for transactions that meet this criteria. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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 $121,117,830 at June 30, 2022.

Cash equivalents – These amounts consist of cash held by trustees as well as $128,303,293 of the amount invested in the Short Term Investment Pool (STIP) with the BOI at June 30, 2022.

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, 2022:

Security Type		Fair Value	Moody's Credit Quality Rating at June 30, 2022	Effective Duration (years) or Weighted Average Maturity (days) at June 30, 2022	Basis of Valuation or Fair Value Level	Liquidity of NAV Assets
State of Montana Short Term Investment Pool	$	128,303,293	NR***	Weighted average maturity for the pool: 68 days	Net Asset Value	Daily
U. S. Bank Money Market Funds collateralized by U.S. Bank pool, not in the University's name)	$	44,486,225	P-1	N/A	Cash equivalents, carried at amortized cost	
State of Montana Trust Fund Investment Pool*	$	59,769,970	NR***	5.95	Net Asset Value	Monthly
Foundation Pooled Cash Equivalents and Investments**	$	10,818,251	NR***	N/A***	Net Asset Value	No formal liquidity agreement
Non-hedging derivative investment value	$	323,832	A1	13.38	Level 2	

Weighted average maturity for the pool: 68 days NR*** $128,303,293

* TFIP and Foundation investments are intended to be permanent investments.

** The Foundation investment pool is not considered a debt pool, and as such, a duration calculation is not applicable.

*** 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 $913,300 at June 30, 2022.

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 did not impose any restrictions during fiscal year 2022 on the amount of securities available to lend the loans the custodial bank made on its behalf. 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 2022 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 Navigation portfolio had an average duration of 1 day and the average weighted final maturity of 31 days in 2022.

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. Risks specific to derivative financial instruments are discussed in Note 10.

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 68 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 Comprehensive Annual 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.

NOTE 3 – ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	2022
Accounts receivable	$ 9,040,774
Other receivables, including private grants and contracts	6,161,420
Gross accounts and grants receivable	15,202,194
Less allowance for uncollectible accounts	(6,521,435)
Net accounts and grants receivable	$ 8,680,759

NOTE 4 – INVENTORIES

Inventories consisted of the following as of June 30:

	2022
Bookstore	$ 538,438
Food services	357,955
Facilities services	807,619
Livestock	814,276
Other	428,865
Total inventories	$ 2,947,153

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses consisted of the following as of June 30:

	2022
Library subscriptions	$ 1,934,986
Other (including summer session payments)	2,194,886
Total prepaid expenses	$ 4,129,872

NOTE 6 – LOANS RECEIVABLE

Student loans made under the Federal Perkins Loan Program constitute the majority of the University's loan balances. Included in non-current liabilities as of June 30, 2022 related to the program is $14,219,412 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, 2022:

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 8,202,536	$ —	$ —	$ —	$ 8,202,536
Museum and fine art	6,099,767	—	—	—	6,099,767
Library special collections	3,831,069	39,785	—	—	3,870,854
Livestock for educational purposes	4,249,038	83,050	—	—	4,332,088
Construction work-in-progress	52,951,455	18,598,940	(43,345)	(60,254,968)	11,252,082
Total capital assets not being depreciated	**$ 75,333,865**	**$ 18,721,775**	**$ (43,345)**	**$ (60,254,968)**	**$ 33,757,327**
Other capital assets:					
Furniture and equipment	$ 177,926,052	$ 10,039,781	$ (2,916,430)	$ 240,278	$ 185,289,681
Library materials	67,412,475	635,742	(227,222)	—	67,820,994
Buildings	510,632,889	25,789,588	—	43,214,127	579,636,605
Building improvements	293,941,823	582,288	—	16,800,563	311,324,673
Land improvements	35,109,280	90,856	—	—	35,200,136
Infrastructure	45,121,634	—	—	—	45,121,634
Leasehold Improvements	8,667,986	—	—	—	8,667,986
Intangible Right to Use Equipment[1]	263,603	135,307	(3,567)	—	395,342
Intangible Right to Use Bldg[1]	35,541,405	807,369	—	—	36,348,774
	$ 1,174,617,147	$ 38,080,930	$ (3,147,220)	$ 60,254,968	$ 1,269,805,825
Less accumulated depreciation for:					
Furniture and equipment	$ (133,520,360)	$ (9,237,209)	$ 2,695,932	$ —	$ (140,061,637)
Library materials	(60,055,694)	(1,313,206)	227,222	—	(61,141,678)
Buildings	(193,801,216)	(12,845,389)	—	—	(206,646,605)
Building Improvements	(215,185,403)	(12,111,635)	—	—	(227,297,037)
Land Improvements	(18,288,461)	(1,264,824)	—	—	(19,553,285)
Infrastructure	(28,075,528)	(1,023,019)	—	—	(29,098,548)
Leasehold Improvement	(3,923,011)	(456,245)	—	—	(4,379,256)
Intangible Right to use Equipment	—	(147,687)	3,567	—	(144,120)
Intangible Right to Use Bldg	—	(4,357,689)	—	—	(4,357,689)
	$ (652,849,673)	$ (42,756,903)	$ 2,926,721	$ —	$ (692,679,855)
Other capital assets, net	**$ 521,767,474**	**$ (4,675,973)**	**$ (220,498)**	**$ 60,254,968**	**$ 577,125,970**
Intangible assets, net	**$ 614,321**	**$ 237,000**	**$ (475,045)**	**$ —**	**$ 376,276**
Capital Assets, net	**$ 597,715,659**	**$ 14,282,802**	**$ (738,888)**	**$ —**	**$ 611,259,573**

1. *Due to the implementation of GASB Statement No. 87, the university's beginning balance of lease obligations was restated from fiscal year 2021. 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, 2022, total lease revenue was $375,195, and the related interest revenue was $36,122.

Other non-current assets – Amounts as of June 30, 2022 include a receivable from the MSU Alumni Foundation related to a key employee deferred compensation plan, as described in Note 14.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2022
Compensation, benefits and related liabilities	$ 14,109,448
Accrued interest expense	805,495
Accounts payable and other accrued liabilities	13,112,811
Total	$ 28,027,754

NOTE 9 – UNEARNED REVENUES

Unearned revenues consisted of the following as of June 30:

	2022
Grant and contract funds received in advance	$ 8,807,505
Summer session payments received in advance	7,305,655
Other unearned revenues	1,647,504
Total	$ 17,760,664

NOTE 10 – NON-CURRENT LIABILITIES AND DERIVATIVE INSTRUMENTS

Following are the changes in non-current liabilities for the year ended June 30, 2022:

	June 30, 2021	Additions	Reductions	June 30, 2022	Amounts due within one year
Bonds, notes payable, and lease obligations					
Bonds payable, net of discount	$ 155,207,746	$ 127,767,447	$ (79,389,804)	$ 203,585,389	$ 8,285,000
Bonds payable, direct placement	15,228,805	9,105,000	(15,228,805)	9,105,000	305,000
Notes and other long-term liabilities	628,188	12,072	(158,725)	481,535	18,022
Lease obligations[1]	35,831,767	942,676	(4,112,908)	32,661,535	3,916,206
Total bonds, notes payable, and lease obligations	$ 206,896,506	$ 137,827,195	$ (98,890,242)	$ 245,833,459	$ 12,524,228
Compensated absence liability	$ 39,530,881	$ 10,375,785	$ (11,297,334)	$ 38,609,332	$ 11,279,955
Advances from primary government – Intercap	$ 9,899,428	$ 547,586	$ (1,441,950)	$ 9,005,064	$ 1,259,837
Advances from primary government - MSTA	$ 4,486,969	$ —	$ (67,942)	$ 4,419,027	$ 69,639
Advances from primary government - DEQ	$ 2,613,350	$ —	$ (440,045)	$ 2,173,305	$ 450,645
Amounts due to Federal government	$ 16,838,214	$ 11,655	$ (2,630,458)	$ 14,219,411	$ —
OPEB liability— implicit rate subsidy for retiree health insurance (beginning balance as restated)	$ 32,324,640	$ 2,894,917	$ (8,385,646)	$ 26,833,911	$ —
Net pension liability	$ 110,264,113	$ 27,446,599	$ (65,011,773)	$ 72,698,939	$ —
Derivative instrument liability	$ 1,919,388	$ —	$ (1,840,519)	$ 78,869	$ —
Total NonCurrent Liabilities	$ 424,773,489	$ 179,103,737	$ (190,005,909)	$ 413,871,317	$ 25,584,304

1. Due to the implementation of GASB Statement No. 87, the university's beginning balance of lease obligations was restated from fiscal year 2021. 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. The University has future minimum lease commitments for lease obligations consisting of the following at June 30, 2022:

Payable during the year ending June 30,	Principal	Interest	Total
2023	$ 3,916,206	$ 522,889	$ 4,433,718
2024	3,375,353	455,534	3,836,264
2025	3,414,955	393,461	3,808,416
2026	2,679,711	340,777	3,020,488
2027	2,732,435	295,843	3,028,278
2028 - 2032	8,606,461	915,467	9,521,928
2033 - 2037	3,473,059	486,509	3,959,567
2038 - 2042	1,980,088	290,565	2,270,653
2043 - 2047	2,396,262	110,723	2,506,985
2048 - 2052	87,014	179	87,193
Total payments	$ 32,661,544	$ 3,811,947	$ 36,473,490

Derivative financial instruments

Description – The University has two interest rate swaps as of June 30, 2022. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of Governmental Accounting Standards Board Statement Number 53, or as investment derivative instruments if they do not.

The following table summarizes the interest rate swaps outstanding as of June 30, 2022:

Derivative Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA	Deutsche Bank AG
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

As of June 30, 2022, the fixed payer swap is classified as a hedging derivative instrument under Statement No. 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. Statement No. 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. The four methods described in Statement No. 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, Statement No. 53 permits a governmental entity to use other quantitative methods that are based on "established principles of financial economic theory." The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since the University has no credit default swaps that actively trade in the marketplace. For a derivative instrument asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative instrument.

The counterparty to the fixed payer swap had the right to terminate the swap at $0 on December 14, 2016 (a European option) but did not exercise the option. As of the trade date, the option's value included intrinsic value and time value. The intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds from the Series F 2018 bonds which were issued in a "SIFMA Index Rate" mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period which spans from September 4, 2018 through and including September 1, 2023, the interest rate is reset weekly at a rate of the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to the University with the current spread as of June 30 of 0.45% which remains constant through the Index Interest Rate Period. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative.

The table below summarizes the reported balances as of and the derivative instrument activity during the year ended June 30, 2022.

The fair value of the fixed payer swap liability as of June 30, 2022, is at fair value level 2, and was based on forward SIFMA rates using the three month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative instrument investment is also at level 2 (see also Note 2), and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap using the three month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

Type of derivative instrument	Notional	Activity During 2022 Classification	Activity During 2022 Amount	Fair Value as of June 30, 2022 Classification	Fair Value as of June 30, 2022 Amount
Cash flow hedge -					
Pay fixed interest rate swap	$ 16,575,000	Interest expense	$ 17,268	Loan receivable	$ 157,412
		Investment income	$ —		
		Deferred outflow increase/ (decrease)	$ (2,243,318)		
				Derivative liability	$ 78,869
Investment derivative -				Derivative borrowing	$ 1,966,874
Basis swap	$ 16,575,000	Investment revenue	$ 80,179	Investment	$ (78,968)

The objective and terms of the University's hedging derivative instrument outstanding as of June 30, 2022 is as follows:

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/ Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series F 2018 Bonds	$16,575,000	7/21/2005	11/15/2035	—	Pay 3.953% Receive SIFMA

Credit Risk – As of June 30, 2022, counterparty ratings were A2 by Moody's and BBB+ by Standard and Poor's. The University manages credit risk by requiring its counterparties to post collateral in certain events. The University is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than $5MM and the counterparty is rated A+ or A, by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, the University is entitled to collateral up to 100% of the swap's fair value. The University is not required to post collateral. The University will continue to monitor counterparty credit risk.

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

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

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

Termination Risk – The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the University's fixed payer swap counterparty has the right to terminate the derivative instrument if the credit rating of the University's unenhanced long-term revenue bond rating is withdrawn, suspended or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, the University could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2022, the University's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by Standard and Poor's.

Foreign Currency Risk – All hedging derivative instruments are denominated in US Dollars and therefore the University is not exposed to foreign currency risk.

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

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

Revenue bond principal outstanding was as follows as of June 30:

	Coupon rate		2022
Series 2017 D	2.00%-5.00%	$	13,125,000
Series 2018 E	3.00%-5.00%	$	42,145,000
Series 2018 F*	1.36%	$	16,575,000
Series 2021 G	3.00%-5.00%	$	45,565,000
Series 2021 H	.214%-2.797%	$	72,150,000
Series 2022 I	2.91%	$	9,105,000
Total principal outstanding		$	198,665,000

* The interest rate on Series 2018 F is variable and adjusted weekly.

Revenue bonds are payable as follows:

During the year ending June 30,	Bonds Payable Principal	Bonds Payable Interest	Direct Placement Bonds Principal	Direct Placement Bonds Interest	Net Hedging Derivative Interest	Total
2023	$ 8,285,000	$ 6,377,248	$ 305,000	$ 297,317	$ 668,173	$ 15,932,738
2024	8,545,000	6,178,462	350,000	250,988	634,301	15,958,751
2025	8,680,000	5,960,933	365,000	240,584	598,977	15,845,494
2026	9,020,000	5,690,146	375,000	229,817	562,160	15,877,123
2027	8,295,000	5,437,472	385,000	218,759	523,890	14,860,121
2028 - 2032	38,295,000	23,315,804	2,095,000	917,014	1,976,550	66,599,368
2033 - 2037	39,085,000	16,428,107	2,425,000	588,911	721,697	59,248,715
2038 - 2042	35,220,000	9,959,278	2,805,000	208,720		48,192,998
2043 - 2047	31,235,000	3,251,387	0	0		34,486,387
2048 - 2052	2,900,000	48,938	—	0		2,948,938
Total cash requirements	$ 189,560,000	$ 82,647,775	$ 9,105,000	$ 2,952,110	$ 5,685,748	$ 289,950,633
Unamortized premium (discount) net	14,023,001		—			
Bond payable, net	$ 203,583,001		$ 9,105,000			

Description of bonded indebtedness

Series A 2013, December 31, 2013 – In December 2013, the University issued $55,480,000 in Series A 2013 Facilities Improvement Revenue Bonds to fund the construction of a new 400-bed residence hall on the Bozeman campus, as well as renovate an existing dining hall, partially fund a new dining hall, and fund major maintenance projects in one residence hall on the Bozeman campus. In October 2021, the remaining Series A bonds were refunded and are no longer considered to be outstanding per the indenture.

Series C 2016, February 24, 2016 – In February 2016, the University closed on its Series C 2016 Facilities Improvement Revenue draw-down bonds, which were issued to acquire a research building and construct a parking structure and dining hall on the Bozeman campus and fully drawn at $16.455 million during the year ended June 30, 2018. The bonds bear interest on the outstanding principal balance. The interest rate was set at 2.92% until the first reset date, which was November 24, 2031. In October 2021, the remaining Series C bonds were refunded and are no longer considered to be outstanding per the indenture.

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
11/15/2022	$1,895,000
11/15/2023	$1,995,000
11/15/2024	$2,095,000
11/15/2025	$2,205,000
11/15/2026	$2,300,000
11/15/2027	$2,390,000

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. The refunded Series 2005J bonds are no longer considered to be outstanding under the Indenture.

Series M 2011, October 26, 2011 – In October 2011, the University issued $14.1 million in Series M 2011 Facilities Improvement Revenue Bonds to fund the construction of a new suite-style residence hall on the Bozeman campus, as well as renovate public spaces in two existing residence halls and perform energy efficiency improvements including window and lighting fixture replacement. Payments are scheduled each May and November through November, 2027. The bonds are secured by a first lien on and pledge of the net pledged revenues, as described in Note 16. In July 2017, a significant portion of the Series M bonds were refunded. In November 2021, the remaining portion of the bonds were paid in full and are no longer considered to be outstanding under the indenture.

Series N 2012, October 17, 2012 – In October 2012, the University issued its Series N refunding debt in the principal amount of $20.5 million. The proceeds were used to refund the Series H 2004 Facilities Improvement Revenue Bonds with stated maturities in the year 2015 and thereafter. The refunding resulted in an economic gain to the University of $2.2 million. The proceeds of the Series N 2012 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 $19.6 million Series H 2004 bonds with maturities in the year 2015 and thereafter. The refunded Series H 2004 bonds are no longer considered to be outstanding under the Indenture. The portion of the Series H bonds that were not refunded totals $1.2 million. This portion matured in the year 2015 and was retired in accordance with the original repayment schedule. In October 2021, the remaining Series N bonds were refunded and are no longer considered to be outstanding per the indenture.

Series O 2012, October 17, 2012 – In October 2012, the University issued its Series O 2012 taxable refunding debt in the principal amount of $28.4 million. The proceeds were used to refund the Series I 2004 Facilities Revenue Refunding Bonds with stated maturities in the year 2015 and thereafter. The refunding resulted in an economic gain to the University of $1.6 million. The proceeds of the Series O 2012 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 $25.8 million Series I 2004 bonds with maturities in the year 2015 and thereafter. The refunded Series I 2004 bonds are no longer considered to be outstanding under the Indenture. The portion of the Series I bonds that were not refunded totals $1.5 million. This portion matured in the year 2015 and was retired in accordance with the original repayment schedule. In October 2021, the remaining Series O 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 I2022, 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.

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 $4.6 million as of June 30, 2022. 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.

Notes payable – consisted of the following as of June 30**:**

	Interest Rate	Maturity Date	2022
Deere Credit Inc - *tractor*	—	6/30/2024	$ 36,044
Total note principal outstanding			$ 36,044

Notes are payable during the years ending June 30, as follows:

	Principal	Interest	Total
2023	$ 18,022	—	$ 18,022
2024	18,022	—	18,022
Total	$ 36,044	$ —	$ 36,044

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, 2022 was 1.55%. 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 as follows:

During the year ending June 30,	Intercap Loans		MSTA Advances		DEQ SBECP		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2023	$ 1,259,837	$ 129,153	$ 69,639	$ 110,361	$ 450,644	$ 70,248	$ 2,089,882
2024	1,205,091	123,342	71,378	108,622	347,072	52,798	1,908,303
2025	1,226,549	102,662	73,161	106,839	327,617	42,406	1,879,234
2026	1,164,051	81,869	74,988	105,012	337,917	32,114	1,795,951
2027	986,187	63,163	76,861	103,139	184,715	21,494	1,435,559
2028 - 2032	2,481,642	153,970	414,074	485,926	415,740	43,969	3,995,321
2033 - 2037	681,707	19,094	468,427	431,573	109,600	9,505	1,719,906
2038 - 2042	—	—	529,916	370,084	0	0	900,000
2043 - 2047	—	—	599,475	300,525	—	—	900,000
2048 - 2052	—	—	678,165	221,835	—	—	900,000
2053 - 2057	—	—	767,184	132,816	—	—	900,000
2058 - 2062	—	—	595,759	34,241	—	—	630,000
2063 - 2067	—	—	—	—	—	—	—
2068 - 2072	—	—	—	—	—	—	—
Total	$ 9,005,064	$ 673,253	$ 4,419,027	$ 2,510,973	$ 2,173,305	$ 272,534	$ 19,054,156

NOTE 12 – NET POSITION

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

	2022
Board of Regents' approved reserves	$ 49,316,732
Other designated purposes	93,072,453
Total unrestricted net position	$ 142,389,185

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:

		2022
Restricted - nonexpendable:		
Endowments	$	8,615,720
Loans		2,680,260
Total restricted - nonexpendable	$	11,295,981
Restricted - expendable:		
Scholarships	$	2,868,650
Research and other		15,914,622
Loans		(716,943)
Construction and renewal of plant facilities		3,944,335
Debt retirement		1,032,987
Total restricted - expendable	$	23,043,651

NOTE 13 – OPERATING EXPENSES

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

		2022
Instruction	$	148,205,592
Research		139,463,352
Public service		47,261,514
Academic support		41,644,116
Student services		52,312,452
Institutional support		37,485,408
Plant-related expenses		41,839,046
Auxiliary enterprises		60,468,690
Scholarships and fellowships		53,408,192
Depreciation and amortization		43,398,666
Total	$	665,487,028

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

		2022
Compensation and benefits	$	365,129,825
Pension		16,534,129
OPEB		2,841,409
Supplies and service		114,979,249
Travel		10,490,045
Utilities		8,689,554
Other operating expenses		49,966,284
Scholarship and fellowships		53,457,867
Depreciation and amortization		43,398,666
Total	$	665,487,028

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.

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, 2022 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*	$174,744,049	$253,061	$105,482	$3,451,708
Employer contributions/expense	$10,827,508	$14,844	$6,349	$309,618
% of covered payroll	6.01%-6.22%	5.87%	—	8.97 %
Employee contributions	$12,427,786	$14,844	$2,045	$272,684
% of covered payroll	7.06%-7.12%	5.87%	—	7.90 %

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

Total payroll for 2022 was $260,589,264. 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
2018	$20,329,818	$40,530	$12,922	$432,109
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

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:

	2022			
	TRS	**PERS**	**GWPORS**	**Total**
Net Pension Liability	$9,443,846	$62,354,720	$900,373	$72,698,939
Deferred Outflows of Resources	$17,897,316	$16,436,252	$1,718,590	$36,052,158
Deferred Inflows of Resources	$3,085,855	$26,277,393	$2,471,280	$31,834,528
Pension Expense (including state share paid on behalf of the University)	$7,782,453	$8,679,569	$72,120	$16,534,142

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 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. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. 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.

The University's net pension liability (NPL) related to TRS was as follows for the years ended June 30,

	2022	2021	Percent of Collective NPL at June 30, 2022	Percent of Collective NPL at June 30, 2021	Increase (Decrease) in Percent of Collective NPL
University Proportionate Share	$ 9,443,846	$ 14,952,221	0.57 %	0.66 %	(0.09)%
State of Montana Proportionate Share associated with the University	2,911,918	4,875,285	0.17 %	0.22 %	(0.05)%
Total	$ 12,355,764	$ 19,827,506	0.74 %	0.88 %	(0.14)%

The NPL was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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, 2020, through June 30, 2021, 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 lowered from 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%.

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,

	2022
University expense	$ 7,498,766
State of Montana expense/ University revenue recognized	283,687
Total	$ 7,782,453

TRS Deferred Inflows and Outflows

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

	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 148,321	$ —
Changes in actuarial assumptions	1,075,329	4,850
Difference between projected and actual investment earnings	—	2,984,122
Difference between actual and expected contributions	8,147,453	96,883
Contributions paid to TRS subsequent to the measurement date *	8,526,213	—
Total	$ 17,897,316	$ 3,085,855

*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, 2023.

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	$ 4,448,174
2024	$ 2,493,304
2025	$ 290,700
2026	$ (946,931)

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, 2021, is based on the results of an actuarial valuation date of July 1, 2021. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2021 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, 3.25%-7.76% for Non-University members
- Investment Return — 7.06%
- Price Inflation — 2.40%
- 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% (starting three years after retirement).
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
  - 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.

*Total Wage Increases include 3.25% general wage increase assumption

TRS Discount Rate

The discount rate used to measure the total pension liability was 7.06%. 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 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

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 capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Services, LLC, yield a median real return rate of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.06%.

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

	Assuming 1.0% Decrease (6.06%)	At Current Discount Rate (7.06%)	Assuming 1.0% Increase (8.06%)
University proportion of Net Pension Liability	$14,031,716	$9,443,846	$5,615,343

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, actuarially reduced:

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 $34,290,660 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 $17.7 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
	2022	**2021**	**2022**	**2021**	
University Proportionate Share	$ 62,354,720	$ 90,852,389	3.44 %	3.44 %	0.00 %
State of Montana Proportionate Share associated with the University	17,651,148	27,542,683	0.97 %	1.04 %	(0.07)%
Total	$ 80,005,868	$118,395,072	4.41 %	4.48 %	(0.07)%

The Net Pension Liability (NPL) as of June 30, 2022, was determined based on the Total Pension Liability (TPL) using the actuarial valuation at June 30, 2020, with update procedures to roll forward the TPL to June 30, 2021. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The University's proportion of the NPL was based on the University's contributions received by PERS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERS' participating employers.

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

PERS Changes Between the Measurement Date and the Reporting Date

There were no changes to the Plan between the measurement date of the collective NPL and the University's reporting date that are expected to have a significant effect on the University's 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,

		2022
University share	$	3,240,837
State of Montana expense/ University revenue recognized		5,438,731
Total PERS Pension expense recognized	$	8,679,568

PERS Deferred Inflows and Outflows

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

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 665,439	$ 451,383
Changes in actuarial assumptions	—	25,260,540
Difference between projected and actual investment earnings	9,235,896	—
Change in proportionate share	1,107,328	565,470
Difference in expected versus actual contributions	—	—
Contributions paid to PERS subsequent to the measurement date *	5,427,588.9	—
Total	$ 16,436,252	$ 26,277,393

*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, 2023.

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
2022	$	871,086
2023	$	(1,974,960)
2024	$	(6,101,069)
2025	$	(8,063,790)

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 8.97% of members' compensation.
- Local government entities are required to contribute 8.87% of members' compensation.
- School district employers are required to contribute 8.60% of members' compensation.
- Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. 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.
- Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP were allocated to the defined benefit plan's Plan Choice Rate (PCR) unfunded liability. 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, 2021 actuarial valuation was determined using the following actuarial assumptions.

- General wage growth* 3.50%
  *includes Inflation at 2.40%
- Merit increases 0% to 4.80%
- Investment return (net of expenses) 7.06%
- Administrative expense as a % of payroll 0.28%
- 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
  - 3.0% for members hired prior to July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more
- Mortality assumptions for contributing members, service retired members, and beneficiaries based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back one year.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Mortality Tables with no projections.

PERS Discount Rate

The discount rate used to measure the Total Pension Liability was 7.06%. 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

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 rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the PERS target asset allocation as of June 30, 2021, are summarized in the above table.

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

	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
The University's proportion of Net Pension Liability	$98,978,395	$62,354,720	$31,635,957

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,

			Percent of Collective NPL at June 30,		Increase (Decrease) in Percent of Collective NPL
	2022	2021	2022	2021	
University Proportionate Share	$ 900,373	$ 4,459,503	2.78%	3.30%	-0.52%

The Net Pension Liability as of June 30, 2022, was determined based on the Total Pension Liability using the actuarial valuation at June 30, 2020, with update procedures to roll forward the TPL to June 30, 2021.

GWPORS Changes Between the Measurement Date and 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.

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

GWPORS Pension Expense

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

	2022
University expense	$ 72,120

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:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 129,025	$ 86,196
Changes in actuarial assumptions	—	763582
Difference between projected and actual investment earnings	1430821	1429043
Changes in proportionate share	—	192459
Contributions paid to GWPORS subsequent to the measurement date*	158744	—
Total	$ 1,718,590	$ 2,471,280

* 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, 2023.

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	
2022	$	(219,409)
2023	$	(232,800)
2024	$	(218,165)
2025	$	(241,061)
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, 2021, actuarial valuation was determined using the following assumptions:

- General wage growth (includes inflation at 2.40%) 3.50%
- Merit increases 0% to 6.30%
- Investment return 7.06%
- Administrative expenses as a percent of payroll 0.17%
- Guaranteed Annual Benefit Adjustment (GABA)
  Requires 12 full months of retirement before GABA will be made
  - For members hired prior to July 1, 2007 3.00%
  - For members hired on or after July 1, 2007 1.50%
- Mortality assumptions among service retired members and beneficiaries based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables with no projections.

GWPORS Discount Rate

The discount rate used to measure the Total Pension Liability was 7.06%. 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 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability**.** A municipal bond rate was not incorporated in the discount rate.

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 rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are in the table above.

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

	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
University proportion of Net Pension Liability	$2,191,403	$900,373	$(150,308)

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, 2022, certain employees were involuntarily terminated. The University agreed to contribute to their health insurance for a specified period of time as severance. Additionally, certain employees were offered a one-time payment as incentive to retire. Certain employees had elected the Teachers' Retirement System Option 1 payout during the fiscal year ended June 2022. During the year ended June 30, 2022, incentive pay of $61,252 for voluntary and involuntary terminations plus benefits of $276,478 (including TRS payment of $264,073) were paid to a total of 9 employees, for a total of $337,730 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, 2022.

	2022
Total OPEB Liability	$ 26,833,911
Deferred OPEB Outflows of Resources	$ 26,089,633
Deferred OPEB Inflows of Resources	$ 27,639,891
OPEB expense	$ 2,841,408

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, 2020, with a measurement date of March 31, 2022. 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 :

	2022		2021	
	OPEB Liability	OPEB Proportionate Share	OPEB Liability	OPEB Proportionate Share
Total OPEB Liability	$26,833,911	53.68%	$32,324,640	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:

	2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual economic experience	$ —	$ (16,762,331)
Changes in actuarial assumptions or other inputs	31,683,928	$ (16,682,496)
Prior Period Amortization	(3,082,747)	3,117,635
FY21 Amortization	(2,511,548)	2,687,301
Total	$ 26,089,633	$ (27,639,891)

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:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Net Amount To Be Recognized as an increase or (decrease) to OPEB Expense**
2023	$ 2,511,548	(2,687,301)	$ (175,753)
2024	$ 2,511,548	(2,687,301)	$ (175,753)
2025	$ 2,511,548	(2,687,301)	$ (175,753)
2026	$ 2,511,548	(2,687,301)	$ (175,753)
2027	$ 2,511,548	(2,687,301)	$ (175,753)
Thereafter	$ 13,531,893	(14,203,386)	$ (671,493)

Actuarial Methods and Assumptions – The total OPEB liability (TOL) measured under GASB Statement No. 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

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	$9,637
After Medicare eligibility	$4,416	$5,205

Actuarial valuation date	December 31, 2020
Actuarial measurement date [1]	March 31, 2022
Actuarial cost method	Entry age normal funding 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	3.31%
Projected payroll increases	2.5 %
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 - Health: For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: No changes to methodology since the prior valuation. Changes to assumptions included a decrease to the interest/discount rate based on the average of multiple 03/31/2021 municipal bond rate sources.

Changes in benefit terms since last measurement date: Reduced carrier options to one.

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
	5.0%	6.0%	7.0%
University proportion of total OPEB Liability	$20,712,956	$26,833,911	$35,446,032

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
	2.31%	3.31%	4.31%
University proportion of total OPEB Liability	$35,046,498	$26,833,911	$20,818,901

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 2021 to fiscal 2022, 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, 2022, the University had issued purchase orders committing the expenditure of approximately $31.1 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 University denies these claims and will actively defend them. Following preliminary motions, all but two of the initial claims have been dismissed. The parties are in active discovery. At this time, it is too early to determine the financial impacts, if any, of a potential adverse outcome. However, with the initial dismissal of claims any potential for fiscal impacts has been significantly reduced.

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, 2022, 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, 2022, the University had remaining budget authority on significant capital construction and renovation projects underway of approximately $36.9 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, 2022 can be found in Note 11. Annual debt service requirements range from $15.2 million in FY23 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, 2022.

		2022
Net Operating and Non-operating Revenues	$	698,437,156.00
Tuition		(171,215,423)
Fees controlled by student associations		(3,614,861)
Grants and contracts		(177,177,651)
State Appropriations		(145,526,451)
Federal financial aid grants and contracts		(20,478,805)
Restricted gifts		(27,514,759)
Other restricted revenue		(2,965,027)
Interest Expense		8,088,907
Operation and maintenance expenses for Auxiliary operations		(36,225,681)
Net revenues pledged as security for debt	$	121,807,405.00

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, 2022, the Foundations provided $38,581,072 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 $2,157,194 during the year ended 2022, 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 $450,582 during 2022. Additional payments from the University to the Foundations for other operating items and capital contributions totaled $651,137.

Friends of Montana Public Television provided $1,618,481 during 2022 and Friends of KEMC Public Radio provided $1,218,324 during 2022 in support of the University’s television and radio stations.

The Museum of the Rockies, Inc. provided $1,563,239 in support of the University, primarily as reimbursement for Museum staff salaries and benefits.

The MSU Bobcat Club provided $391,166 in scholarship and other support during the fiscal year ended June 30, 2022. The University provided $269,048 in salary support to the MSU Bobcat Club during the year ended June 30, 2022 for services provided.

NOTE 18 – SUBSEQUENT EVENTS

On November 18, 2022, the Montana University System Board of Regents granted Montana State University authority to refinance the Series F 2018 Facilities Revenue Bonds. The University's first optional date to refund the principal balance is on March 1, 2023, and are subject to mandatory tender for purchase by September 1, 2023.

On November 18, 2022, the Montana University System Board of Regents granted Montana State University authority to plan, program, and design a new student housing facility. Preliminary planning and design costs are authorized up to $6 million.

In May 2022, the MSU Alumni Foundation entered into an agreement to acquire the land and facilities at 4350 Spain Bridge Road, Belgrade, Montana for $4,725,000. The Foundation concluded the purchase on August 26, 2022. MSU is renting this property from the Foundation as a practice facility for the MSU Bobcat Rodeo team and is responsible for all operating and capital costs.

The MSU Alumni Foundation entered into an unsecured note payable on August 24, 2022, to finance the purchase of the MSU Bobcats Rodeo Facility. The 4.25% note payable is due in quarterly installments of interest accrued, and annual principal payments of $520,000, maturing August 24, 2027.

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, 2022 or December 31, 2021*

	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	$ 300,090,589	$ 35,742,016	$ 12,491,631	$ 25,382,618	$ 1,999,964	$ 375,706,818
Amounts due from MSU	36,978	—	—	—	—	36,978
Other receivables, net	37,704,668	2,096,152	1,089,428	1,506,235	20,056	42,416,539
Capital assets, net	6,812,573	898,260	1,984,139	4,102,580	12,992	13,810,544
Other assets	1,047,168	110,350	27,059	421,042	994,599	2,600,218
Total assets	$ 345,691,976	$ 38,846,778	$ 15,592,257	$ 31,412,475	$ 3,027,611	$ 434,571,097
Liabilities:						
Accounts payable and other liabilities	$ 1,768,522	$ 928,208	$ 11,802	$ 666,854	$ 28,612	$ 3,403,998
Amounts due to MSU	211,732	—	—	205,319	—	417,051
Notes, bonds and debt obligations	4,271,957	158,304	969,472	149,900	—	5,549,633
Liabilities to external parties	5,504,741	363,862	861,309	—	—	6,729,912
Custodial funds	10,901,546	2,032,276	100,911	—	—	13,034,733
Total liabilities	22,658,498	3,482,650	1,943,494	1,022,073	28,612	29,135,327
Net assets:						
Without donor restrictions - undesignated	2,684,146	2,332,265	919,931	9,851,582	1,038,057	16,825,981
Without donor restrictions - designated	9,135,418	2,684,741	—	6,942,088	296,237	19,058,484
With restrictions	311,213,914	30,347,122	12,728,832	13,596,732	1,664,705	369,551,305
Total net assets	323,033,478	35,364,128	13,648,763	30,390,402	2,998,999	405,435,770
Total liabilities and net assets	$ 345,691,976	$ 38,846,778	$ 15,592,257	$ 31,412,475	$ 3,027,611	$ 434,571,097

*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, 2022 or December 31, 2021*

	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	$ 53,742,625	$ 2,309,118	$ 4,075,078	$ 3,704,797	$ 535,266	$ 64,366,884
Investment income and unrealized gain on investments	(9,970,267)	(3,558,805)	(1,266,403)	2,869,103	(55,863)	(11,982,235)
Support from University	1,750,000	224,990	182,204	—	—	2,157,194
Other income	2,779,273	870,205	51,932	4,641,096	570,281	8,912,787
Total revenues	48,301,631	(154,492)	3,042,811	11,214,996	1,049,684	63,454,630
Expenses:						
University support	29,658,614	1,455,151	119,498	1,387,771	24,643	32,645,677
Scholarships and other program expenses	8,041,207	1,290,372	939,686	828,919	391,166	11,491,350
Supporting services	9,713,063	965,168	442,053	1,138,260	801,899	13,060,443
Total expenses	47,412,884	3,710,691	1,501,237	3,354,950	1,217,708	57,197,470
Change in net assets before nonoperating items	888,747	(3,865,183)	1,541,574	7,860,046	(168,024)	6,257,160
Nonoperating items	(1,779,728)	—	—	—	—	(1,779,728)
Change in net assets	(890,981)	(3,865,183)	1,541,574	7,860,046	(168,024)	4,477,432
Net assets, beginning of fiscal year	323,924,459	39,229,311	12,107,189	22,530,356	3,167,023	400,958,338
Prior period adjustment	—	—	—	0	—	0
Net assets, beginning of fiscal year, as restated	323,924,459	39,229,311	12,107,189	22,530,356	3,167,023	400,958,338
Net assets, end of fiscal year	$ 323,033,478	$ 35,364,128	$ 13,648,763	$ 30,390,402	$ 2,998,999	$ 405,435,770

Component Unit Investment Composition*:

	2022
Pooled investments**:	
Equity securities	$ 128,637,543
Debt securities	67,513,256
Alternative investments	106,449,892
Real Estate	14,912,361
Cash equivalents	21,654,861
Other pooled investments	9,891,763
US Treasuries	1,235,759
Other real estate	1,853,714
Other investments	286,224
Investments held in trust for others	12,848,864
Total	$ 365,284,237

Component Unit Promises Receivable*:

	2022
Receivable in one year	$ 5,715,064
Receivable in one to five years	15,028,835
Receivable after five years	637,556
Less discounts and allowances	(1,652,231)
Total	$ 19,729,224

*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, which were partially offset by CARES Act awards received during FY20 and FY21. 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. Efforts proved successful as the University welcomed a record incoming freshman class and its second largest enrollment in its history for the Fall 2021 census. At the end of fiscal year 2022, the university was largely operating 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 2021, the four MSU campuses recorded $47.9 million in CARES Act revenues. In fiscal year 2022, CARES Act revenues decreased to $31.8 million. CARES Act revenues are expected to continue to decrease into fiscal year substantially 2023 as the university works towards fully expending the grant awards.

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%

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%

*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%

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%

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%

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%

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:

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)
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%
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%
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%
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%
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%
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%
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%
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%

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 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%.

PERS

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

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, 2013, rolled forward to 2014	Entry age	Level percentage of pay, open	29.3 years	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
June 30, 2014, rolled forward to 2015	Entry age	Level percentage of pay, open	30 years	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, 2015, rolled forward to 2016	Entry age	Level percentage of pay, open	27.2 years	4-year smoothed market	3.0%	General Wage Growth: 4.0% Merit: 0% - 6%	7.75%	0.27% administrative expenses as a % of payroll	
June 30, 2016, rolled forward to 2017	Entry age	Level percentage of pay, open	26 years	4-year smoothed market	2.75%	General Wage Growth: 3.5% Merit: 0% - 4.8%	7.65%	0.27% administrative expenses as a % of payroll	
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% - 4.8%	7.65%	0.26% administrative expenses as a % of payroll	
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% - 6.3%	7.65%	0.26% administrative expenses as a % of payroll	
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%	0.26% administrative expenses as a % of payroll	
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%	0.30% administrative expenses as a % of payroll	
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%	0.28% 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 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 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%.

GWPORS

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

Actuarial Valuation Date	Actuarial cost method	Amortization method	Remaining amortization period	Asset valuation method	Inflation	Salary increase	Investment rate of return (net of pension plan investment expense, including inflation)	Other
June 30, 2013, rolled forward to 2014	Entry age normal	Level percentage of pay, open	30 years	4-year smoothed market	3.0%	General Wage Growth - 4.00%	7.75%,	0.17% administrative expenses as a % of payroll
June 30, 2014, rolled forward to 2015	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	3.0%	General Wage Growth - 4.00%	7.75%	0.17% administrative expenses as a % of payroll
June 30, 2015 rolled forward to 2016	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	3.0%	General Wage Growth - 4.00%	7.75%	0.17% administrative expenses as a % of payroll
June 30, 2016 rolled forward to 2017	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	2.75%	General Wage Growth - 3.5%	7.75%	0.17% administrative expenses as a % of payroll
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%	7.65%	0.17% administrative expenses as a % of payroll
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%	7.65%	0.23% administrative expenses as a % of payroll
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%	7.65%	0.23% administrative expenses as a % of payroll
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%	7.65%	0.16% administrative expenses as a % of payroll
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%	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.

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.

Changes in actuarial assumptions and other inputs

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%

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.

Unaudited Supplemental Information

MONTANA STATE UNIVERSITY—ALL CAMPUSES AND AGENCIES

MSU-BOZEMAN

MONTANA AGRICULTURAL EXPERIMENT STATION (MAES)

MSU EXTENSION (ES)

FIRE SERVICES TRAINING SCHOOL (FSTS)

MSU-BILLINGS

MSU-NORTHERN

GREAT FALLS COLLEGE MSU

Montana State University
Unaudited Consolidating Statements of Net Position
As of June 30, 2022

	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)	$ 227,145,984	$ 10,995,077	$ 4,035,252	$ 257,554	$ 36,358,878	$ 9,409,327	$ 6,276,068		$ 294,478,139
Securities lending collateral	913,300								913,300
Accounts and grants receivable, net (Note 3)	7,093,313	10,911	183,808	11,135	882,433	468,434	30,725		8,680,759
Lease receivable	376,139				18,864				395,002
Amounts receivable from Federal government	25,109,949		153,377		73,308	244,533	1,716		25,582,884
Amounts receivable from primary government	947,336				62,018		20,932		1,030,286
Loans receivable, net (Note 6)	1,496,449				217,652	84,132			1,798,234
Inventories (Note 4)	1,351,240	814,276			287,898	184,497	309,242		2,947,153
Prepaid expenses and other current assets (Note 5)	3,591,003	1,626	2,496	2,857	375,820	166,825	(10,755)		4,129,872
Total current assets	$ 268,024,713	$ 11,821,890	$ 4,374,933	$ 271,546	$ 38,276,871	$ 10,557,748	$ 6,627,928	$ —	$ 339,955,629
Noncurrent assets									
Restricted cash and cash equivalents	$ 2,516				$ 12,400	$ 64,164			$ 79,080
Restricted investments	8,443,693					100,911			8,544,603
Loans receivable, net (Note 6)	8,900,810				1,167,711	383,085			10,451,606
Investments	60,340,951				2,032,526				62,373,477
Capital assets, net (Note 7)	492,225,357	19,565,243	137,253	496,654	51,139,523	25,993,590	21,701,952		611,259,573
Lease receivable non-current	1,258,699				120,540				1,379,239
Other noncurrent assets (Note 7)	831,120								831,120
Total noncurrent assets	$ 572,003,146	$ 19,565,243	$ 137,253	$ 496,654	$ 54,472,700	$ 26,541,750	$ 21,701,952	$ —	$ 694,918,698
Total assets	$ 840,027,859	$ 31,387,133	$ 4,512,186	$ 768,200	$ 92,749,571	$ 37,099,498	$ 28,329,880	$ —	$1,034,874,327
DEFERRED OUTFLOWS									
Deferred loss on debt refunding (Note 11)	$ 4,531,459				$ 100,957				$ 4,632,416
Deferred pension and OPEB outflows (Note 14)	45,006,140	2,974,121	2,346,886	108,602	7,275,299	2,661,747	1,768,992		62,141,787
Total deferred outflows	$ 49,537,599	$ 2,974,121	$ 2,346,886	$ 108,602	$ 7,376,256	$ 2,661,747	$ 1,768,992	$ —	$ 66,774,203
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 889,565,458**	**$ 34,361,254**	**$ 6,859,072**	**$ 876,802**	**$ 100,125,827**	**$ 39,761,245**	**$ 30,098,872**	**$ —**	**$1,101,648,530**

Montana State University
Unaudited Consolidating Statements of Net Position (continued)
As of June 30, 2022

	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)	$ 21,578,875	$ 748,333	$ 530,798	$ 28,449	$ 2,810,893	$ 1,743,100	$ 587,304	$ 1	$ 28,027,754
Advances (current) and other amounts payable to primary government	992,065	325,000			374,677	63,804	75,352		1,830,897
Amounts payable to other State of Montana component units	262,795								262,795
Securities lending liability	913,300								913,300
Property held in trust for others	1,539,206				113,691	80,836	33,625		1,767,359
Unearned revenues (Note 9)	16,193,665		23,518	584	1,269,737	253,349	19,811		17,760,664
Current portion compensated absences	7,515,818	620,008	498,633	30,158	1,844,662	319,224	451,454		11,279,955
Current portion debt and lease obligations (Note 10)	10,927,187	41,457	—	17,815	1,532,387	5,382			12,524,228
Total current liabilities	$ 59,922,912	$ 1,734,797	$ 1,052,948	$ 77,006	$ 7,946,047	$ 2,465,695	$ 1,167,547	$ 1	$ 74,366,952
Noncurrent liabilities:									
Advances from primary government	$ 11,793,284				$ 1,421,240	$ 602,747			$ 13,817,272
Debt, lease, and other obligations (Note 10)	229,092,024	40,731	—	205,193	3,976,666	(5,382)			233,309,233
Compensated absences	21,370,916	1,762,966	1,417,841	85,752	1,434,619	993,020	264,259		27,329,373
OPEB implicit rate subsidy	19,256,831	1,066,660	1,120,259	53,180	3,421,547	1,183,447	731,987		26,833,911
Net pension liability	50,884,283	3,633,974	1,734,890	80,838	9,979,317	3,948,307	2,437,330		72,698,939
Due to Federal government (Note 6)	11,449,724				1,274,679	1,495,008			14,219,412
Derivative instrument-- swap liability (Note 10)	78,869								78,869
Total noncurrent liabilities	$ 343,925,931	$ 6,504,331	$ 4,272,990	$ 424,963	$ 21,508,070	$ 8,217,148	$ 3,433,575	$ —	$ 388,287,009
Total liabilities	$ 403,848,843	$ 8,239,129	$ 5,325,938	$ 501,969	$ 29,454,117	$ 10,682,843	$ 4,601,122	$ 1	$ 462,653,961
DEFERRED INFLOWS									
Deferred Inflows-Pension and OPEB (Note 14)	$ 41,964,091	$ 2,234,767	$ 1,786,523	$ 104,225	$ 8,578,043	$ 2,954,372	$ 1,852,398		$ 59,474,419
Derivative financial instrument (Note 10)	323,931								323,931
Deferred Inflows-Leases	1,604,892				136,929				1,741,821
Total deferred Inflows	$ 43,892,913	$ 2,234,767	$ 1,786,523	$ 104,225	$ 8,714,972	$ 2,954,372	$ 1,852,398	$ —	$ 61,540,171
NET POSITION									
Net investment in capital assets	$ 290,109,349	$ 19,480,756	$ 137,253	$ 273,646	$ 43,940,831	$ 25,156,980	$ 21,626,765		$ 400,725,581
Restricted - nonexpendable	10,483,793				389,445	411,442	11,300		11,295,981
Restricted - expendable	16,492,931	1,017,084	(35,724)		4,254,424	1,336,294	(21,358)		23,043,651
Unrestricted (Note 12)	124,737,628	3,389,518	(354,917)	(3,038)	13,372,038	(780,688)	2,028,644	—	142,389,185
Total net position	$ 441,823,701	$ 23,887,358	$ (253,388)	$ 270,609	$ 61,956,738	$ 26,124,029	$ 23,645,351	$ —	$ 577,454,398
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	**$ 889,565,458**	**$ 34,361,254**	**$ 6,859,073**	**$ 876,803**	**$ 100,125,826**	**$ 39,761,244**	**$ 30,098,871**	**$ 1**	**$1,101,648,530**

Montana State University

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

As of and for the Year Ended June 30, 2022

	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	$ 189,473,334				$ 16,823,555	$ 4,648,441	$ 2,504,873	$ (18,100)	$ 213,432,103
Federal appropriations		2,872,265	3,456,283						6,328,548
Federal grants and contracts	114,714,741	(40,701)	97,995		3,283,476	1,295,158	306,792	(159,617)	119,497,843
State grants and contracts	6,282,161		21,317		367,519	196,839	174,739		7,042,575
Non-governmental grants and contracts	11,312,241		250,669		274,515	20,500	18,311		11,876,236
Grant and contract facilities and administrative cost recoveries	26,999,906	17,708			269,875	98,911	24,441	(17,708)	27,393,133
Educational, public service and outreach revenues	19,813,316	3,397,573	4,509,254	126,774	1,549,666	232,914	93,312	(759,805)	28,963,004
Auxiliary - housing	25,187,974	7,758			1,354,175	591,508			27,141,414
Auxiliary - food service	24,824,998				1,002,974	622,911	81,994		26,532,878
Auxiliary - other auxiliary sales and services	6,218,974	119			1,574,608	364,381	606,039	(393,335)	8,370,787
Interest earned on loans	65,786				2,440	3,033			71,259
Other operating revenues	2,994,037	107,080	40		117,150	1,526	19,728		3,239,562
Total operating revenues	$ 427,887,468	$ 6,361,802	$ 8,335,558	$ 126,774	$ 26,619,953	$ 8,076,122	$ 3,830,229	$ (1,348,565)	$ 479,889,342
Operating expenses:									
Compensation and benefits, including pensions	$ 294,567,107	$ 16,187,727	$ 13,579,735	$ 645,017	$ 34,095,557	$ 13,693,689	$ 8,895,124		$ 381,663,954
OPEB expense	2,072,390	114,792	120,561	5,723	318,780	118,977	90,186		2,841,409
Operating expenses	149,951,970	4,824,181	2,135,028	230,267	17,062,992	7,960,628	3,308,632	(1,348,565)	184,125,132
Scholarships and fellowships	38,733,970	24,612	1,952		8,265,410	2,956,472	3,475,452		53,457,867
Depreciation and amortization	35,012,490	1,256,208	27,851	82,743	3,917,912	1,653,755	1,447,706		43,398,666
Total operating expenses	$ 520,337,927	$ 22,407,520	$ 15,865,127	$ 963,750	$ 63,660,651	$ 26,383,521	$ 17,217,100	$ (1,348,565)	$ 665,487,028
Operating loss	**$ (92,450,459)**	**$ (16,045,718)**	**$ (7,529,569)**	**$ (836,976)**	**$ (37,040,698)**	**$ (18,307,399)**	**$ (13,386,871)**	**$ —**	**$ (185,597,686)**
Nonoperating revenues (expenses):									
State and local appropriations	$ 77,784,788	$ 17,869,990	$ 7,290,876	$ 814,549	$ 24,471,363	$ 10,517,395	$ 7,446,793		$ 146,195,755
Pell Grants	12,375,718				4,569,808	1,802,728	1,730,551		20,478,805
Federal CARES Act grant	18,026,333				7,574,294	2,858,425	3,304,094		31,763,145
Land grant and timber sales income	1,966,470				443,037				2,409,507
Gifts	22,535,628		81,360		3,142,634	1,455,648	299,490		27,514,759
Investment Income	(1,657,212)	31,632	10,314	587	(153,401)	25,418	17,411		(1,725,251)
Interest expense	(7,837,829)	(1,454)	—	(3,837)	(217,834)	(22,376)	(5,578)		(8,088,907)
Net nonoperating revenues (expenses)	$ 123,193,896	$ 17,900,168	$ 7,382,550	$ 811,299	$ 39,829,901	$ 16,637,238	$ 12,792,761	$ —	$ 218,547,813
Income before other revenues, expenses, gains and losses	**$ 30,743,437**	**$ 1,854,450**	**$ (147,019)**	**$ (25,677)**	**$ 2,789,203**	**$ (1,670,161)**	**$ (594,110)**	**$ —**	**$ 32,950,127**
Transfers in (out)	90,974	(94,802)	3,828	—	—	—	—		—
Gain or loss on disposal of capital assets	(47,646)	23,533		34,164	(14,345)		(28,203)		(32,498)
Additions to permanent endowments	16,166								16,166
Gifts, capital grants and contributions	23,909,835				1,198,015	81,792	391,587		25,581,229
Change in net position	$ 54,712,766	$ 1,783,181	$ (143,191)	$ 8,487	$ 3,972,873	$ (1,588,369)	$ (230,726)	$ —	$ 58,515,024
Net position, beginning of year restated	$ 387,110,935	$ 22,104,177	$ (110,197)	$ 262,121	$ 57,983,865	$ 27,712,397	$ 23,876,076		$ 518,939,374
Net position, end of year	**$ 441,823,701**	**$ 23,887,358**	**$ (253,388)**	**$ 270,608**	**$ 61,956,738**	**$ 26,124,028**	**$ 23,645,350**	**$ —**	**$ 577,454,398**

Montana State University

Unaudited Selected Cash Flow Data

As of And For the Year Ended June 30, 2022

	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	$ 188,342,808	$ —	$ —	$ —	$ 16,565,660	$ 4,757,358	$ 2,561,234	$ (18,100)	$ 212,208,960
Federal appropriations	—	2,872,265	3,302,906	—	—	—	—	—	6,175,171
Federal grants and contracts	108,238,339	—	73,340	584	3,036,302	1,103,868	407,096	(159,617)	112,699,911
State grants and contracts	5,921,841	—	21,317	—	323,944	197,125	198,965	(17,708)	6,645,484
Private grants and contracts	12,064,607	—	250,669	—	297,061	20,500	18,311	—	12,651,147
Grant and contract indirect cost recoveries	25,974,837	17,708	—	—	269,875	98,911	24,441	—	26,385,772
Educational, public service and outreach revenues	17,646,693	3,427,724	4,527,888	119,879	1,415,390	232,914	102,928	(759,805)	26,713,610
Sales and services of auxiliary enterprises	56,001,289	7,877	—	—	3,884,356	1,614,248	700,936	(393,335)	61,815,372
Interest on loans receivable	65,786	—	—	—	2,440	3,033	—	—	71,259
Other operating receipts	2,380,217	107,080	40	—	(535,338)	(43,704)	46,287	—	1,954,583
Compensation and benefits	(295,282,695)	(16,115,617)	(13,482,724)	(631,241)	(34,644,328)	(14,008,856)	(9,480,923)	—	(383,646,383)
Operating expenses	(153,438,476)	(4,888,148)	(2,219,790)	(229,234)	(17,024,711)	(8,032,852)	(3,689,219)	1,348,565	(188,173,866)
Scholarships and fellowships	(38,733,970)	(24,612)	(1,952)	—	(8,265,410)	(2,956,472)	(3,475,452)	—	(53,457,867)
Loans made to students and federal funds repaid	(454,860)	—	—	—	44,213	274,962	—	—	(135,685)
Loan payments received from students	2,697,158	—	—	—	283,465	153,668	—	—	3,134,291
Intercampus payments	(325,000)	325,000	—	—	—	—	—	—	—
Net cash used in operating activities	**$ (68,901,426)**	**$ (14,270,723)**	**$ (7,528,306)**	**$ (740,012)**	**$ (34,347,081)**	**$ (16,585,297)**	**$ (12,585,396)**	**$ —**	**$ (154,958,241)**
Cash flows from noncapital financing activities:									
Receipts (Payments) of funds held in trust for others	$ (481,136)	$ —	$ —	$ —	$ 15,572	$ 1,355	$ (43,810)		$ (508,020)
Direct lending proceeds	63,853,552	—	—	—	10,867,336	2,223,585	2,629,110		79,573,583
Direct lending disbursements	(63,853,552)	—	—	—	(10,867,336)	(2,223,585)	(2,629,110)		(79,573,583)
State and local appropriations	77,784,788	17,869,990	7,290,876	814,549	24,471,363	10,517,395	7,446,793		146,195,755
Federal CARES Act Grant	18,026,333	—	—	—	7,574,294	2,858,425	3,304,094		31,763,145
Federal Pell grant funds received	12,375,718	—	—	—	4,569,808	1,802,728	1,730,551		20,478,805
Gifts and contributions (expendable)	22,535,628	—	81,360	—	3,142,634	1,455,648	299,490		27,514,759
Land grant income	1,966,470	—	—	—	443,037	—	—		2,409,507
government	(67,942)	—	—	—	—	—	—		(67,942)
Additions to permanent endowments	16,166	—	—	—	—	—	—		16,166
Transfers between campuses and agencies	90,974	(94,802)	3,828	—	—	—	—		—
Net cash flows from noncapital financing activities	**$ 132,246,999**	**$ 17,775,188**	**$ 7,376,064**	**$ 814,549**	**$ 40,216,708**	**$ 16,635,551**	**$ 12,737,118**	**$ —**	**$ 227,802,175**
Cash flows from capital financing activities:									
Purchase of capital assets	$ (36,605,811)	$ (1,731,812)	$ (50,734)	$ (240,532)	$ (3,480,179)	$ (770,637)	$ (781,556)	$ —	$ (43,661,261)
Proceeds from sale of capital assets	117,953	28,682	—	34,164	22,315	—	645	—	203,759
Gifts restricted for capital purchase	7,091,651	—	—	—	1,198,015	162,033	391,587	—	8,843,286
Other capital financing activities	174,601	—	—	—	—	—	—	—	174,601
Proceeds from borrowings	128,721,243	—	—	—	—	—	—	—	128,721,243
Debt principal paid	(88,357,659)	—	—	223,008	(840,981)	(61,579)	(76,741)	—	(89,113,952)
Payment of capitalized debt issue costs	—	—	—	—	—	—	—	—	—
Advances from primary government	—	—	—	—	(87,536)	—	—	—	(87,536)
Repayment of advances from primary government	(1,352,018)	—	—	—	243,466	—	—	—	(1,108,552)
Interest paid	(6,924,042)	(1,454)	—	(3,837)	(93,424)	(23,826)	(9,759)	—	(7,056,341)
Net cash change from capital financing activities	**$ 2,865,918**	**$ (1,704,584)**	**$ (50,734)**	**$ 12,803**	**$ (3,038,324)**	**$ (694,009)**	**$ (475,824)**	**$ —**	**$ (3,084,753)**
Cash flows from investing activities:									
Purchase of investments	$ (42,515,986)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (42,515,986)
Proceeds from sale of investments	(1,657,212)	—	—	—	304,181	—	—	—	(1,353,031)
Investment income	78,869	31,632	10,314	587	(174,519)	19,709	17,782	—	(15,625)
Net cash change from investing activities	**$ (44,094,329)**	**$ 31,632**	**$ 10,314**	**$ 587**	**$ 129,662**	**$ 19,709**	**$ 17,782**	**$ —**	**$ (43,884,642)**
Net change in cash and cash equivalents	**$ 22,117,162**	**$ 1,831,513**	**$ (192,662)**	**$ 87,927**	**$ 2,960,965**	**$ (624,046)**	**$ (306,320)**	**$ —**	**$ 25,874,539**
Balances at beginning of year	**$ 205,031,339**	**$ 9,163,563**	**$ 4,227,913**	**$ 169,626**	**$ 33,410,313**	**$ 10,097,539**	**$ 6,582,384**		**$ 268,682,677**
Balances at end of year	**$ 227,148,501**	**$ 10,995,076**	**$ 4,035,251**	**$ 257,553**	**$ 36,371,278**	**$ 9,473,493**	**$ 6,276,064**	**$ —**	**$ 294,557,216**

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

	2022	2021	2020
Montana residents			
Undergraduate	10,170	10,597	12,460
Graduate	887	962	1,038
Nonresidents			
Undergraduate	5,659	4,980	4,869
Graduate	588	596	500
Western Undergraduate Exchange	2,052	2,169	1,395
Total	19,356	19,304	20,262

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 2021-2022 academic year, on a per-semester basis, were as follows:

	Resident		Nonresident		
	Undergraduate	**Graduate**	**Undergraduate**	**WUE (2)**	**Graduate**
Bozeman Campus	$3,764	$4,330	$14,133	$5,330	$14,721
Billings Campus	$3,041	$3,738	$9,706	$4,231	$10,638
Northern Campus	$3,000	$3,623	$9,355	$4,179	$10,149
Great Falls Campus (1)	$1,725	N/A	$5,414	$2,413	N/A

(1) Undergraduate program only.
(2) Western Undergraduate Exchange

Employees and Graduate Assistants

As of Fall 2021, the University had 6,561 employees and utilized 902 graduate assistants at the following degree-granting locations:

	MSU-Bozeman	MSU-Billings	MSU-Northern	Great Falls College MSU	Total
Faculty/Professional	2,166	329	147	101	2,743
State classified system	1,192	187	64	44	1,487
Temporary hourly	133	70	7	17	227
Students	1,839	162	85	18	2,104
Total employees	5,330	748	303	180	6,561
Graduate assistants	887	15	—	—	902

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.

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, as well as 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 the degree in their chosen major of academic study.

The campus offers more than 250 academic programs including more than 115 graduate programs, including 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 2021 with total expenditures topping $200 million. The total marks nine 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 163 out of the top 202 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, 84 MSU students have become Goldwater scholars. MSU's number of scholarships ranks among, and indeed 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 and entrepreneurship, technology transfer, talent and workforce development and community development.

In addition to its academic mission of educating students, 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

		Student FTE for Fiscal Years Ended June 30,				
		2022	**2021**	**2020**	**2019**	**2018**
Resident	Undergraduate	6,237	6,632	7,999	8,149	8,032
	Gallatin College	400	406	432	413	389
	Graduate	680	748	766	780	769
	Total resident	7,317	7,786	9,197	9,342	9,190
Nonresident	Undergraduate	5,185	4,579	4,338	4,093	3,855
	Gallatin College	296	228	167	148	125
	Graduate	551	561	487	499	520
	Total nonresident	6,032	5,368	4,740	4,500	4,170
Western Undergraduate Exchange		**1,760**	**1,859**	**1,064**	**1,052**	**1,149**
	Total	**15,109**	**15,013**	**15,001**	**14,894**	**14,509**

	Degrees Granted - Fiscal Years Ended June 30,				
MSU Bozeman University Campus:	**2022**	**2021**	**2020**	**2019**	**2018**
Certificates	8	3	3	3	1
Associate	11	6	16	11	14
Bachelor	2552	2669	2699	2558	2391
Graduate	639	497	499	530	570
TOTAL:	3,210	3,175	3,217	3,102	2,976
Gallatin College Campus:	**2022**	**2021**	**2020**	**2019**	**2018**
Certificates	77	62	63	75	77
Associate	104	114	104	97	88
Bachelor	1	0	0	0	0
TOTAL:	182	176	167	172	165
GRAND TOTAL:	3,392	3,351	3,384	3,274	3,141

Other highlights from MSU's enrollment headcount for fall 2022 included:

- The number of veteran students enrolled was 511, and the university saw a 6% increase in the number of international students enrolled at 403 total.
- MSU set records for enrollment in a number of categories among its student body, including 282 African-American students, 684 Asian students, 950 Hispanic students and 130 Native Hawaiian/Pacific Islander students. American Indian/Alaska Native students also recorded an enrollment of 776, the second highest total ever at MSU. The number of American Indian/Alaska Native students at MSU has grown 9% over the past five years. MSU saw an overall 3% increase compared to last year in students defined as "under-represented minorities" by the federal government.
- The total number of degrees awarded at MSU was 3,481. Among those, bachelor's degrees numbered 2,553 and master's degrees counted 509, a 25% increase over the prior year. Associate degrees totaled 115; graduate certificates were at 104 total; and the number of doctorates awarded increased 44% to 130.

Campus Outlook

In January 2019, the university adopted a new, seven-year strategic plan, Choosing Promise. The 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, its people, its environment and its 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 seventh 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. 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; as well as create five endowed professorships and establish Montana's only certified nurse midwifery program preparing doctoral-level nurses to benefit maternal health care statewide.

And 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 computing-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 also saw the grand re-opening of its 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 and 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.

Additionally 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 and team meeting rooms, as well as training, 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.

Looking ahead, MSU's new Student Wellness Center is currently under construction with an anticipated opening in late 2023. 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 its student health services. The facility, when complete, will conveniently co-locate all student health, counseling, recreation and fitness and other wellness services into 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 and 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 2020 is the fifth highest in MSU's 129-year history, with the record set in fall 2018 at 16,902. MSU's fall 2022 retention rate – the percentage of first-year students returning for their second year – hit 75.2% percent. In addition, graduate enrollment is improving. The number of MSU graduate students, which sits at 2,057 this fall, has increased 4% over the past five years.

In fall 2022, MSU also attracted 136 recipients of the prestigious Montana University System Honors Scholarship — accounting for 60% 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 2022 included:

- The number of veteran students enrolled was 511, and the university saw a 6% increase in the number of international students enrolled at 403 total.
- MSU set records for enrollment in a number of categories among its student body, including 282 African-American students, 684 Asian students, 950 Hispanic students and 130 Native Hawaiian/Pacific Islander students. American Indian/Alaska Native students also recorded an enrollment of 776, the second highest total ever at MSU. The number of American Indian/Alaska Native students at MSU has grown 9% over the past five years. MSU saw an overall 3% increase compared to last year in students defined as "under-represented minorities" by the federal government.
- The total number of degrees awarded at MSU was 3,481. Among those, bachelor's degrees numbered 2,553 and master's degrees counted 509, a 25% increase over the prior year. Associate degrees totaled 115; graduate certificates were at 104 total; and the number of doctorates awarded increased 44% to 130.

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 $48.2 million for FY2022. This represents a 5% increase in sponsored research from the prior year.

Outlook

MAES base-funded programs are financed by state (85%) and federal (15%) 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 all seven Indian 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 stepfamilies. 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 2021-2022, Montana 4-H reached 13,511 Montana youth, ages 6-19. Approximately 64% of these youth are involved in yearlong community clubs, while the remainder are active through a variety of short-term and special interest education programs. The COVID-19 pandemic greatly impacted the many 4-H program and school collaborations. Enrollment numbers are expected to rise as these partnerships become possible again. Montana 4-H youth are supported by 3,062 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, "Choosing Promise," 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.

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

	Student FTE for Fiscal Years Ended June 30,				
	2022	2021	2020	2019	2018
Resident					
Undergraduate	1,606	1,649	1,686	1,930	1,945
City College	544	549	540	571	588
Graduate	188	191	193	194	185
Total Resident	2,338	2,389	2,419	2,695	2,718
Nonresident					
Undergraduate	101	104	80	100	112
City College	15	13	15	13	8
Graduate	36	34	35	14	11
Total nonresident	152	151	130	127	131
Western Undergraduate Exchange					
Main Campus	180	188	190	184	192
City College	23	31	29	37	30
Total Western Undergraduate Exchange	203	219	219	221	222
Total	2,693	2,759	2,768	3,043	3,071

	Degrees Granted - Fiscal Years Ended June 30,				
	2022	2021	2020	2019	2018
University Campus:					
Associate Degrees	17	33	30	36	31
Bachelor's Degrees	415	409	434	412	408
Master's Degrees	110	104	116	110	131
Total University Campus	542	546	580	558	570
City College Campus:					
Certificates	48	44	48	42	41
Associate Degrees	185	188	182	206	187
Total City College	233	232	230	248	228
Grand Total Degrees	775	778	810	806	798

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.

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

	Student FTE for Fiscal Years Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Resident					
Undergraduate	694	672	686	743	757
Graduate	19	23	23	34	28
Total resident	713	695	709	777	785
Nonresident					
Undergraduate	41	39	43	51	48
Graduate	1	1	0	0	1
Total nonresident	42	40	43	51	49
Western Undergraduate Exchange	84	87	99	108	112
Total	839	822	851	936	946

	Degrees Granted - Fiscal Years Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Certificates	22	20	33	16	20
Associate	105	114	133	114	77
Undergraduate	135	121	134	141	125
Graduate	16	15	18	16	16
Total:	278	270	318	287	238

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 (GFC MSU), an affiliated campus of Montana State University, is an independently accredited, comprehensive two-year college primarily serving north-central Montana. GFC MSU prides itself on being a student-centered two-year college, providing quality educational opportunities responsive to community needs.

GFC MSU 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, Trades, and Technology disciplines.

The college also works with employers to ensure students are getting the knowledge they need to be successful in employment. As a comprehensive two-year college, additional offerings related to workforce development, customized and contracted training, and community enrichment are provided as part of economic and community development. Several of the health sciences and trades programs are unique to the state and the region.

In partnership with Great Falls Public Schools, the Career and College Readiness program is also housed on the Great Falls College MSU campus. The college has a full complement of student, academic and administrative services reflective of a larger campus.

GFC MSU began as the Great Falls Vocational - Technical Center, established by the Montana Legislature in 1969 to offer employment training in vocational and technical fields with governance provided by the local school districts. In July 1989, the governance of the center and the other Montana vocational technical centers was transferred to the Montana Board of Regents. In January 1994, the Regents approved the restructuring of the Montana University System. Montana State University-Bozeman, Montana State University-Billings, Montana State University-Northern and Great Falls College Montana State University are related through common management; however, they are separate and distinct entities.

GFC MSU is regionally accredited by the Northwest Commission on Colleges and Universities. Various academic programs are accredited individually as well, primarily those within medical fields. Since 2017, Great Falls College Montana State University has seen a steady decline in enrollment. This fits with national trends of a strong economy having negative impacts on overall enrollment at two-year institutions.

Enrollment

	Student FTE for Fiscal Years Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Resident					
Undergraduate	689	689	705	791	933
Nonresident					
Undergraduate	21	17	14	24	30
Western Undergraduate Exchange	5	4	10	3	6
Total	715	710	729	818	969

	Degrees Granted - Fiscal Years Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Great Falls College Campus:					
Certificate	80	92	79	145	136
Associate	205	222	207	265	278
Total	285	314	286	410	414

Campus Outlook

Great Falls College just wrapped up its seven-year strategic plan and is beginning to shape a new strategic plan that will look at programming mix and aligning resources and personnel to 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 by through learning, assessing and innovating by improving 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 will enable the state's only Dental Hygiene program to increase capacity from 18 to 25 students each year in addition to the 18 possible students in Dental Assisting.

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. In addition, the college will be strengthening its marketing efforts, community outreach, and development of internships for the Accounting, Business and Computer Technology programs as they provide good wages and employment opportunities for students.

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.

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. Working closely with the Trades division, the Continuing Education and Training department is rebranding to more accurately reflects its mission of providing community and continuing education programs plus customized training to business, community and military partners.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the university's basic financial statements, and have issued our report thereon dated February 17, 2023. Our report includes a reference to other auditors who audited the financial statements of the Montana State University Alumni Foundation, the Museum of the Rockies Incorporated, the Montana State University Billings Foundation, the Montana State University Northern Foundation, and the Montana State University Bobcat Club, as described in our report on the university's financial statements. The financial statements of the Montana State University Alumni Foundation, the Museum of the Rockies Incorporated, the Montana State University Billings Foundation, the Montana State University Northern Foundation, and the Montana State University Bobcat Club were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these component units that are reported on separately by those auditors who audited the financial statements of the Montana State University Alumni Foundation, the Museum of the Rockies Incorporated, the Montana State University Billings Foundation, the Montana State University Northern Foundation, and the Montana State University Bobcat Club.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the university's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control. Accordingly, we do not express an opinion on the effectiveness of the university's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

- As described in Recommendation #1 on page 5, we recommend Montana State University improve internal controls and provide training to staff over preparation and review of the financial statements and related notes.
- As described in Recommendation #2 on page 6, we recommend Montana State University conduct a physical inventory of capital assets every two years, as required by state accounting policy. This issue is aggregated with the issue discussed in the Prior Audit Recommendation section on page 2 regarding the need to enhance internal controls to ensure depreciation is properly calculated results in a significant deficiency in internal controls.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the university's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Montana State University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the university's response to the findings identified in our audit and described previously. The university's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the university's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the university's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 17, 2023

Montana State University

University Response

MONTANA STATE UNIVERSITY

RECEIVED
APR 11 2023
LEGISLATIVE AUDIT DIV.

April 6, 2023

Angus Maciver
Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Maciver,

Please accept my sincerest gratitude for your efforts in completing the annual audit of Montana State University. I am thankful for the attention to detail and expertise of your audit team. Their work was thorough and diligent, and their recommendations for improving our financial systems and processes will help us to better manage our resources and serve our mission. Most importantly, the Legislative Audit Division has provided me with confidence that our financial statements are accurate and in compliance with regulations and standards.

Thank you for your outstanding work. We look forward to working with you again in the future.

Sincerely,

Waded Cruzado
President

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Mountains & Minds

MONTANA STATE UNIVERSITY
Response to Legislative Audit Division Financial Statement Audit
For the Fiscal Year Ending June 30, 2022

Recommendation #1

We recommend that Montana State University improve internal controls and provide training to staff over preparation and review of the financial statements and related notes.

Montana State University concurs with the recommendation.

MSU will enhance internal controls surrounding the preparation of the financial statements and the related notes. MSU will review current procedures and work to strengthen the review process while continuing to train new staff and evaluate their duties related to financial statement preparation and review.

Recommendation #2

We recommend that Montana State University conduct a physical inventory of capital assets every two years, as required by state accounting policy.

Montana State University concurs with the recommendation.

MSU is actively conducting physical inventories of capital assets.