A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

Montana Board of Investments

For the Fiscal Year Ended June 30, 2025

JANUARY 2026

LEGISLATIVE AUDIT
DIVISION

25-04

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, 2023, was issued August 19, 2024. The submission deadline for the Single Audit Report for the two fiscal years ended June 30, 2025, is March 31, 2026.

Audit Staff

Jessica Curtis, CPA
Alexa O'Dell, CPA
Valerie Tummarello
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LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

January 2026

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our financial audit report of the Montana Board of Investments (board) for the fiscal year ended June 30, 2025. This report includes financial statements of the board's Unified Investment Program (UIP) and Enterprise Fund Program. We issued unmodified opinions on the financial statements for each of these programs.

We performed this audit of the board to comply with the Montana Constitution and state law. Our audit work included analyzing financial statements, note disclosures, and required supplementary information, examining the underlying financial activity, and testing selected control systems. This included performing work to determine whether investments in the UIP and loans and notes receivable in the Enterprise Fund Program were appropriately recorded on the financial statements. This report does not contain any recommendations to the board. The report includes a disclosure issue related to how the Pintler Meadows Workforce Housing Development is recorded in the board's new Real Estate Investment Service internal investment pool.

The board's written response to the audit is included in the audit report on page C-1. We thank the Executive Director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Table of Contents

Figure and Table

Figure

Table

Appointed and Administrative Officials

	Name	Representative of	City	Term Expires January
Montana Board of Investments	Jeff Meredith, Chair	Small Business	Kalispell	2029
	Mark Barry	Financial Community	Helena	2029
	Porter Bennett	Agriculture	Pony	2027
	Dwaine Iverson	Financial Community	Shelby	2027
	Tim Kober	Labor	Butte	2027
	John Milanovich	Financial Community	Helena	2029
	Maggie Peterson	PERS	Anaconda	2029
	Daniel Trost	TRS	Helena	2029
	Cindy Younkin	Law	McAllister	2027
	Shane Morigeau	Senate Liaison	Missoula	2026
	Larry Brewster	House Liaison	Billings	2026

Administrative Officials

Dan Villa, Executive Director

Peggy MacEwen, Chief Operating Officer

Jon Putnam, Chief Investment Officer

Julie Feldman, Comptroller

For additional information concerning the Montana Board of Investments, contact:

Dan Villa, Executive Director
P.O. Box 200126
Helena, MT 59620-0126

e-mail: DVilla@mt.gov

MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL AUDIT

Montana Board of Investments

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

A report to the Montana Legislature

BACKGROUND

Article VIII, Section 13 of the Montana Constitution requires the Legislature to provide for a Unified Investment Program (UIP) for public funds, and §17-6-201, MCA, requires the Montana Board of Investments (board) to administer the program. The board has sole authority to invest the funds and assets of the Montana Public Employees' Retirement Board, the Teachers' Retirement Board, and the Montana State Fund. State agencies and certain local governments, such as cities, counties, and school districts, also participate in the UIP. The UIP consists of four internal and external investment pools, Separately Managed Accounts for state agencies, and the treasurer's cash pool.

The board also administers the Enterprise Fund Program, consisting of the state's Municipal Finance Consolidation Act and the Economic Development Bond Act programs.

State law allocates the board to the Department of Commerce for administrative purposes. The board employs an executive director and chief investment officer who hire and manage staff.

The Unified Investment Program's net position grew by approximately $1.28 billion over the year, driven largely by strong investment returns in the Short-Term Investment Pool (4.8 percent), the Trust Fund Investment Pool (6.0 percent), and the Consolidated Asset Pension Pool (9.5 percent). However, those gains were offset by changes from the 2025 legislative session related to moving activity from the Coal Tax Trust to the new Montana Growth and Opportunity Trust, which resulted in approximately $83 million being removed from the Separately Managed Accounts investment balance and replaced with cash in the Coal Tax Trust at fiscal year-end.

AUDITOR'S OPINION (page A-1 and A-47):

Unified Investment Program: **UNMODIFIED**
Enterprise Fund Program: **UNMODIFIED**

This means you can rely on the information in the financial statements and notes for both programs included in this report.

For the full context of the board's financial activity, see the financial statements and notes beginning on pages A-1 and A-47 for the UIP and Enterprise Fund Program, respectively.

RECOMMENDATIONS:

In this report, we issued the following recommendations:
To the board: 0
To the legislature: 0

SUMMARY OF AUDIT WORK:

The purpose of our audit is to determine whether the board's Unified Investment Program and Enterprise Fund Program financial statements and related note disclosures are free from material misstatement.

(continued on back)

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

legmt.gov/lad

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The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

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Our audit efforts over the UIP focused primarily on cash and cash equivalents and investment balances, purchases and sales by participants, the net change in fair value of investments, dividend and interest income, and income distributions to participants. Audit work on the Enterprise Fund Program focused primarily on notes and loans receivable and bonds payable balances and their related cash flows.

We also analyzed the financial statements, note disclosures, and required supplementary information for both programs, as well as examined the underlying financial activity.

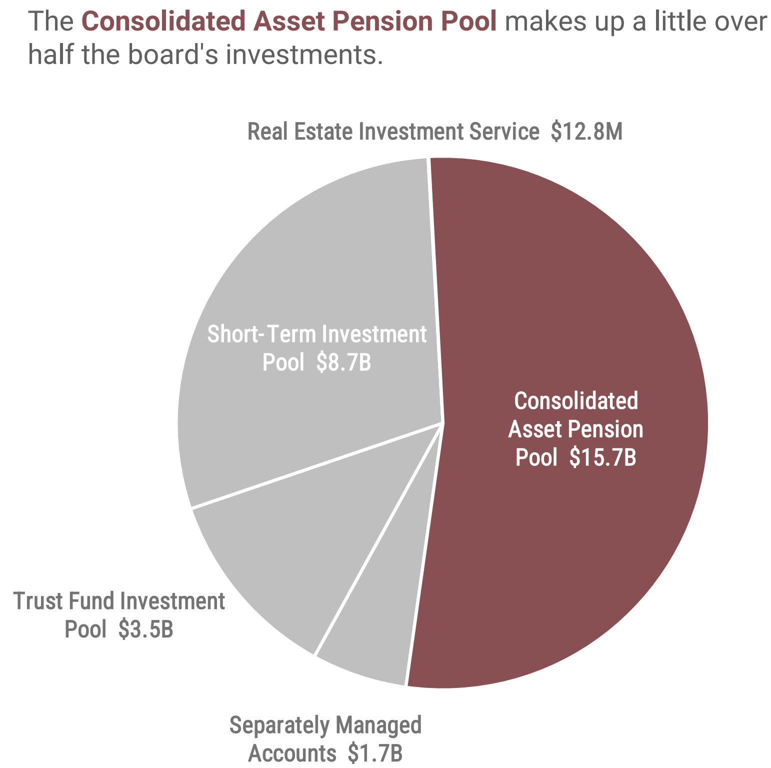
Unified Investment Program
To manage the UIP, the board has created the following investment pools, which operate similarly to mutual funds:

- **Short-Term Investment Pool (STIP):** This pool is designed to preserve capital and maintain high liquidity. State agencies, the state's retirement systems, and local governments are eligible to participate.
- **Trust Fund Investment Pool (TFIP):** This pool is designed to provide participants exposure to a portfolio of diversified income-producing assets. State agencies and local governments meeting eligibility criteria may participate.
- **Consolidated Asset Pension Pool (CAPP):** This pool is designed to achieve a high level of investment performance compatible with its risk tolerance and prudent investment practices. The board maintains a long-term perspective in formulating and implementing investment policies for the pool and in evaluating investment performance within the pool. The state's retirement systems are the only eligible participants.
- **Real Estate Investment Service Pool (REIS):** This pool is designed to manage legislatively mandated real estate direct investment projects in the state. The pool was created in fiscal year 2025 and has one participant.

In addition to these pools, the board manages direct investments in fixed-income securities, equity index funds, and commercial loans for approximately eight state agencies, including the treasurer's cash pool. These investments are reported collectively in the board's UIP financial statements as Separately Managed Accounts (SMA).

Figure 1 (page S-3) presents information on the investments managed in the pools and SMA on June 30, 2025.

Figure 1
UIP Investments by Pool
June 30, 2025



Source: Compiled by the Legislative Audit Division.

Enterprise Fund Program

The board also administers the Enterprise Fund Program, consisting of the state's Municipal Finance Consolidation Act and Economic Development Bond Act programs. Under this umbrella, the board administers the Intermediate Term Capitalization Program (INTERCAP), which uses bond proceeds to provide loans to local Montana governments to finance capital expenditures for up to 15 years. During most of fiscal year 2025, the INTERCAP rate was 6.25 percent and decreased to 5.82 percent in February 2025. The board funded $21.1 million in new loans and received payments of $36.3 million during the year, resulting in the program's outstanding receivables decreasing from $80.7 million on June 30, 2024, to $69.6 million on June 30, 2025.

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: 0
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 - Disclosure Issue

Real Estate Investment Service Pool

In fiscal year 2025, the Board of Investments (board) created a new internal investment pool: the Real Estate Investment Service (REIS). The pool is designed to manage legislatively mandated real estate direct investments within the state. As of June 30, 2025, the pool had total assets of just over $13,000,000. Table 1 below shows the breakdown of the pool's assets.

Table 1
REIS Assets
As of June 30, 2025

Type of Asset	Amount
Cash & Cash Equivalents	$8,795,821
Investments at Fair Value	$3,989,282
Dividend & Interest Receivable	$223,771
Total Assets	**$13,008,874**

Source: Compiled by the Legislative Audit Division.

The Investments at Fair Value amount comprises the Pintler Meadows workforce housing development in Deer Lodge. This development was created in response to the affordable housing shortage for employees of the Montana State Prison and Montana State Hospital as part of House Bill 819 in the 2023 legislative session. While building a housing development was not the only allowable use of the General Fund appropriation created in the bill, the board determined it was the best way to meet the affordable housing need. The other allowable uses of the funds included providing matching funds to the state workforce housing community reinvestment organization revolving loan fund, making loans for eligible infrastructure projects, and providing funds to discount housing costs for eligible employees.

Under Generally Accepted Accounting Principles (GAAP), investments and capital assets serve different purposes. Investments help governments generate income or earn returns, which they can then use to support services. In contrast, capital assets such as buildings, vehicles, or infrastructure are used directly to provide those services. GAAP further defines an investment for financial reporting purposes that is distinct from any legal determination. To qualify, the asset must be held primarily to earn income or profit, and its present service capacity must come from its ability to generate cash or be sold for cash. However, not all assets that generate cash are considered investments. The key factor is how the government intended to use the asset when it acquired it. That classification does not change, even if the asset's use changes later.

To determine whether the Pintler Meadows housing development meets this definition, we analyzed documents and hearings surrounding the development in the 2023 and 2025 legislative sessions.

- **Held Primarily for the Purpose of Income or Profit:** At no point in any of the hearings was the income from the housing discussed. In fact, in hearings related to Senate Bill 223 in February of 2025, legislators and board staff discussed how the income would be used for upkeep and maintenance and to provide down payment assistance to tenants at the end of their leases in order to continue to use the housing as a recruiting tool for the state-owned facilities. It is clear from these hearings that the purpose of the Pintler Meadows housing development is to provide affordable housing to state employees at the Montana State Prison and the Montana State Hospital and not to provide income for either the board or the state in general.

- **Present Service Capacity Solely to Generate or be Sold for Cash:** The Pintler Meadows workforce housing is being used by the board to provide affordable housing to state employees, which is a direct service. While cash is generated through the future rental payments, which will be partially used to further affordable housing through down payment assistance to tenants, the housing was not built to fund the down payment assistance, it is more of a byproduct.

Based on this information, we determined that the Pintler Meadows housing development does not meet the definition of an investment under GAAP. Additionally, because the development is being operated as affordable housing, BOI is not maximizing the return to the REIS participants as is required under state law for the Unified Investment Program (UIP). Thus, it should not be included in the UIP and should instead be reported as a capital asset within the General Fund.

We believe this housing is distinct from other buildings held by the board. For instance, they purchased a building in December 2024 that houses several state agencies. The building is considered an investment for financial reporting purposes because it enables the state to collect rental income rather than paying rent to an external party. Likewise, the present service capacity of this building is to generate a cash return for the Trust Fund Investment Pool, which holds the building in its portfolio.

We present this information for informational purposes only and make no recommendation to the board, as the dollar amounts are 0.013 percent of the total Unified Investment Program investments managed by the board. However, as the legislature has shown continued interest in having the board construct and manage other state building projects, such as the new behavioral health facility authorized in House Bill 5 of the 2025 session, we believe proper classification for financial reporting purposes is important to discuss in this report. The legislature should understand that placing these projects with the board does not automatically mean they will be reported as an investment in the board's financial statements or the state's Annual Comprehensive Financial Report. Additionally, the board should understand its responsibility to analyze each purchase to determine whether it meets the definition of an investment under GAAP for financial reporting purposes.

Independent Auditor's Report and Unified Investment Program Financial Statements

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Montana Board of Investment's Unified Investment Program, which are comprised of the Statement of Fiduciary Net Position as of June 30, 2025, the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Montana Board of Investment's Unified Investment Program as of June 30, 2025, and the changes in net position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 board 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 opinion.

Emphasis of Matter

As discussed in Note 1, the accompanying financial statements are intended to present the financial position and the changes in financial position of only the Montana Board of Investments' Unified Investment Program. They do not purport to, and do not, present fairly the financial position of the State of Montana, as of June 30, 2025, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Unified Investment Program'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 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 the board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Unified Investment Program'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 on page A-5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Combining Statement of Fiduciary Net Position on pages A-41 and A-42, and the Combining Statement of Changes in Fiduciary Net Position on pages A-43 and A-44 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

January 12, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for the Unified Investment Program (UIP) of the Board of Investments (the Board) of the State of Montana, (the State), presents our discussion and analysis of the financial statements for the UIP.

In addition to the UIP, the Board also administers an Enterprise Fund to account for its programs created by the Municipal Finance Consolidation Act and the Economic Development Bond Act. This report represents only the UIP. The Enterprise Fund financial statements are presented separately.

FINANCIAL HIGHLIGHTS

The fiduciary net position of the UIP increased to $29.6 billion in comparison to a beginning fiduciary net position of $28.3 billion. Regarding the underlying components of the UIP:

- Consolidated Asset Pension Pool (CAPP) increased in fiduciary net position benefiting from positive returns in most public market asset classes, including domestic equity, international equity, and non-core fixed income. The annual investment return for CAPP was 9.5%.
- The Trust Funds Investment Pool (TFIP) realized an increase in fiduciary net position with positive cash contributions and annual return of 6.0%.
- The Short-Term Investment Pool (STIP) value increase was driven by increased yields and positive flows from STIP participants. The annual investment return for STIP was 4.8%.
- The Separately Managed Accounts (SMA) decrease in fiduciary net position was primarily due to the transfer of the Veterans' Home Loan Program and Multifamily Coal Trust Homes Program from the Coal Trust to management under the Montana Board of Housing as part of 2025 House Bill 924.
- The Real Estate Investment Services (REIS) pool was created during the fiscal year to manage legislatively mandated real properties in the State. The REIS returns were exclusively related to STIP. The first occupants of the workforce housing project related to 2023 HB 819 moved in on August 1, 2025. Construction is scheduled to be completed in February 2026.

The increase in fiduciary net position was driven by positive investment returns for all investment pools. We expect periods of extreme market volatility and continually manage risks. Current factors leading to uncertainty in the market include:

- Persistent inflation,
- Elevated global debt,
- International trade tensions,
- Slower growth, and
- Aging demographics.

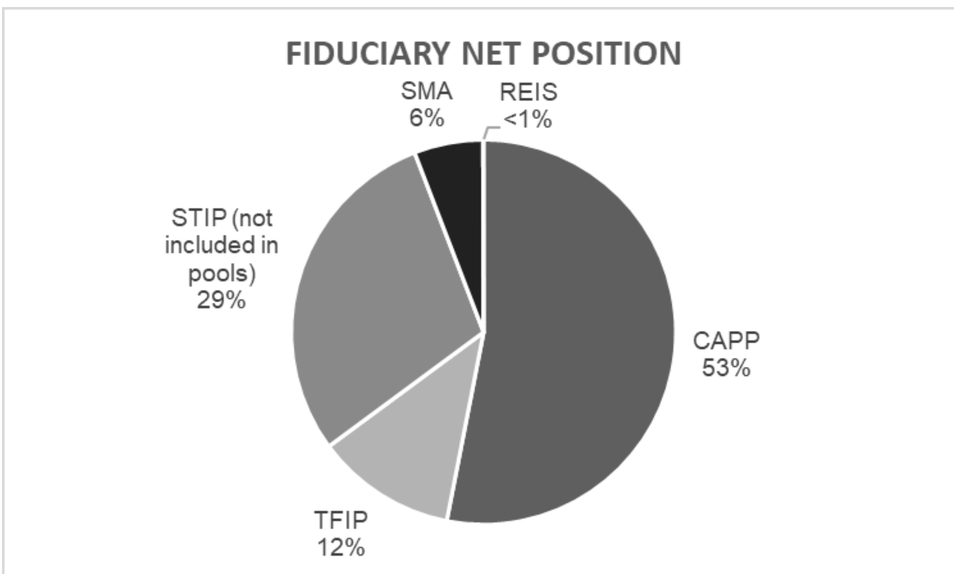
The Board continues its disciplined execution of our investment processes to help us achieve our long-term investment objectives while mitigating losses during economic downturns.

The following is a summary of the condensed Changes in Fiduciary Net Position by pool and for the SMA from the prior to current fiscal year with amounts in thousands:

CONDENSED CHANGES IN FIDUCIARY NET POSITION
FOR POOL AND SMA PARTICIPANTS

	For Fiscal Years Ending June 30, 2025	June 30, 2024
Consolidated Asset Pension Pool (CAPP)	$ 870,910	$ 855,493
Trust Funds Investment Pool (TFIP)	440,383	63,198
Short Term Investment Pool (STIP)	147,364	232,844
STIP Included in Investment Pools	(135,270)	(49,917)
Separately Managed Accounts (SMA)	(53,015)	82,881
Real Estate Investment Services (REIS)	13,009	-
Total Change in Net Position by Pool and SMA Participants	**$ 1,283,381**	**$ 1,184,499**

Assets of the UIP by pool were as follows:



The investment return net of fees of UIP is best characterized by describing the investment returns of the underlying pools due to the different goals of each pool.

	1-YEAR TOTAL RETURN	
POOL	**2025**	**2024**
CAPP	9.5%	9.1%
TFIP	6.0%	0.7%
STIP	4.8%	5.5%

The investment returns are based on data made available by the custodial bank. Performance calculations were prepared using time-weighted rates of return and are net-of-fees. SMA investment returns vary depending on the account specific investment allocations and the cash flows in and out of the account during the period.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB).

The UIP is comprised of a combination of two internal investment pools, two external investment pools and the SMA to meet the financial goals and expectations of the state and local government agencies and entities which entrust these funds to the Board as a fiduciary. The CAPP and REIS are internal investment pools, and TFIP and STIP are external investment pools. The UIP is presented on a pool basis. The amounts reported within these financial statements become part of the governmental, proprietary, and fiduciary fund categories of the State's Annual Comprehensive Financial Report (ACFR) on a participant basis. The State's ACFR is separately issued from these financial statements.

The CAPP seeks to meet the actuarial determined benchmark. Because of the long-term nature of the state's various pension liabilities, the Board maintains a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance. The core of this strategy is maintaining a diversified portfolio across asset classes compatible with the Board's risk tolerance and prudent investment practices.

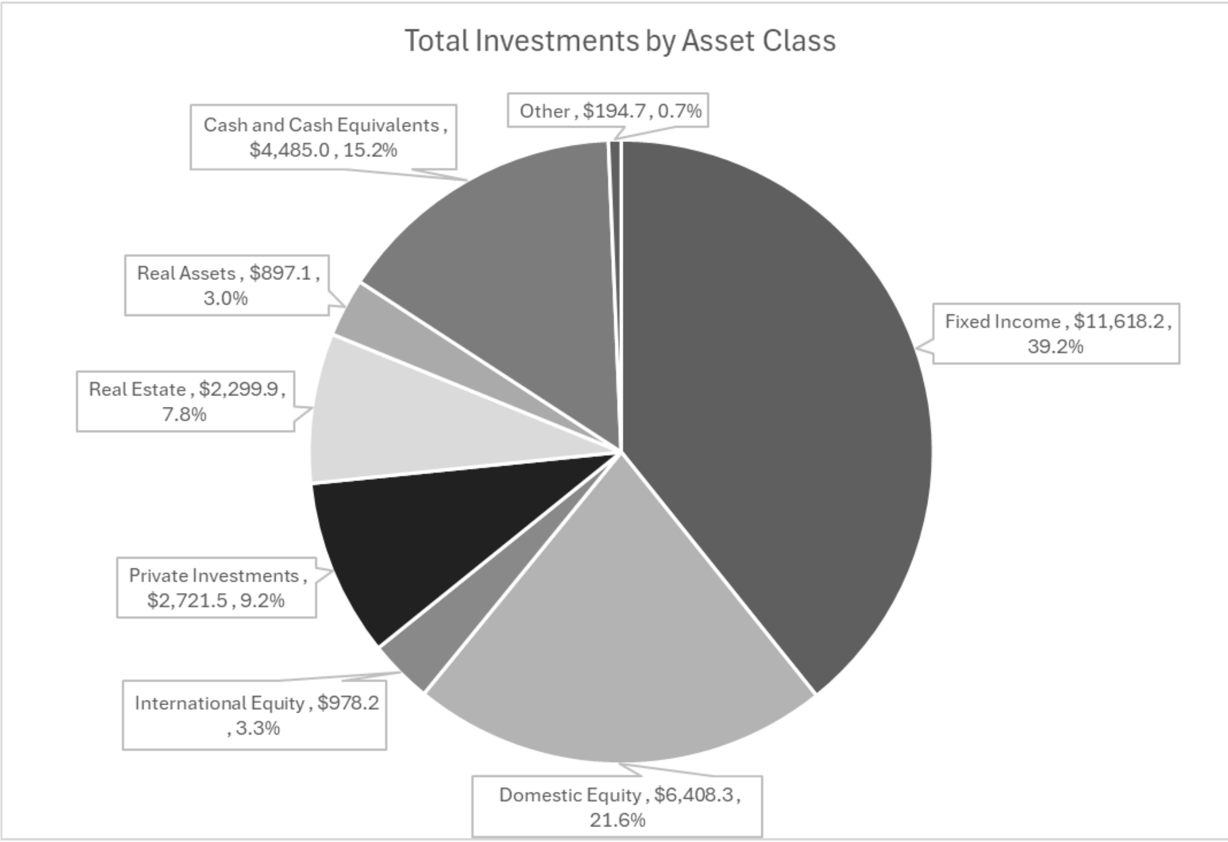
The TFIP is designed to provide participants exposure to a portfolio of income-producing assets. The use of a commingled pool allows for simplified investing and accounting, broader diversification, and thus, less risk than would otherwise be available for individual participants.

The STIP provides participants with a high level of investment income that is compatible with the preservation of principal, providing STIP participants with liquidity with one day notification, and the prudent investment practices of the Board.

The REIS is an internal investment pool designated to manage real estate direct investment projects on behalf of the state.

The SMA investments are combined for reporting purposes in the SMA portion of the UIP. SMA participants include the State Treasurer's Cash Fund, state agency insurance reserves and several other state agencies. SMA participation is at the discretion of the Board staff for those state agencies allowed to participate in the UIP.

As of June 30, the investments held in the UIP by asset class were as follows (amounts in millions):



The financial statements and notes to the financial statements follow this section of the report. The **STATEMENT OF FIDUCIARY NET POSITION** provides information on the types of investments, capital assets, and liabilities of the pools and SMA.

The **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION** provides information on investment performance and other increases (additions) and decreases (deductions) in the fiduciary net position of the pools and SMA.

The **NOTES TO THE BASIC FINANCIAL STATEMENTS** provide additional information that is essential to a full understanding of the data provided in the financial statements. Additional supplementary information presented is not required by GAAP but is included for transparency.

FINANCIAL ANALYSIS

FIDUCIARY NET POSITION

The fiduciary net position is the cumulative excess of assets over liabilities since inception. The following is a Condensed Statement of Fiduciary Net Position of the UIP as of June 30 as compared to the prior year with amounts presented in thousands:

CONDENSED STATEMENT OF FIDUCIARY NET POSITION HELD IN TRUST FOR POOL AND SMA PARTICIPANTS

	June 30, 2025	June 30, 2024
Assets		
Total Investments	$ 29,602,874	$ 28,238,309
Receivables and Other Assets	1,516,610	1,223,860
Capital Assets, Net	61	344
Total Assets	**31,119,545**	**29,462,513**
Liabilities		
Payables and Other Liabilities	1,533,838	1,159,925
Subscription Liabilities	62	324
Total Liabilities	1,533,900	1,160,249
Fiduciary Net Position	**$ 29,585,645**	**$ 28,302,264**

As of June 30, most of the assets were composed of investments at either fair value or at net asset value (NAV). There is a large measure of unpredictability in these balances from year-to-year due to constant changes in the value of the investments.

The receivables and other assets include amounts for broker receivable for securities sold but not settled, accrued interest and dividends, net capital assets, and collateral held for securities lending transactions. The payables are similar but also include income due to participants and other liabilities.

The Board manages the State Treasurer’s Cash Fund which consists of fund balances of all the funds of the State which are not invested in other cash pools or outside financial institutions. All earnings on the Treasurer’s Cash Fund were permitted by law to flow to the State’s Debt and Liability Free account until June 30, 2025, at which point these earnings will revert to the general fund.

CHANGES IN FIDUCIARY NET POSITION

The change in fiduciary net position represents the aggregated annual additions and deductions of the UIP. As of June 30, the UIP had a change in fiduciary net position of $1.3 billion compared to the prior year's change of $1.2 billion as investment returns remained positive. The following is a Condensed Statement of Changes in Fiduciary Net Position of the UIP as of June 30, compared to the prior year (amounts in thousands):

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION HELD IN TRUST FOR POOL AND SMA PARTICIPANTS	For Fiscal Years Ending June 30, 2025	For Fiscal Years Ending June 30, 2024
Additions		
Purchases by Participants	$ 12,867,508	$ 13,402,567
Investment Earnings	2,193,570	1,898,770
Investment Costs	(79,848)	(75,064)
Other Investment Expenses	(17,341)	(25,298)
Net Investment Income (Loss)	2,096,381	1,798,408
Securities Lending Income, Net of Expense	9,503	6,045
Total Additions	**14,973,392**	**15,207,020**
Deductions		
Sales by Participants	13,096,124	13,426,443
Income Distributions to Participants	593,887	596,078
Total Deductions	**13,690,011**	**14,022,521**
Change in Fiduciary Net Position	**1,283,381**	**1,184,499**
Fiduciary Net Position, Beginning of Year	**28,302,264**	**27,117,765**
Fiduciary Net Position, End of Year	**$ 29,585,645**	**$ 28,302,264**

Purchases, Sales, and Distributions. Purchases, sales, and distributions to participants vary annually based on participant activity and their cash flow needs.

Investment Returns. Returns across asset classes were positive in the fiscal year, with several classes exceeding their historical averages. The portfolio benefited from the diversification and strong returns, especially with the outperformance of both domestic and international equities. Returns by asset class for the fiscal year were as follows for CAPP:

TOTAL RETURN BY ASSET CLASS

ASSET	1 YEAR	SINCE INCEPTION
Domestic Equity	14.5%	10.5%
International Equity	18.7%	5.3%
Core Fixed Income	5.5%	5.0%
Non-Core Fixed Income	10.2%	6.7%
Private Investments	4.0%	12.1%
Real Estate	1.5%	4.1%
Real Assets	7.7%	6.0%
Cash	5.7%	2.8%

Investment Costs. Investment fees include the Board management fees, investment expenses to manage the investments in the pools and SMA, and external management fees. Board management fees are set by the State Legislature biennially and approved by the Board as part of an annual budget. External manager fees are paid directly from the accounts they manage, and investment expenses are directly allocated to the pools and SMA they impact. These flows comprise the 'overhead' of the UIP. For the fiscal year ended June 30, these flows represented 0.27% of ending fiduciary net position (or 27 basis points), holding steady from the prior year. The primary component relates to external manager fees, which the Board continues to aggressively monitor and seek to reduce through economies of scale and relationship management.

OPERATIONAL HIGHLIGHTS

The Board's focus on disciplined investment driven by strategic asset allocations remains the foundation of our work. Special attention is given to cost containment, fee reductions as appropriate, increasing operational scale and efficiencies, and transparency to participants and the public. Major operational highlights include expansion of the Board's affordably housing portfolio and purposes.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS THAT MAY IMPACT UIP'S OPERATIONS IN THE FUTURE

The Board will transition from an internal service fund to an enterprise fund in FY26 which will result in a near 16% reduction in participant fees. In addition, the Board will be responsible for managing the new Growth and Opportunity Trust (GO Trust) and its respective sub trusts established with the passage of 2025 House Bill 924.

Going forward, the market faces multiple obstacles including persistent inflation, elevated global debt, trade tensions, slower growth, and aging demographics. Key inflation, payroll, and wage growth metrics continue to be a focus for investors as they watch for signs of economic weakness.

The market is expecting the Federal Reserve to lower interest rates over the next few quarters to support economic growth. Enthusiasm around AI, technology, and the infrastructure to support this wave of innovation remains high.

Despite the challenges, the Board continues to pursue attractive investment opportunities that are additive to the portfolio over an extended period. The Board prioritizes prudent diversification as a critical pillar of the portfolio to guard against unmanageable losses during economic downturns. The Board believes that disciplined execution of our investment process will help us achieve the long-term objective of the pension plans. This has been demonstrated by the results since inception.

REQUESTS FOR INFORMATION AND TRANSPARENCY

This financial report is designed to provide a general overview of UIP's operations. Questions concerning any of the information contained in this report or requests for additional information about the Board's operations should be addressed to the Board at 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, Montana 59620-0126. The Board may be reached by phone at (406) 444-0001, fax at (406) 449-6579 or TDD at (406) 841-2702. Investment policies and Board Meeting agendas and minutes are posted at http://investmentmt.com/.

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MONTANA UNIFIED INVESTMENT PROGRAM
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2025
(amounts in thousands)

Assets	
Investments	
Cash and Cash Equivalents	$ 4,484,955
Investments at Cost	193,426
Investments at Fair Value	24,924,493
Total Investments	29,602,874
Securities Lending Cash Collateral	1,265,415
Receivables	
Broker Receivable for Securities Sold but not Settled	52,377
Dividend / Interest Receivable	198,436
Total Receivables	250,813
Prepaid Expenses	382
Capital Assets, Net	61
Total Assets	31,119,545
Liabilities	
Payables	
Broker Payable for Securities Purchased but not Settled	203,634
Income Due Participants	53,230
Other Payables	8,367
Administrative Fee Payable	3,192
Total Payables	268,423
Securities Lending Obligations	1,265,415
Subscription Liabilities	62
Total Liabilities	1,533,900
Net Position Held in Trust for Pool and Separately Managed Accounts (SMA) Participants	$ 29,585,645

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

MONTANA UNIFIED INVESTMENT PROGRAM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR YEAR ENDING JUNE 30, 2025
(amounts in thousands)

Additions	
Purchases by Participants	$ 12,867,508
Net Investment Earnings	
Investment Earnings	
Net Increase / (Decrease) on Fair Value of Investments	1,347,949
Dividend / Interest Income	845,195
Other Investment Income	426
Investment Earnings	2,193,570
Investment Costs	(79,848)
Other Investment Expenses	(17,341)
Net Investment Income (Loss)	2,096,381
Securities Lending Income	65,479
Securities Lending Expense	(55,976)
Net Securities Lending Income	9,503
Total Additions	14,973,392
Deductions	
Sales by Participants	13,096,124
Income Distributions to Participants	593,887
Total Deductions	13,690,011
Change in Net Position	1,283,381
Net Position Held in Trust for Pool and SMA Participants - Beginning of Year	28,302,264
Net Position Held in Trust for Pool and SMA Participants - End of Year	$ 29,585,645

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

These financial statements present only the activity of the Unified Investment Program (UIP) as managed by the Board of Investments (the Board). The financial information pertaining solely to the UIP administrative operations of the Board can be found in the Investment Division internal service fund contained within the State of Montana's (the State) Annual Comprehensive Financial Report (ACFR). The external participation for Short-Term Investment Pool (STIP) and the Trust Funds Investment Pool (TFIP) is reported as Investment Trust Funds within the State's ACFR. The State's ACFR is available from the Montana Department of Administration's State Financial Services Division website http://sfsd.mt.gov/SAB/acfr/index; at Room 250 Mitchell Building, 125 North Roberts Street, PO Box 200102, Helena, MT 59620-0102 or at 406-444-3092.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The UIP is, by statute, comprised of involuntarily participating State funds, including pensions, trusts, insurance, operating funds, and by statute, voluntarily participating local government funds. To facilitate the management of the UIP, the Board uses a combination of investment pools and Separately Managed Accounts (SMA) to meet the financial goals and expectations of the agencies and entities who entrust these funds to the Board. The balances within these financial statements become part of the participant's applicable fund category or component unit of the State's ACFR.

BASIS OF ACCOUNTING

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB).

CASH AND CASH EQUIVALENTS HELD WITHIN POOLS

Cash and cash equivalents generally are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The CAPP, the TFIP, the STIP, the REIS, and SMAs hold cash and cash equivalents measured at cost.

VALUATION OF INVESTMENTS

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. Additional information on how the Board reports fair value measurements can be found in Note 6 - Fair Value Measurement.

As further disclosed in Note 6 – Fair Value Measurement and Note 10 – SMA Montana Loans and Bonds, $193.4 million of investments are reported at cost. These include bonds authorized in the Municipal Finance Consolidation Act of 1983 (INTERCAP Bonds) and SMA Montana Loans and Bonds which are nonparticipating contracts.

PREPAID EXPENSES

Certain payments to vendors reflect investment costs applicable to future accounting periods and are recorded as prepaid expenses.

CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use asset contracts which meet certain conditions and are considered noncancelable with an amortized cost greater than $100 thousand and greater than one year in term are included on the Statement of Fiduciary Net Position as Capital Assets, Net. Such assets are amortized on a straight-line basis over the shorter of the life of the contract or the useful life of the underlying asset(s). The assets are reported net of accumulated amortization. The related subscription liabilities are included within Subscription Liabilities on the Statement of Fiduciary Net Position and are measured at the present value of expected payments over the contract terms. The amortization expense is a component of investment costs. See Note 8 – Capital and Right-to-Use Assets for more information.

REVENUE RECOGNITION

Unrealized gains and losses are included as a component of investment income in the Statement of Changes in Fiduciary Net Position. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in the fair value of investments also consists of the realized gains and losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

INVESTMENT COSTS

The State Legislature sets the management fees the Board charges. The maximum fee is set at the aggregate level at the beginning of each fiscal year. These Board management fees are allocated to the pools and SMA based on direct costs when related to a specific pool and according to their proportionate share of the total UIP for indirect costs.

Investment costs charged to each pool and the SMA investments are shown in the following table with amounts in thousands:

TOTAL FISCAL YEAR 2025 INVESTMENT COSTS	Board Management Fees	External Manager Fees	Total	Investment Fee Ratio
Consolidated Asset Pension Pool (CAPP)	$ 4,933	$ 65,126	$ 70,059	0.45%
Trust Funds Investment Pool (TFIP)	912	6,044	6,956	0.20%
Short Term Investment Pool (STIP)	719	-	719	0.01%
Separately Managed Accounts (SMA)	1,262	852	2,114	0.12%
Total	$ 7,826	$ 72,022	$ 79,848	0.27%

SECURITIES LENDING

The collateral received under securities lending agreements where the pools and SMA can spend, pledge, or sell collateral without borrower default is included in the Statement of Fiduciary Net Position. Liabilities resulting from these transactions are also included in the Statement of Fiduciary Net Position. Costs associated with the securities lending transactions, including broker commissions, and lending fees paid to custodians are reported as components of investment expenses in the Statement of Changes in Fiduciary Net Position. Securities lending income reported for the fiscal year was $65.5 million, and expenses associated with securities lending were $56.0 million. For further detail, see Note 4 - Securities Lending.

PURCHASES AND SALES BY PARTICIPANTS AND INCOME DISTRIBUTIONS

Purchases and sales by participants are recorded when received or paid. TFIP and STIP participants receive monthly income distributions. SMA distributes income when received. SMA distributable income is total net investment earnings less the net increase (decrease) on the fair value of investments. TFIP and STIP distributable income is total net investment earnings less the net increase (decrease) on the fair value of investments not attributable to amortization. TFIP and SMA distributable income also includes net securities lending earnings. CAPP and REIS retain all investment earnings; therefore, do not distribute to participants.

REGULATORY OVERSIGHT

The Board was created by the State Legislature to manage the UIP established by the State Constitution. The Board is not registered with the U.S. Securities and Exchange Commission as an investment company.

POOL PARTICIPANT UNITS

Pool units are purchased and sold in the same manner as individuals investing in mutual funds. Therefore, the pool unit price is computed based on market prices on securities in the pool plus any additional assets, minus liabilities. The STIP participants purchase and sell units at $1 per unit, at the participant's discretion. Additional information on STIP can be found in Note 13 – STIP Reserve. CAPP and TFIP units are purchased and sold based on the prior day ending price. SMA investments and REIS are purchased and sold at their respective fair values at the dates of transaction. CAPP and TFIP units, SMA investments, and REIS are purchased and sold at the discretion of Board investment staff based on asset allocations and Investment Policy Statements (IPS) approved by the Board. Individual investments in the pools are not specifically identified to the respective participants. Gains and losses on the sale of CAPP, TFIP, and REIS participant units are reflected at the participant level. SMA is not a pool; therefore, there are neither units outstanding, nor unit values calculated.

2. INVESTMENT COMMITMENTS

Investments in alternative financial assets are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last several years. The following table is presented in thousands. The Board's remaining commitments as of June 30 to active alternative investment funds include $2.5 billion related to CAPP, $192.8 million related to TFIP and $36.4 million related to SMA. Additional information on such commitments can be found in Note 6 – Fair Value Measurement.

COMMITMENTS TO FUND MANAGERS

	Commitment Remaining
Private Investments	$ 1,615,743
Real Assets	450,976
Real Estate	674,695
Total	$ 2,741,414

3. INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, the Board's custodial bank must be rated at least at the sixth highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) annually.

As of June 30, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee's name for the Montana Board of Investments and held in the possession of the Board's custodial bank. The equity index funds, securities and demand deposit accounts held at non-custodial banks, direct real estate, mortgage, and loan investments were purchased and recorded in the Board's name. Commingled fund investments are registered in the name of the Montana Board of Investments. Therefore, the Board is not subject to custodial credit risk.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. The concentration of credit risk is addressed within all IPSs as set by the Board. A maximum of 4% of the net asset value of any internally managed core fixed income portfolio may be held in a single corporate parent issuer, foreign/quasi-governmental issuer, or securitized specific pool at any time. STIP has additional concentration of credit risk provisions by asset class. Please refer to Note 5 – Summary of Investment Policy – Legal and Contractual Provisions for further detail.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk. Please refer to Note 5 – Summary of Investment Policy – Legal and Contractual Provisions for further detail.

Of the CAPP's cash equivalents position on June 30, $187.0 million was held in unrated money market funds.

As a matter of STIP investment policy, the Board's fixed income investment staff can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered “US Treasury” or “US Government” money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, all the STIP money market investments were in US Governmental Money Markets and $424.4 million was held on deposit in short-term investment vehicles. NRSRO provides the credit ratings presented in the following table as of June 30 (amounts in thousands):

STIP CASH EQUIVALENT CREDIT QUALITY RATINGS

Cash Equivalent Investment Type		Total Cash Equivalents	Credit Quality Rating
Agency or Government Related	$	61,708	A-1+
Asset Backed Commercial Paper		2,949,872	A-1+
Corporate:			
Commercial Paper		849,964	A-1+
Interest Bearing Demand Deposit Accounts		424,424	A-1+
Total Cash Equivalents	$	4,285,968	

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Board uses effective duration as a measure of interest rate risk for all fixed income portfolios. Please refer to Note 5 – Summary of Investment Policy – Legal and Contractual Provisions for further detail.

CAPP, TFIP, and SMA investments at fair value are categorized to disclose credit and interest rate risk on the following table (amounts in thousands) for fixed income securities as of June 30. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration.

CREDIT QUALITY RATING AND EFFECTIVE DURATION
FAIR VALUES

Security Investment Types	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Durations (Years)
Treasuries	$ 683,848	$ 839,269	$ 302,081	$ 1,825,198	AA+	10.42-11.58
Agency or Government Related	401,838	213,299	98,931	714,068	AA+ to A-	3.60-6.27
Asset Backed Securities	78,916	75,716	57,853	212,485	AAA	1.27-1.54
Mortgage Backed Securities:						
Noncommercial	435,694	484,792	251,350	1,171,836	AA+	4.87-5.48
Commercial	77,231	58,957	26,530	162,718	AAA to AA+	2.14-3.44
Corporate:						
Financial	476,032	292,751	235,601	1,004,384	A+ to BBB+	2.32-3.64
Industrial	865,384	618,558	286,113	1,770,055	A- to BB+	3.59-4.71
Utility	60,799	16,919	6,725	84,443	A+ to BBB-	3.63-5.98
Total Fixed Income Investments at Fair Value	$ 3,079,742	$ 2,600,261	$ 1,265,184	$ 6,945,187		

Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP has $65 million in investments reported at cost that are not rated. STIP interest rate risk is determined using the weighted average maturity (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 58 days for the portfolio. STIP investments at fair value are categorized to disclose credit risk and (WAM) as of June 30 on the following table (amounts in thousands):

STIP CREDIT QUALITY RATINGS AND WEIGHTED AVERAGE MATURITY

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 1,877,840	A-1+	85
Agency or Government Related	350,679	A-1+	296
Corporate:			
Commercial Paper	401,605	A-1+	186
Notes	882,990	A-1+	319
Certificates of Deposit	1,159,893	A-1+	129
Total STIP Fixed Income Investments at Fair Value	$ 4,673,007		

Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, the Board deemed the cash equivalents to have little discernible interest rate risk.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Board's foreign currency exposure by denomination and investment type are reported as of June 30, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depositary Receipts (ADRs), sovereign debt and commingled index funds. The following table is in thousands.

FOREIGN CURRENCY EXPOSURE BY COUNTRY
INVESTMENT TYPE IN U.S. DOLLAR EQUIVALENT

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Argentine Peso	$ -	$ 708	$ -	$ -	$ -	$ -
Australian Dollar	-	-	30,433	-	-	-
Brazilian Real	76	18,473	21,048	-	-	-
Canadian Dollar	293	-	76,176	-	-	-
Chilean Peso	33	2,115	338	-	-	-
Chinese Yuan	238	161	33,149	-	-	-
Columbian Peso	66	783	-	-	-	-
Czech Koruna	-	3,488	4,142	-	-	-
Danish Krone	-	-	16,809	-	-	-
Dominican Peso	-	226	-	-	-	-
Egyptian Pound	17	3,402	230	-	-	-
EMU-Euro	370	4,794	322,879	5,440	123	120,056
Hong Kong Dollar	219	-	97,664	-	-	-
Hungarian Forint	-	2,963	177	-	-	-
Indian Rupee	-	5,659	-	-	-	-
Indonesian Rupiah	194	8,799	8,151	-	-	-
Japanese Yen	668	-	184,153	-	-	-
Kazakhstan Tenge	-	514	-	-	-	-
Kuwaiti Dinar	94	-	7,435	-	-	-
Malaysian Ringgit	154	3,825	2,931	-	-	-
Mexican Peso	(403)	10,788	16,158	-	-	-
New Israeli Sheqel	6	-	5,559	-	-	-
New Taiwan Dollar	266	-	97,467	-	-	-
Norwegian Krone	575	-	8,879	-	-	-
Paraguay Guarani	-	471	-	-	-	-
Peruvian Sol	1	10,013	31	-	-	-
Philippine Peso	23	-	319	-	-	-
Polish Zloty	15	2,953	16,040	-	-	-
Pound Sterling	173	-	119,692	39,266	-	-
Romanian Leu	35	1,494	-	-	-	-
Russian Ruble	19	-	-	-	-	-
Singapore Dollar	2	-	23,872	-	-	-
South African Rand	11	7,549	2,852	-	-	-
South Korean Won	27	-	46,004	-	-	-
Swedish Krona	17	-	46,080	-	-	-
Swiss Franc	54	-	61,581	-	-	-
Thailand Baht	71	3,361	11,762	-	-	-
Turkish Lira	1	2,233	1,468	-	-	-
UAE Dirham	227	-	20,179	-	-	-
Ukranian Hryvnia	-	362	-	-	-	-
Uruguayan Peso	-	1,158	-	-	-	-
Total	$ 3,542	$ 96,292	$ 1,283,658	$ 44,706	$ 123	$ 120,056

4. SECURITIES LENDING

The Board is authorized by law to lend its securities and has contracted with the custodial bank to lend the Board'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 30, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. The Board and the custodial bank split the earnings 85% and 15%, respectively, on securities lending activities. The Board retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the Board's credit risk exposure to the borrowers. The custodial bank cannot sell collateral securities unless the borrower defaults.

During the fiscal year, the custodial bank loaned the Board's public securities and received as collateral the following instruments:

- Cash (U.S. and foreign currency),
- Securities issued or guaranteed by the United States government or its agencies or Instrumentalities,
- Canadian provincial debt,
- All other sovereign debt,
- Convertible bonds,
- U.S. and non-U.S. equities (which shall include (i) equity securities in the form of exchange-traded funds ("ETFs") and, for the avoidance of doubt, shall include, but not be limited to, ETFs of the custodial bank or other custodial bank affiliates and (ii) American Depositary Receipts and Global Depositary Receipts),
- Covered bonds,
- Preferred securities,
- Certificates of Deposit,
- Money market instruments,
- Asset-backed securities,
- Asset-backed commercial paper,
- Commercial paper,
- Collateralized mortgage obligations,
- Mortgage-backed securities,
- Supra-nationals,
- Irrevocable bank letters of credit issued by a person other than the borrower, or an affiliate of the borrower may be accepted as collateral, if the custodial bank has determined that it is appropriate to accept such letters of credit as collateral under the securities lending programs it administers,
- Assets permissible under Rule 15c3-3 under the Exchange Act of 1934, and
- Such other collateral as the parties may agree to in writing.

The Board has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements for each instrument:

COLLATERAL TYPE	MINIMUM CREDIT RATING	MARGIN REQUIREMENT
US Treasuries, including Treasury Inflation Priced Securities		102%
US Federal Agency Debt, including agency mortgage-backed securities		102%
Municipal Bonds	A-/A3	105%
Canadian Provincial & Australian Semi-Regional Debt	A-/A3	105%
Asset-Backed Securities	AA-Aa3	110-115%
Collateralized Mortgage-Backed Securities	AA-Aa3	110-115%
Commercial Mortgage-Backed Securities	AA-Aa3	110-115%
Supranational Debt	AAA/Aaa	102%
Sovereign Debt	AA-/Aa3	102%
Sovereign Debt	A-/A3	105%
Commercial Paper, Certificates of Deposit, Banker's Acceptances and Time Deposits	A1/P1	105%
Corporate Debt	AA-/Aa3	102-115%
Corporate Debt	BBB-/Baa3	102-115%
Convertible Bonds (convertible on call against loans of underlying stock, only) Matched/Hedged	No Floor	105%
Convertible Bonds (US issuers only) Outright	No Floor	110-115%
Equities (generally traded on well-established exchanges)		108%-110%

The cash collateral received for each loan was invested in a highly-liquid, separately managed portfolio. The Board 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 portfolio had a weighted average duration of 21 days and a weighted average final maturity of 103 days.

The security on loan and pledged collateral is disclosed as of June 30 while the security lending income and expense are disclosed for the year ended June 30: The following two tables are in thousands, except for percentages.

SECURITIES ON LOAN AND PLEDGED COLLATERAL

	Fair Value On Loan	Collateral Cash	Collateral Securities	Collateral Total	% of Fair Value
Consolidated Asset Pension Pool (CAPP)					
Domestic	$ 1,774,530	$ 684,861	$ 1,166,854	$ 1,851,715	104%
International	166,018	93,668	81,600	175,268	106%
Short Term Investment Pool (STIP)	1,437,393	350,784	1,146,518	1,497,302	104%
Trust Funds Investment Pool (TFIP)	942,743	97,153	903,473	1,000,626	106%
Separately Managed Accounts (SMA)	336,516	38,949	318,245	357,194	106%
Total	$ 4,657,200	$ 1,265,415	$ 3,616,690	$ 4,882,105	

SECURITIES LENDING INCOME AND EXPENSE

	Gross Income	Expenses	Net Income
Consolidated Asset Pension Pool (CAPP)	$ 35,935	$ (31,232)	$ 4,703
Short Term Investment Pool (STIP)	18,054	(15,709)	2,345
Trust Funds Investment Pool (TFIP)	7,758	(6,065)	1,693
Separately Managed Accounts (SMA)	3,732	(2,970)	762
Total	$ 65,479	$ (55,976)	$ 9,503

5. SUMMARY OF INVESTMENT POLICY – LEGAL AND CONTRACTUAL PROVISIONS

The Board manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

> "(a) Discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims,
> (b) Diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so, and
> (c) Discharge the duties solely in the interest of and for the benefit of the funds forming the UIP."

ALLOWED INVESTMENTS

Permissible investments are discussed in Note 1 – Description of Funds and Significant Accounting Policies and Note 4 – Securities Lending, the Board approves all Investment Policy Statements (IPSs).

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as SMA. Currently, only the nine retirement funds that participate in CAPP, the Defined Contribution Disability Plan, and the Montana State Fund (Workers' Compensation) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. The Board approves a separate IPS for each pool and SMA participant, which provides board staff with a broad strategic framework under which the investments are managed. The IPSs also reflect the Board approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the STIP. By statute, with a qualifying event, local government entities may also voluntarily invest in the TFIP.

CAPP

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as modifications are adopted by the Board. The Board annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner. Due to a longer-term focus, CAPP's Pension Asset Classes (PAC) differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Real Assets
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged in a defensive manner at the discretion of the active managers to preserve the U.S. dollar value of investments made.

TFIP

The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high-yield and real estate exposure.

STIP

The STIP IPS limits concentration of credit risk exposure by limiting exposure to individual issuers by asset class as follows (as a percentage of STIP Units Value at purchase):

- 3% to in any issuer for any permitted investments excluding U.S. Treasury and U.S. agency securities and repurchase agreements with a financial institution,
- 30% to any single issuer for U.S. agency securities,
- 5% to any single SEC registered 2a-7 fund for money market funds or FDIC-insured deposits,
- 5% to any single primary dealer or financial institution for repurchase agreements,
- 3% to any Montana domiciled bank for collateralized demand deposit accounts,
- 5% to the custodial bank for interest-bearing demand deposit accounts.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing daily liquidity for state agency and local government participants.

Per the STIP IPS, "The STIP portfolio will minimize interest rate risk by:

1) Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity,
2) Maintaining a WAM of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities), and
3) STIP will maintain a reserve account."

SMA

SMA invests primarily in investment grade, U.S. dollar denominated fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to public equity, core real estate, real assets, and non-core fixed income. The SMA portfolio includes loans funded by the Coal Severance Tax Trust Fund, as authorized by statute. Please refer to Note 10 – SMA Montana Loans and Bonds for further detail.

REIS

REIS is created for the management of private real estate direct investment. The pool is also allowed to hold STIP or fully collateralized demand deposit accounts at Montana domiciled banks and credit unions. There was only one participant in the pool on June 30.

OTHER POLICY CONSIDERATIONS

For other risk, the Board approves both the IPS, and benchmark used for each portfolio. Per the CAPP IPS, the internally managed Core Fixed average duration will be maintained in a range within 20% of the Bloomberg US Aggregate Bond Index duration. The externally managed Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the Bloomberg US Aggregate Bond Index duration and Bloomberg Barclays US High Yield 2% Issuer Cap Index duration, respectively. Per the TFIP IPS, the average duration for Investment Grade Fixed Income Asset Class will be maintained in a range within 20% of the Bloomberg US Aggregate Bond Index duration while the average duration of the Non-Core Fixed Income Asset Class will be maintained within 25% of the Bloomberg Barclays US High Yield 2% Issuer Cap Index duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

CAPP, TFIP, STIP, REIS, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

6. FAIR VALUE MEASUREMENT

The Board categorizes its fair value measurements within the fair value hierarchy established by GAAP as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets that the Board can access as of June 30.

Level 2 - Prices are determined using inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 - Prices are determined using unobservable inputs, which generally results in the Board using the best information available and may include the Board's own data.

Valuations not classified within these levels are further explained in the Investments at Net Asset Value section of this footnote.

FAIR VALUE LEVEL

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

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal, the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The Board's internal procedures require a third-party appraisal on direct real estate every four years.

Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents, INTERCAP Bonds, and Montana Loans and Bonds.

For each of the pools and SMA, the Board has the following value measurements as of June 30: The following tables are presented in thousands.

INVESTMENTS MEASURED AT FAIR VALUE		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by Fair Value Level				
Fixed Income Investments:				
Treasuries	$ 3,703,038	$ 3,703,038	$ -	$ -
Agency or Government Related	1,064,746	-	1,064,746	-
Asset Backed Securities	212,484	-	212,484	-
Mortgage Backed Securities:				
Noncommercial	1,171,836	-	1,171,836	-
Commercial	162,719	-	162,719	-
Corporate:				
Commercial Paper	401,605	-	401,605	-
Notes	882,990	-	882,990	-
Certificates of Deposit	1,159,893	-	1,159,893	-
Financial	1,004,384	-	1,004,384	-
Industrial	1,770,056	-	1,770,056	-
Utility	84,443	-	84,443	-
Domestic Equity Investments	6,408,334	6,408,334	-	-
International Equity Investments	978,215	978,215	-	-
Direct Real Estate	43,721	-	-	43,721
Residential Mortgages	458	-	-	458
Investment Derivative Instruments	786	-	786	-
Total Investments by Fair Value Level	19,049,708	$ 11,089,587	$ 7,915,942	$ 44,179
Investments Measured at Net Asset Value (NAV)				
Private Investments	2,721,461			
Core Real Estate	1,146,962			
Non-Core Real Estate	927,421			
Real Assets	897,124			
Real Estate High Income Fund	181,817			
Total Investments Measured at NAV	5,874,785			
Total Investments Measured at Fair Value	24,924,493			
Investments at Cost				
Cash and Cash Equivalents	4,484,955			
INTERCAP Bonds	65,000			
SMA Montana Loans and Bonds	128,426			
Total Investments not Categorized	4,678,381			
Total Investments	$ 29,602,874			

INVESTMENTS AT NET ASSET VALUE (NAV)

The investments measured at NAV for the fiscal year are further detailed below as of June 30 (amounts in thousands):

INVESTMENTS MEASURED AT NAV	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	$ 2,721,461	$ 1,615,743		
Core Real Estate	1,146,962	242,914	Monthly, Quarterly	45-90 Days
Non-Core Real Estate	927,421	292,253		
Real Assets	897,124	450,976		
Real Estate High Income Fund	181,817	139,528	Daily	1 -3 Days
Total Investments Measured at NAV	$ 5,874,785	$ 2,741,414		

PRIVATE INVESTMENTS - This type includes investments in limited partnerships. Typically, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, private credit, mezzanine, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the Board's ownership interest in partners' capital.

CORE REAL ESTATE - This type includes funds that make equity investments in operating and substantially leased institutional quality real estate in traditional property types (apartments, office, retail, industrial and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

NON - CORE REAL ESTATE - This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. Assets held under separate investment agreements can be held in perpetuity. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the fund.

REAL ASSETS - This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds and infrastructure. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the Board's ownership interest in the partners' capital.

REAL ESTATE HIGH INCOME FUND - This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

7. FAIR VALUE OF DERIVATIVE INSTRUMENTS

Within CAPP, the UIP invests in currency forward contracts, credit default swaps, interest rate swaps, index futures (long and short duration), rights, and warrants which are classified as investment derivative instruments. The investment derivative instruments are shown on following table, which is presented in thousands.

INVESTMENT DERIVATIVE INSTRUMENTS

Security Investment Types	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Fixed Income Futures Long	Investment	$ 80	$ -	$ 1,500
Fixed Income Futures Short	Investment	107	-	-
FX Forwards	Investment	(414)	(9)	73,569
Index Futures Long	Investment	1,210	-	3
Pay Fixed Interest Rate Swaps	Investment	(34)	21	1,133
Receive Fixed Interest Rate Swaps	Investment	739	585	39,516
Rights	Investment	57	2	-
Warrants	Investment	(328)	187	411
Totals		$ 1,417	$ 786	$ 116,132

CREDIT RISK – DERIVATIVE INSTRUMENTS

Credit risk is the risk that the counterparty will not fulfill its obligations.

The maximum amount of loss to the Board in case of default of all counterparties as of June 30 was $1.0 million.

The following table reflects the Board's applicable counterparty credit ratings and risk concentrations as of June 30:

RISK CONCENTRATIONS - CREDIT DEFAULT SWAPS

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
UBS SECURITIES LLC	45%	A+	A+	Aa2
BARCLAYS BANK PLC WHOLESALE	23%	A+	A+	A1
BNP PARIBAS	21%	A+	A+	A1
HSBC BANK USA	10%	A+	AA-	Aa3
UBS LCH	1%	A+	A+	Aa2

INTEREST RATE RISK – DERIVATIVE INSTRUMENTS

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment.

The following table reflects the Board's interest rate risk in derivative instruments, which is presented in thousands, except for years.

INTEREST RATE RISK

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 - 5	6 - 10
Pay Fixed Interest Rate Swaps	$ 21	$ -	$ -	$ 21
Receive Fixed Interest Rate Swaps	585	10	608	(33)
Total	$ 606	$ 10	$ 608	$ (12)

FOREIGN CURRENCY RISK – DERIVATIVE INSTRUMENTS

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Board is exposed to foreign currency risk on its currency forward contracts because they are denominated in foreign currencies.

The following table reflects the Board's foreign currency risk associated with forward currency contracts (amounts in thousands).

FOREIGN CURRENCY RISK

Currency Name	Options	Currency Forward Contracts Net Receivables	Currency Forward Contracts Net Payables	Swaps	Total Exposure
BRAZILIAN REAL	$ -	$ 6	$ (128)	-	$ (122)
CHILEAN PESO	-	-	(3)	-	(3)
YUAN RENMINBI OFFSHORE	-	9	(5)	-	4
YUAN RENMINBI	-	-	-	161	161
COLOMBIAN PESO	-	-	(11)	-	(11)
CZECH KORUNA	-	64	(41)	-	23
EURO CURRENCY	-	41	(75)	21	(13)
HUNGARIAN FORINT	-	(2)	(5)	-	(7)
INDONESIAN RUPIAH	-	(1)	(11)	-	(12)
INDIAN RUPEE	-	-	-	(10)	(10)
SOUTH KOREAN WON	2	12	-	-	14
KAZAKHSTAN TENGE	-	(6)	(22)	-	(28)
MEXICAN PESO	-	(4)	(14)	468	450
MALAYSIAN RINGGIT	-	134	-	-	134
SOL	-	63	(186)	-	(123)
POLISH ZLOTY	-	109	(34)	-	75
ROMANIAN LEU	-	18	-	-	18
THAILAND BAHT	-	72	7	-	79
TURKISH LIRA	-	5	-	-	5
SOUTH AFRICAN RAND	-	25	(26)	-	(1)
Sub Total	2	545	(554)	640	633
US DOLLAR	187	-	-	(34)	153
Total	$ 189	$ 545	$ (554)	$ 606	$ 786

8. CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use assets include subscription-based information technology arrangements (SBITA) assets. SBITAs consist of agreements that grant the Board use of property in exchange for payments over a specified period. The Board's SBITA payables are associated with the subscriptions of underlying IT assets provided by the SBITA vendors. All expenses related to SBITA agreements are allocated to individual pools based on proportionate use. Amortization expense is included as Investment Costs on the Statement of Changes in Fiduciary Net Position.

SBITA contracts are recorded as right-to-use assets and amortized using the effective interest rate method (amortizes at the same rate as the liability reduction). Interest expense is recognized ratably over the contract term. Capitalized implementation costs associated with right-to-use assets are recorded at cost and amortized using the straight-line method over the contract term or estimated useful life of the asset. Capital Asset account balances table are below (amounts in thousands):

CAPITAL AND RIGHT-TO-USE ASSET ACCOUNT BALANCES	Beginning Balances	Increases	Decreases	Ending Balance
Cost:				
Capital Assets Being Depreciated and Amortized:				
Right-To-Use Subscriptions	$ 1,162	$ -	$ (1,015)	$ 147
Total Capital Assets Being Depreciated	1,162	-	(1,015)	147
Less Accumulated Depreciation and Amortization For:				
Right-To-Use Subscriptions	(818)	(283)	1,015	(86)
Total Accumulated Depreciation and Amortization	(818)	(283)	1,015	(86)
Capital Assets, Net	$ 344	$ (283)	$ -	$ 61

Principal and interest requirements to maturity for SBITAs on June 30 were as follows (amounts in thousands):

SBITA PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY

Year Ended	Principal	Interest
2026	30	1
2027	32	-
Total	$ 62	$ 1

9. COAL SEVERANCE TAX TRUST FUND LOAN AND MORTGAGE COMMITMENTS

The Board makes firm commitments to fund commercial loans and residential mortgages from the Coal Severance Tax Trust Fund. These commitments have expiration dates and may be extended per Board policies. As of June 30, the Board had committed, but not yet purchased, $4.1 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $11.8 million for loans as of June 30.

The Board makes reservations to fund residential mortgages from the State's pension funds. As of June 30, there were no residential mortgage reservations. All Board residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a residential mortgage reservation and a funding commitment.

10. SMA MONTANA LOANS AND BONDS

The program invests Coal Severance Tax Trust (Coal Trust) funds in Montana to stimulate the state's economy. State law authorizes the Board to invest Coal Trust dollars in Montana to increase employment and business opportunities while maintaining and improving the state's physical environment. The SMA portfolio includes loans funded by the Coal Severance Tax Trust Fund. The Veterans' Home Loan Mortgage Program and the Multifamily Coal Trust Homes Program were transferred to the Montana Board of Housing on June 26, 2025. Montana Housing Infrastructure Bond was funded with the passage of 2023 House Bill 819. Loans and Bonds shown in the following table are reported at cost as of June 30 which is presented in thousands:

MONTANA LOANS AND BONDS		
Science and Technology Alliance	$	273
Montana Facility Finance		11,518
Local Government Infrastructure		8,438
Montana Housing Infrastructure Bond		2,010
Intermediary Relending Program (IRP) Loans		5,444
Commercial Loans		100,743
Total Montana Loans and Bonds at Cost	$	128,426

11. TAX ABATEMENTS

Within the Board's SMA Commercial Loan Program, by statute, the Infrastructure Loan Program is funded by an $80 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by an eligible basic sector business. The business will pay a user fee to the local government that is pledged to the Board for the loan repayment. The Board reviews each loan and only upon verification that the entities meet the loan requirements is the loan approved by the Board.

To be eligible for the program, the business must create at least fifteen full-time jobs within identified sectors of the Montana economy. The maximum loan size is a principal amount of $16,666 multiplied by the number of full-time jobs created with a minimum loan size of $250 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the business upon Board review and approval. The business must create the required jobs within four years of the agreement. If the business does not create the required jobs within the four-year period, then the business must pay down the loan balance to the local government entity until the loan balance matches the eligible amount per the jobs created. The Board may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates qualifying jobs. The business receiving the abatement must annually provide payroll documentation to the Board.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year, eligible business entities made total user fee payments of $1.5 million, representing $1.2 million of principal and $0.3 million in interest. During the fiscal year, $5.1 million was claimed as a credit against the State individual and corporation tax liability. The following table details the credit claimed by tax type and the tax year (TY) it was applied against (amounts in thousands). When the number of credits is claimed by fewer than ten eligible businesses, the numbers are not reported due to confidentiality concerns, as identified by an asterisk in the following table.

INFRASTRUCTURE CREDITS CLAIMED FOR THE FISCAL YEAR 2025

	For TY 2024		For TY 2023	
	Corporate Income Tax	Individual Income Tax	Corporate Income Tax	Individual Income Tax
Amount Claimed	$ 16	$ 130	$ 230	$ 4,736
Number of Credits	*	*	*	*

The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. The Board indemnifies the local government regarding repayment of the loan.

12. BOND AND LOAN GUARANTEES

As of June 30, the Board had provided loan guarantees from the Coal Severance Tax Trust Fund and the Treasurer's Cash Fund to the Municipal Finance Consolidation Act of 1983 program known as INTERCAP. Bond issues from INTERCAP totaled $65 million.

STIP, TFIP, the Coal Severance Tax Trust Fund provided loan guarantees for the Montana Facility Finance Authority (MFFA) amounting to $96.5 million. The amounts represent the potential liability of the Fund and guarantees are in effect for one year.

As of the end of the fiscal year, the Board has not had to perform on the guarantees. The amounts are merely commitments of the Board if debt service payments are required

MFFA is a discretely presented component unit of the State. MFFA guarantee requests are submitted to the Board for review and approval. The Board's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into MFFA's statutorily allowed capital reserve account is explicitly limited by statute which requires the Board to act prudently. The bond and loan guarantee requests from MFFA pertain to bonds issued by MFFA with a term of up to 40 years. The Board receives a credit enhancement fee at MFFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. The Board and MFFA have entered into an agreement detailing repayment to the Board.

The following schedule summarizes the bond and loan guarantee activity during the fiscal year with amounts in thousands.

BOND AND LOAN GUARANTEE ACTIVITY

	Beginning Balance	Additions	Reductions	Ending Balance
INTERCAP	$ 75,207	$ 71,793	$ (82,000)	$ 65,000
MFFA	$ 103,963	$ -	$ (7,460)	$ 96,503

13. STIP RESERVE

The reserve account may be used to offset losses within the STIP portfolio. As previously discussed, refer to Note 5 – Summary of Investment Policy – Legal and Contractual Provisions for more detail on STIP. The following table details STIP Reserve activity for the year ended June 30 with amounts presented in thousands:

STIP RESERVE ACTIVITY

Beginning STIP Reserve	$ 86,425
Additions	
Investment Earnings:	
Net Increase (Decrease) on Fair Value of Investments	4,159
Interest Income	336
Other Investment Income	428
Transfer of STIP Income	16,189
Total Investment Earnings	21,112
Investment costs:	
Transfers to STIP	-
Total costs	-
Total STIP Reserve Activity	21,112
Ending STIP Reserve	$ 107,537

14. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through January 6, 2026. Since June 30, the Board has committed an additional $265 million within Real Estate, $100 million within Real Assets, and $321 million within Private Investments, of which $571 million is related to CAPP, $100 million to TFIP, and $15 million to SMA. Refer to Note 2 – Investments Commitments for further detail.

Since June 30, the Board has funded an additional $1.9 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program. The Board has also extended loan guarantees for an additional MFFA loan for $15 million.

SUPPLEMENTARY INFORMATION

Statements continue onto the next page.

MONTANA UNIFIED INVESTMENT PROGRAM
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2025
(amounts in thousands)

Assets	Total	CAPP	TFIP State Agencies	TFIP Local Governments	SMA
Investments					
Cash and Cash Equivalents					
Cash Equivalent/STIP - Held Within Pools	$ -	$ 292,176	$ 42,527	$ 143	$ -
Cash and Cash Equivalents	4,484,955	192,103	5,993	20	871
Total Cash and Cash Equivalents	4,484,955	484,279	48,520	163	871
Investments at Cost	193,426	-	-	-	128,426
Investments at Fair Value	24,924,493	15,226,259	3,423,074	11,479	1,586,685
Total Investments	29,602,874	15,710,538	3,471,594	11,642	1,715,982
Securities Lending Cash Collateral	1,265,415	778,529	96,828	325	38,949
Receivables					
Broker Receivable for Securities Sold but not Settled	52,377	51,048	1,053	4	272
Dividend and Interest Receivable	198,436	123,593	23,279	78	9,750
Total Receivables	250,813	174,641	24,332	82	10,022
Prepaid Expenses	382	301	18	-	11
Capital Assets	61	59	-	-	2
Total Assets	31,119,545	16,664,068	3,592,772	12,049	1,764,966
Liabilities					
Payables					
Broker Payable for Securities Purchased but not Settled	203,634	171,091	2,148	7	563
Income Due Participants	53,230	-	11,799	40	8,931
Other Payable	8,367	7,060	1,303	4	-
Administrative Fee Payable	3,192	3,010	157	1	24
Total Payables	268,423	181,161	15,407	52	9,518
Securities Lending Obligations	1,265,415	778,529	96,828	325	38,949
Subscription Liabilities	62	60	-	-	2
Total Liabilities	1,533,900	959,750	112,235	377	48,469
Net Position Held in Trust for Pool and SMA Participants	$ 29,585,645	$ 15,704,318	$ 3,480,537	$ 11,672	$ 1,716,497

MONTANA UNIFIED INVESTMENT PROGRAM
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2025
(amounts in thousands)

		STIP			
Assets	REIS	State Agencies	Local Governments	Reserve	STIP Included in Investment Pools
Investments					
Cash and Cash Equivalents					
Cash Equivalent/STIP - Held Within Pools	$ 8,796	$ -	$ -	$ -	$ (343,642)
Cash and Cash Equivalents	-	3,333,287	940,300	12,381	-
Total Cash and Cash Equivalents	8,796	3,333,287	940,300	12,381	(343,642)
Investments at Cost	-	50,698	14,302	-	-
Investments at Fair Value	3,989	3,570,626	1,007,252	95,129	-
Total Investments	12,785	6,954,611	1,961,854	107,510	(343,642)
Securities Lending Cash Collateral	-	273,602	77,182	-	-
Receivables					
Broker Receivable for Securities Sold but not Settled	-	-	-	-	-
Dividend and Interest Receivable	224	32,357	9,128	27	-
Total Receivables	224	32,357	9,128	27	-
Prepaid Expenses	-	41	11	-	-
Capital Assets	-	-	-	-	-
Total Assets	13,009	7,260,611	2,048,175	107,537	(343,642)
Liabilities					
Payables					
Broker Payable for Securities Purchased but not Settled	-	23,263	6,562	-	-
Income Due Participants	-	25,318	7,142	-	-
Other Payable	-	-	-	-	-
Administrative Fee Payable	-	-	-	-	-
Total Payables	-	48,581	13,704	-	-
Securities Lending Obligations	-	273,602	77,182	-	-
Subscription Liabilities	-	-	-	-	-
Total Liabilities	-	322,183	90,886	-	-
Net Position Held in Trust for Pool and SMA Participants	$ 13,009	$ 6,938,428	$ 1,957,289	$ 107,537	$ (343,642)

In the above table, STIP holdings, purchases, sales, and investment earnings within investment pools are offset to calculate a combining total. STIP Reserve investment earnings and reserve expense within STIP are offset to calculate a combining total.

Statements continue onto the next page.

MONTANA UNIFIED INVESTMENT PROGRAM
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDING JUNE 30, 2025
(amounts in thousands)

			TFIP		
	Total	CAPP	State Agencies	Local Governments	SMA
Additions					
Purchases by Participants	$ 12,867,508	$ 72,833	$ 430,089	$ -	$ 382,998
Net Investment Earnings					
Investment Earnings					
Net Increase (Decrease) on Fair Value of Investments	1,347,949	1,033,262	41,946	211	60,548
Dividend/Interest Income	845,195	438,512	139,814	482	56,011
Other Investment Income	426	(3)	-	-	-
Investment Earnings	2,193,570	1,471,771	181,760	693	116,559
Investment Costs	(79,848)	(70,059)	(6,932)	(24)	(2,114)
Other Investment Expenses	(17,341)	(16,482)	(177)	(1)	(118)
Short Term Investment Pool Reserve Expense	-	-	-	-	-
Net Investment Income (Loss)	2,096,381	1,385,230	174,651	668	114,327
Securities Lending Income	65,479	35,935	7,732	26	3,732
Securities Lending Expense	(55,976)	(31,232)	(6,045)	(20)	(2,970)
Net Securities Lending Income	9,503	4,703	1,687	6	762
Total Additions	14,973,392	1,462,766	606,427	674	498,087
Deductions					
Sales by Participants	13,096,124	591,856	27,520	-	499,631
Income Distributions to Participants	593,887	-	138,720	478	51,471
Total Deductions	13,690,011	591,856	166,240	478	551,102
Change in Net Position	1,283,381	870,910	440,187	196	(53,015)
Net Position Held in Trust for Pool and SMA Participants - Beginning of Year	28,302,264	14,833,408	3,040,350	11,476	1,769,512
Net Position Held in Trust for Pool and SMA Participants - End of Year	$ 29,585,645	$ 15,704,318	$ 3,480,537	$ 11,672	$ 1,716,497

MONTANA UNIFIED INVESTMENT PROGRAM
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDING JUNE 30, 2025
(amounts in thousands)

		STIP				
	REIS	State Agencies	Local Governments	Reserve	Reserve Included in STIP	STIP Included in Investment Pools
Additions						
Purchases by Participants	$ 12,651	$ 11,816,845	$ 1,730,379	$ -	$ -	$ (1,578,287)
Net Investment Earnings						
Investment Earnings						
Net Increase (Decrease) on Fair Value of Investments	-	167,773	44,209	4,159	(4,159)	-
Dividend/Interest Income	508	169,435	44,682	336	(336)	(4,249)
Other Investment Income	-	340	89	16,617	(16,617)	-
Investment Earnings	508	337,548	88,980	21,112	(21,112)	(4,249)
Investment Costs	-	(569)	(150)	-	-	-
Other Investment Expenses	(138)	(336)	(89)	-	-	-
Short Term Investment Pool Reserve Expense	-	(16,706)	(4,406)	-	21,112	-
Net Investment Income (Loss)	370	319,937	84,335	21,112	-	(4,249)
Securities Lending Income	-	14,286	3,768	-	-	-
Securities Lending Expense	-	(12,431)	(3,278)	-	-	-
Net Securities Lending Income	-	1,855	490	-	-	-
Total Additions	13,021	12,138,637	1,815,204	21,112	-	(1,582,536)
Deductions						
Sales by Participants	12	11,797,251	1,622,871	-	-	(1,443,017)
Income Distributions to Participants	-	322,437	85,030	-	-	(4,249)
Total Deductions	12	12,119,688	1,707,901	-	-	(1,447,266)
Change in Net Position	13,009	18,949	107,303	21,112	-	(135,270)
Net Position Held in Trust for Pool and SMA Participants - Beginning of Year	-	6,919,479	1,849,986	86,425	-	(208,372)
Net Position Held in Trust for Pool and SMA Participants - End of Year	$ 13,009	$ 6,938,428	$ 1,957,289	$ 107,537	$ -	$ (343,642)

In the above table, STIP holdings, purchases, sales, and investment earnings within investment pools are offset to calculate a combining total. STIP Reserve investment earnings and reserve expense within STIP are offset to calculate a combining total.

Independent Auditor's Report and Enterprise Fund Program Financial Statements

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Opinion

We have audited the financial statements of the Montana Board of Investments' Enterprise Fund Program, which are comprised of the Statement of Fund Net Position as of June 30, 2025, the related Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Montana Board of Investments' Enterprise Fund Program as of June 30, 2025, 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.

Basis for Opinion

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 board 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 opinion.

Emphasis of Matter

As discussed in Note 1, the accompanying financial statements are intended to present the financial position, the changes in financial position, and cash flows of only the Montana Board of Investments' Enterprise Fund Program. They do not purport to, and do not, present fairly the financial position of the State of Montana, as of June 30, 2025, or the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Enterprise Fund Program'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 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 the board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Enterprise Fund Program'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 on page A-51, the Schedule of Proportionate Share of Net Pension Liability on page A-85, the Schedule of Contributions on page A-85, and the Schedule of Total OPEB Liability and Related Ratios on page A-87 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

January 12, 2026

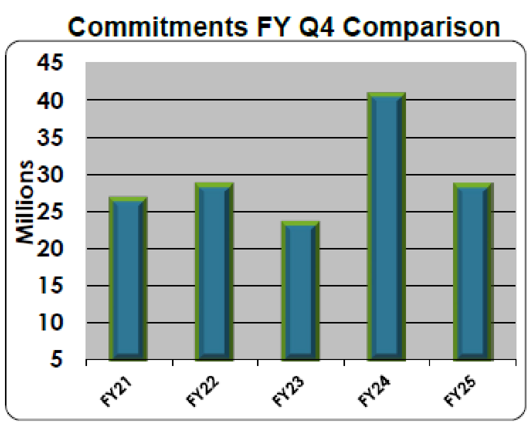
MANAGEMENT'S DISCUSSION AND ANALYSIS

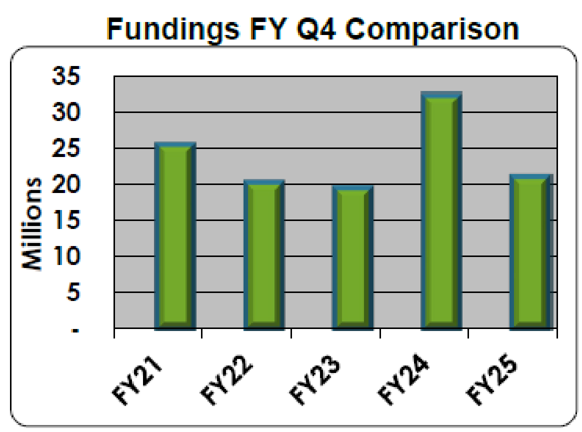
This Management's Discussion and Analysis for the Enterprise Fund (the Fund) of the Board of Investments (the Board) of the State of Montana (the State) is presented as an introduction to the financial statements of the Fund. It is meant to help the reader understand the financial statements by providing an overall review of the financial activities during the year and to compare the prior year's activities and results.

In addition to the Fund, the Board also administers the Unified Investment Program (UIP) to account for investing activities for local governments, component units, and state agencies. This report represents only the Fund. The UIP financial statements are presented separately.

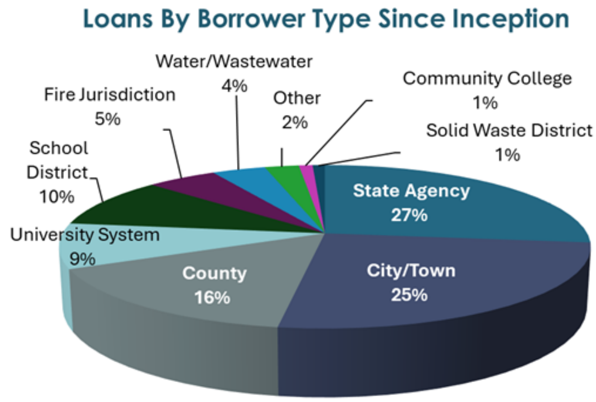
FINANCIAL HIGHLIGHTS

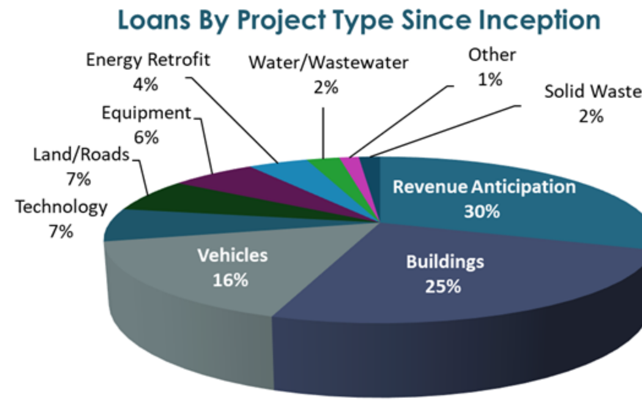
- The Fund made new commitments of $28.5 million to Montana state agencies, universities, and local governments during the fiscal year.
- The INTERCAP Loan Program has funded $729 million statewide since its inception.
- As of June 30, 2025, there is $65 million outstanding on the bonds used to fund the loans.
- Loan interest rates are reset every February. The loan rate from February 16th, 2024, to February 16th, 2025, was 6.25% (5.75% autopay). The loan rate for February 16th, 2025, to February 15th, 2026, is 5.82% (5.00% autopay).
- Demand for the program continues to be relatively consistent over the past five years. The following graphs illustrate the demand, noting a larger-than-usual municipal project bolstered FY24:





- INTERCAP loans have been very high credit quality, and the Board has never suffered a loss. This is attributed to underwriting standards and the credit soundness of state of Montana agencies, boards, authorities, and local governments.





OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund is a Proprietary Fund of the State's Annual Comprehensive Financial Report (ACFR), which is separately issued from these financial statements. The Fund is not an entire reporting entity as described within accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). However, the Fund provides this statutorily required report to account for State programs created under the Municipal Finance Consolidation Act and Economic Development Bond Act of the State.

The financial statements and note disclosures follow this section of the report. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP.

The **STATEMENT OF FUND NET POSITION** provides information on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the elements of the Fund's Net Position.

The **STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION** provides information on the various flows of operating revenues, operating expenses, non-operating revenues, and non-operating expenses.

The **STATEMENT OF CASH FLOWS** presents information on the sources and uses of cash during the most recent fiscal year. The Statement of Cash Flows is subdivided into three major sections to show cash provided or used by operating, non-capital financing, and investing activities. GAAP requires this statement to be reported utilizing a direct relationship of cash to sources of flows with a reconciliation of net cash provided by or used for operating activities to net operating income.

The **NOTES TO THE BASIC FINANCIAL STATEMENTS** provide additional information essential to a full understanding of the data provided in the Fund's financial statements.

Additional **REQUIRED SUPPLEMENTARY INFORMATION** is presented related to the defined benefit pensions and other post-employment benefits (OPEB).

FINANCIAL ANALYSIS

FUND NET POSITION The following is a condensed Statement of Fund Net Position as of June 30 as compared to the prior year, with amounts in thousands:

CONDENSED STATEMENT OF FUND NET POSITION

	June 30, 2025	June 30, 2024
Assets		
Non-Capital Assets	$ 72,332	$ 82,582
Total Assets	72,332	82,582
Deferred Outflows of Resources	70	75
Liabilities		
Current Liabilities	66,174	76,639
Noncurrent Liabilities	390	414
Total Liabilities	66,564	77,053
Deferred Inflows of Resources	49	55
Fund Net Position		
Restricted	5,789	5,549
Total Fund Net Position	**$ 5,789**	**$ 5,549**

The fund's net position increased $240 thousand for the year ended June 30, 2025, as compared to a $114 thousand increase in the fiscal year ended June 30, 2024. The Fund continues to benefit from decreased issuance costs since the signing of Resolution 249 in February 2023. The Fund was also able to pay down the outstanding obligation, which saved on interest expenses.

Due to the nature of the Fund's operations, its assets will typically consist of note and loan interest and principal receivable.

At the end of the fiscal year, the total note and loan principal and interest portfolio receivable was $69.6 million compared to $80.7 million at the beginning. Several borrowers, especially state and local governments, were taking advantage of higher reserves to pay down their obligations from the Fund. The Fund received repayments of $36.3 million, including principal and interest, whereas total collections were $25.8 million in the prior year. Loans funded during the fiscal year ended June 30, 2025, totaled $21.1 million as compared to $32.4 million in the preceding fiscal year.

The remaining assets comprise cash and cash equivalents, interest receivable on cash and cash equivalents, and security lending cash collateral.

Deferred outflows of resources and deferred inflows of resources are related to various elements of defined benefit pensions and OPEB recognized as part of future years' expenses due to time passage.

Most of the Fund's liabilities are bonds payable related to debt issuance that fund the INTERCAP loans for eligible Montana governmental units. As discussed in the Notes to the basic financial statements, the new bonds are considered short-term debt, with a one-year maturity from the date of issuance. New debt is renewed annually upon agreement between the Fund and the bondholder.

Restricted Fund Net Position comprises amounts related to the INTERCAP bonds and can only be reused in accordance with those provisions. There was an increase in Restricted Fund Net Position of $240 thousand, solely related to the Fund's operations.

CHANGES IN FUND NET POSITION The following is a condensed Statement of Revenues, Expenses and Changes in Fund Net Position by major sources with amounts in thousands:

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION

	For Fiscal Years Ending June 30, 2025	June 30, 2024
Operating Revenues		
Financing Income	$ 4,022	$ 4,105
Investment	199	240
Total Operating Revenues, as restated	4,221	4,345
Operating Expenses		
Personal Services	467	444
Other	129	216
Total Operating Expenses	596	659
Operating Income, as restated	3,625	3,685
Nonoperating Expenses, as restated		
Interest Expense	3,385	3,571
Change in Fund Net Postion	240	114
Total Fund Net Postion as of the Beginning of the Year	5,549	5,435
Total Fund Net Postiton as of the End of the Year	$ 5,789	$ 5,549

Operating revenues were primarily related to financing income from the INTERCAP portfolio. Financing income was down $83 thousand, correlated with lower loans receivable balances and interest rates. More borrowers are taking advantage of the lower rates offered when they enroll in autopay, which benefits both the borrower and the Fund, as processing is considerably less manual through electronic payment methods.

The Fund previously included Debt Service expenses as operating expenses. See Note 1 of the financial statements for details. This change in classification does not affect the Fund's ending net position.

Operating expenses are primarily personal services. Personal services include employee compensation, compensated absence expense, sick leave, and other compensatory time recognized during the fiscal year. These amounts increased by $23 thousand.

Other amounts include contracted services, supplies and materials, communications, travel, rent, pensions, post-employment benefits, and other overhead expenses. These expenses decreased by $87 thousand during the year, mostly due to an $80 thousand reduction in pension expense.

Debt service on the bonds includes interest expense on the outstanding bond, which decreased by $184 thousand this year because of a lower interest rate environment and a lower bond outstanding balance.

The net of all the flows resulted in a $240 thousand increase to the Total Fund Net Position for the fiscal year ended June 30, most of which relates to the increased operating income from the INTERCAP program.

OPERATIONAL HIGHLIGHTS

The Board’s attractive rates in a challenging interest rate environment proved beneficial for Montana’s state agencies, universities, and local governments. Highlights of the program include equipment upgrades, energy projects, remodeling of municipal buildings, and construction of new facilities. The Program continues to provide low-cost financing to serve Montana’s communities and way of life.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS THAT MAY IMPACT THE FUND’S OPERATIONS IN THE FUTURE

Program demand is affected by interest rates and the willingness of state and local governments to finance projects. The INTERCAP program will continue to offer competitive rates and low overhead costs to meet fluctuating demand.

Requests for Information and Transparency: This financial report is designed to provide a general overview of the Fund’s operations. Questions concerning any of the information contained in this report or requests for additional information about the Board’s operations should be addressed to the Board at 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, Montana 59620-0126. The Board may be reached by phone at 406.444.0001. The Board Meeting agenda and minutes are posted at http://investmentmt.com/Board/Meetings.

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ENTERPRISE FUND (An Enterprise Fund of the State of Montana)
STATEMENT OF FUND NET POSITION AS OF JUNE 30, 2025
(amounts in thousands)

Restricted Assets		
Current Assets		
Cash And Cash Equivalents	$	2,610
Interest Receivable		8
Notes/Loans Receivable (Local Governments)		8,345
Notes/Loans Interest Receivable (Local Governments)		926
Interfund Loans Receivable (Other Funds of the State)		2,854
Interfund Interest Receivable (Other Funds of the State)		212
Component Unit of the State of Montana Notes/Loans Receivable		810
Component Unit of the State of Montana Interest Receivable		81
Security Lending Cash Collateral		101
Total Current Assets		15,947
Long-Term Assets		
Notes/Loans Receivable (Local Governments)		42,995
Interfund Loans Receivable (Other Funds of the State)		9,867
Component Unit of the State of Montana Notes/Loans Receivable		3,523
Total Long-Term Assets		56,385
Total Restricted Assets		72,332
Deferred Outflows of Resources		70
Liabilities		
Current Liabilities		
Accrued Expenses		22
Accrued Interest Payable		1,014
Security Lending Obligations		101
Compensated Absences		37
Current Bonds/Notes Payable		65,000
Total Current Liabilities		66,174
Long-Term Liabilities		
Compensated Absences		33
Total OPEB Liability		12
Net Pension Liability		345
Total Long-Term Liabilities		390
Total Liabilities		66,564
Deferred Inflows of Resources		49
Fund Net Position		
Restricted		5,789
Total Fund Net Position	$	5,789

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

ENTERPRISE FUND (An Enterprise Fund of the State of Montana)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(amounts in thousands)

Operating revenue	
Investment Revenue	$ 199
Financing Revenue	4,022
Total Operating Revenue	4,221
Operating Expenses	
Personal Services	467
Contracted Services	26
Supplies and Materials	1
Communications	3
Rent	42
Indirect and Other Costs	70
OPEB Expense	(3)
Pension Expense	(10)
Total Operating Expenses	596
Operating Income	3,625
Nonoperating Expenses	
Interest Expense	3,385
Change In Fund Net Position	240
Total Fund Net Position, July 1	5,549
Total Fund Net Position, June 30	$ 5,789

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

ENTERPRISE FUND (An Enterprise Fund of the State of Montana)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025
(amounts in thousands)

Cash Flows from Operating Activities	
Payments to Suppliers for Goods and Services	$ (142)
Payments to Employees	(479)
Net Cash (Used for) Provided by Operating Activities	(621)
Cash Flows from Non-Capital Financing Activities:	
Payment of Interest on Bonds and Notes	(3,684)
Payment of Principal on Bonds	(82,000)
Proceeds from Issuance of Bonds and Notes	71,793
Net Cash (Used for) Provided by Non-Capital Financing Activities	(13,891)
Cash Flows from Investing Activities:	
Collections for Principal and Interest on Loans	36,287
Cash Payments for Loans	(21,140)
Interest on Deposits/Investments	199
Net Cash (Used for) Provided by Investing Activities	15,346
Net (Decrease) Increase in Cash and Cash Equivalents	834
Cash and Cash Equivalents, July 1	1,776
Cash and Cash Equivalents, June 30	$ 2,610

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

ENTERPRISE FUND (An Enterprise Fund of the State of Montana)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025
(amounts in thousands)

Reconciliation of Net Income to Net Cash (Used for) Operating Activities		
Net Operating Income (Loss)	$	3,625
Adjustments to Reconcile Net Income to Net Cash (Used for) Operating Activities		
Interest on Investments		(199)
Financing Income		(4,022)
Change in Assets, Liabilities, Deferred Inflows, and Deferred Outflows:		
Decrease (Increase) in OPEB Deferred Outflows		1
Decrease (Increase) in Pension Deferred Outflows		4
Increase (Decrease) In Accounts Payable		(5)
Increase (Decrease) in Other Payables		7
Increase (Decrease) in Compensated Absences Payable		10
Increase (Decrease) in Net Pension Liability		(39)
Increase (Decrease) in OPEB Deferred Inflows of Resources		(4)
Increase (Decrease) in Pension Deferred Inflows of Resources		(1)
Total Adjustments		(4,246)
Net Cash (Used for) Provided by Operating Activities	$	(621)

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

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NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

These financial statements present only the activity of the Enterprise Fund (the Fund) as managed by the Board of Investments (the Board). The Fund is reported as a proprietary fund within the State of Montana's (the State) Annual Comprehensive Financial Report (ACFR). Component unit activity of the Fund solely represents transactions with component units of the State and not of component units of the Fund. For a complete presentation of the State's balances and results of operations, the State's ACFR is available from the Montana Department of Administration's State Financial Services Division website http://sfsd.mt.gov/SAB/acfr/index; at Room 250 Mitchell Building, 125 North Roberts Street, PO Box 200102, Helena, MT 59620-0102 or at 406.444.3092.

1. DESCRIPTION OF FUND AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUND

The Board uses the Fund to account for its programs created under the Municipal Finance Consolidation Act and the Economic Development Bond Act.

Municipal Finance Consolidation Act programs include:

- The INTERCAP Revolving Loan Program (INTERCAP) provides funds to eligible Montana state and local governments to finance capital expenditures for up to fifteen years or the useful life of the project, whichever is less.
- Qualified Zone Academy Bond (QZAB) Program provides a financial instrument that is a different form of subsidy from traditional tax-exempt bonds. The federal government pays the interest on the QZABs in the form of an annual tax credit to a bank (or other eligible financial institution) that holds the QZAB. The Board acts as a legal funding conduit only and is not liable for the repayment of the bonds.
- Qualified School Construction Bond (QSCB) Program provides a financial instrument that is a different form of subsidy from traditional tax-exempt bonds. The revenues of the borrower are pledged to repay the bonds. The Board acts as a legal funding conduit only and is not liable for the repayment of the bonds.

BASIS OF ACCOUNTING

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and have been prepared in conformity with accounting principles generally accepted in the United States for governments (GAAP) as established by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are generally short-term, highly liquid investments with maturities of three months or less at the time of purchase and are reported at cost. For additional details, see Note 2 – Cash and Cash Equivalents.

SECURITIES LENDING

The collateral received under securities lending agreements related to the Short-Term Investment Pool (STIP) is included in the Statement of Fund Net Position. Liabilities resulting from these transactions are also included in the Statement of Fund Net Position. For additional details, see Note 2 – Cash and Cash Equivalents.

RECEIVABLES

Receivables primarily represent notes and loans classified in three categories as follows:

1) Notes and loans receivable from local governments.
2) Interfund notes and loans receivable from other funds of the State.
3) Component Unit notes and loans receivable from university units for which the State is financially accountable and are legally separate from the State.

Notes and loans generally have terms of less than 15 years. For additional details, see Note 3 - Receivables.

COMPENSATED ABSENCES

The Board offers sick leave and vacation time as part of its employee compensation package. Compensated absences include 100% of applicable unused and earned vacation leave, non-exempt comp time, and banked holidays, along with 25% of the employees' sick leave multiplied by the employee current pay rates as of the measurement date. The liability for compensated absences reported in the fund statements consists of applicable unpaid, accumulated annual and sick leave balances. Net compensated absence liabilities increased $10 thousand in the current year. For additional details, see Note 8 – Compensated Absences.

PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

Information about the fiduciary net position of the Montana Public Employees Retirement Administration (MPERA) and the State Group Benefits Plan, administered by the Montana Department of Administration, has been determined on the same basis as those systems. This includes additions to and deductions from the fiduciary net position, which are used to measure the net pension and net OPEB liabilities, deferred outflows and inflows of resources, and related pension and OPEB expenses. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms for this purpose.

Investments are measured at fair value. For additional details, see Notes 9 – Pensions and 10 – Other Post Employment Benefits.

FUND NET POSITION

Fund Net Position represents the accumulated net income or loss of the Fund's programs, which are restricted under bond provisions governing the use of these funds.

OPERATING AND NONOPERATING REVENUES AND EXPENSES

Operating revenues reflect interest income on loans and investments, change in fair value of investments, and related investment expenses offsetting investment income. Operating expenses include payments to employees and suppliers for goods and services. All revenues and expenses not meeting this definition are nonoperating.

ACCOUNTING CHANGES

The Fund previously included interest expenses as part of the operating expenses in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The GASB Implementation Guidance Update - 2025 emphasized that interest expenses are always nonoperating, even if related to operations (Q4.2). Beginning with the current year, these cash flows are now included in the nonoperating section of the statement. This change impacted the operating income and nonoperating loss for the prior year but has no impact to the Fund's ending net position. The following table (in thousands) presents the prior year statement and presentation as corrected:

RESTATEMENT OF STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2024		
	Enterprise Fund	
Total Operating Revenue	$	4,345
Total Operating Expenses		4,231
Operating Income		114
Adjustment for Interest Expense		3,569
Operating Income, as restated		3,683
Nonoperating Expenses		-
Adjustment for Interest Expense		3,569
Nonoperating Expenses, as restated		(3,569)
Change in Fund Net Positoin		114

2. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as identified in the Statement of Fund Net Position, as of June 30, are as follows with amounts in thousands:

CASH AND CASH EQUIVALENTS		
Cash in Treasury	$	46
Short-Term Investment Pool (STIP)		2,564
Total Cash and Cash Equivalents	$	2,610

The Fund invests its operational cash in the Board's STIP program, an external investment pool that is part of the Montana UIP. The UIP is also managed by the Board. The Board is not registered with the U.S. Securities and Exchange Commission as an investment company. STIP is managed to preserve principal while providing daily liquidity for state agencies, component units, and local government participants. Funds may be invested for one or more days. STIP participants own STIP shares not the underlying investments. STIP is managed by the Board as a fiduciary for participants. Income is distributed monthly on a pro-rata basis. Cash and cash equivalents are reported at amortized cost. STIP pool participation units are purchased and sold in the same manner as individuals investing in mutual funds. The STIP participants purchase and sell units at $1 per unit, at the participant's discretion.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, the Board's custodial bank must be rated at least at the sixth highest investment grade rating by at least two Nationally Registered Statistical Ratings Organizations (NRSROs) annually.

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 concentration of credit risk is addressed within all Investment Policy Statements (IPSs) as set by the Board.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Credit risk is contemplated for each individual portfolio in the IPS. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. STIP interest rate risk is determined using the Weighted Average Maturity (WAM) method. As of June 30, the WAM for STIP was 58 days.

According to the STIP IPS, "The STIP portfolio will minimize interest rate risk by:

1) Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity.

2) Maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities).

3) STIP will maintain a reserve account."

Based on their short weighted average maturity and the relative immaterial difference from their amortized cost to fair value as of June 30, the Board deemed the cash equivalents to have little discernible credit or interest rate risk.

SECURITIES LENDING

The Board is authorized by law to lend its securities and has contracted with the custodial bank to lend the Board'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 30, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. The Board and the custodial bank split the earnings, 85% and 15% respectively, on security lending activities. The Board retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the Board's credit risk exposures to the borrowers. The custodial bank cannot sell collateral securities unless the borrower defaults. For the Fund, STIP participates in the security lending.

The custodial bank is required to maintain minimum collateral requirements based on contractual requirements. The custodial bank loaned the Board's public securities and received as collateral high-quality, short-term securities, and other investments permitted by guidelines. The Board has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements.

The cash collateral received for each loan was invested in a highly-liquid, separately managed portfolio. The Board 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 portfolio had a weighted average duration of 21 days and a weighted average final maturity of 103 days.

The collateral received under securities lending agreements where the pool can spend, pledge, or sell collateral without borrower default is included in the Statement of Fund Net Position. Liabilities resulting from these transactions are also included in the Statement of Fund Net Position. There were no income or expense distributions for securities lending made to STIP participants during the fiscal year.

3. RECEIVABLES

The INTERCAP loan program loans money to local governments, Interfund - Other Funds of the State and Component Unit of the State. Amounts related to the note / loan receivables identified in the Statement of Fund Net Position as of June 30 are detailed as follows with amounts in thousands:

NOTES/LOANS RECEIVABLES				
	Local Government	Interfund - Other Funds of State	Component Unit of the State	Total
Notes/Loans Receivable				
Short-Term	$ 8,345	$ 2,854	$ 810	$ 12,009
Long Term	42,995	9,867	3,523	56,385
Interest Receivable	926	212	81	1,219
	$ 52,266	$ 12,933	$ 4,414	$ 69,613

The Interfund (state agencies and other funds of the state) and Component Unit (State of Montana) note / loan receivables are further delineated as follows with amounts in thousands:

INTERFUND / COMPONENT UNIT RECEIVABLE BY FUND TYPE / COMPONENT UNIT				
	Interfund - Other Funds of the State			Component Unit of the State
	Debt Service	Internal Service Fund	Total	Montana State University
Interfund	$ 624	$ 12,097	$ 12,721	$ -
Component Unit	-	-	-	4,333
Interest Receivable	3	209	212	81
	$ 627	$ 12,306	$ 12,933	$ 4,414

4. BONDS PAYABLE

The Fund is authorized to issue INTERCAP bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate to more than $190 million by statute. The INTERCAP bonds provide funds for the Board to make loans to eligible government units.

GENERAL INFORMATION

The Board adopted Resolution 249, which allows for the issuance of new INTERCAP program bonds annually beginning in February 2023 to the Board of Investments UIP. The new bonds are considered short-term debt, with a one-year maturity from date of issuance. New debt is renewed annually upon agreement between the INTERCAP program and the holder of the bonds.

The current bonds payable is $65 million of special, limited obligation bonds of the Board payable solely from and secured by the revenues derived by the INTERCAP Loan Program under the

Municipal Finance Consolidation Act.

The principal of the bonds can be advanced as needed up to a maximum of $120 million. The bonds are callable at any time. The interest rate on principal and any advances is 4.321% until February 20, 2026. The interest rate on principal and any advances was 5.049% from February 21, 2024, to February 20, 2025. There is no set expiration on the agreement. If the issuer and holder do not agree to renew the bonds, there is one final renewal. The bond interest rate for the renewal period will be determined on February 15 and will be equal to the midpoint yield of the US Treasury Bill with the maturity closest to 365 days plus ten basis points. Interest is paid semi-annually on February 20 and August 20. Interest is calculated based on a three hundred sixty-day year composed of twelve thirty-day months.

SHORT-TERM DEBT

Enterprise short-term bonds were outstanding as of June 30, as follows with amounts in thousands:

SHORT-TERM BONDS PAYABLE

Series	Amount Issued	Interest Rate	Maturity	Balance
2022	$ 68,000	4.321%	2/20/2026	$ 65,000
Bonds Payable	$ 68,000			$ 65,000

The INTERCAP program does not have principal payments except in the instance of an optional redemption by the Board.

The following schedule summarizes the short-term bond activity during the fiscal year with amounts in thousands:

Beginning Balance	Additions	Reductions	Ending Balance
$ 75,207	$ 71,793	$ (82,000)	$ 65,000

5. BOND AND LOAN GUARANTEES

As of June 30, the Fund had received a nonexchange financial guarantee from the Coal Severance Tax Trust Fund and the Treasurer's Cash Fund for exposure to INTERCAP bond issues of $65 million. Both the Coal Severance Tax Trust Fund and the Treasurer's Fund are part of the primary government for the State. The Board manages the Treasurer's Cash Fund which consists of cash balances of all the funds for the State not invested in the STIP. The nonexchange financial guarantee was extended through the Board's management of the UIP. The amounts represent the potential liability of the Fund and are guaranteed for the duration of the bond, which is one year. The Board has not had to perform on any loan guarantee in the past.

6. CONDUIT DEBT OBLIGATIONS

QZAB DEBT

In this program, the Board is authorized to issue Qualified Zone Academy Bonds (QZAB), under the Municipal Finance Consolidation Act, as conduit debt. The revenues, and in some cases the taxing power, of the obligors (borrowers) are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected in the Board's financial statements. The obligors have set money aside to be used for the repayment of these bonds in accounts that are held in trust by the Board in the amount of $2.5 million. This amount is reported within a fiduciary fund for the State. Bonds issued and outstanding as of June 30 by the Board as QZAB conduit debt obligations are listed as follows with amounts in thousands:

CONDUIT DEBT OBLIGATIONS
QZAB

Project	Issue Date	Maturity Date		Amount Issued		Balance
Kalispell Elementary	October 2013	06/15/28	$	620	$	620
Kalispell High School	October 2013	06/15/28		1,587		1,587
Anaconda Elementary	August 2017	06/15/32		658		658
Anaconda High School	August 2017	06/15/32		707		707
Total Conduit Debt Obligations - QZAB			$	3,572	$	3,572

QSCB DEBT

In this program, the Board is authorized to issue Qualified School Construction Bonds (QSCB), under the Municipal Finance Consolidation Act, as conduit debt. The revenues of the obligor are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected in the Board's financial statements. Bonds issued and outstanding as of June 30 by the Board as QSCB conduit debt obligations are as follows with amounts in thousands:

CONDUIT DEBT OBLIGATIONS
QSCB

Project	Issue Date	Maturity Date		Amount Issued		Balance
Great Falls High Schools	April 2011	12/15/25	$	1,855	$	88
Great Falls Elementary	April 2011	12/15/25		6,510		310
Total Conduit Debt Obligations - QSCB			$	8,365	$	398

7. INTERCAP PROGRAM COMMITMENTS

The Board makes firm commitments to fund loans from the INTERCAP loan program. The Board's outstanding commitments to eligible Montana governments as of June 30 totaled $33.5 million.

8. COMPENSATED ABSENCES

Net compensated absence liabilities increased $10 thousand in the current year. Total compensated absence balance was $70 thousand as of June 30.

9. PENSIONS

DESCRIPTION OF PLANS

The Board and its employees contribute to either the Public Employees' Retirement System (PERS)-Defined Benefit Retirement Plan (DBRP) or the PERS-Defined Contribution Retirement Plan (DCRP). Both the DBRP and the DCRP are administered by MPERA. The DBRP is a multiple-employer, cost-sharing plan. The DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

All new members are initially members of the DBRP and have a 12-month window during which they may choose to remain in the DBRP or join the DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans.

Benefits are established by state law and can only be amended by the Legislature. DBRP Benefits are based on eligibility, years of service and highest average compensation (HAC). Member rights are vested after five years of service.

The stand-alone financial statements of the Montana Public Employees Retirement Administration (MPERA) Annual Comprehensive Financial Report (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the MPERA at PO Box 200131, Helena MT 59620-0131, 406.444.3154 or both are available on the MPERA website at https://mpera.mt.gov/about/annualreports1/annualreports. The information contained within MPERA's ACFR will only display information regarding PERS in total and will not display information specific to the Fund as an entity. The Fund's activity is reported within the Department of Commerce GASB 68 employer report as prepared by MPERA and represents 2.02% of the agency's net pension liability and .01% of the total liability for all employers for the fiscal year.

NET PENSION LIABILITY (NPL) - DBRP

At year end, the Fund recorded a liability of $345 thousand for its proportionate share of the DBRP NPL and a ($10) thousand credit for its proportionate share of the pension expense. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period.

SUMMARY OF BENEFITS - DBRP

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 part of a member's HAC.

Vesting

5 years of membership service

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011,	Age 60, 5 years of membership service, or
	Age 65, regardless of membership service, or
	Any age, 30 years of membership service.
Hired on or after July 1, 2011,	Age 65, 5 years of membership service,
	Age 70, regardless of membership service.

Early retirement:

Hired prior to July 1, 2011,	Age 50, 5 years of membership service, or
	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 employment 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 regular interest (currently 2.02% effective July 1, 2018),
- No service credit for second employment,
- Start the same benefit amount the month following termination, and
- 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, and
- 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, and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

<u>Monthly Benefit Formula</u>

Members hired prior to July 1, 2011

- Less than 25 years of membership service: 1.785% of HAC per year of service credit, or
- 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, or
- 30 years or more of membership service: 2% of HAC per year of service credit.

<u>Guaranteed Annual Benefit Adjustment (GABA)</u>

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007,
- 1.5% for members hired between July 1, 2007, and June 30, 2013.

- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%,
  - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%. and
  - 0.0% whenever the amortization period for PERS is 40 years or more.

OVERVIEW OF CONTRIBUTIONS

The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Currently, plan members are required to contribute 7.90% of members' compensation. By statute, the members' 7.90% contributions are temporary and will be decreased to 6.90% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

As the employer, the State was required to contribute 9.17% of members' compensation for the fiscal year. Effective July 1, 2014, the employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contributions rates. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

PERS received 100% of the required contributions from the Fund in the amount of $28 thousand for the fiscal year.

ACTUARIAL ASSUMPTIONS – DBRP

The total pension liability as of June 30, 2024, was determined on the results of an actuarial valuation date of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of investment expense) 7.30%

- General Wage Growth, (which includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 4.80%
- Guaranteed Annual Benefit Adjustment (GABA):

  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

    - 3.0% for members hired prior to July 1, 2007,
    - 1.5% for members hired between July 1, 2007, and June 30, 2013,
    - Members hired on or after July 1, 2013:
        - 1.5% for each year PERS is funded at or above 90%
            - The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%
        - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions for active participants are based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021. Projected generationally using MP-2021.
- Mortality assumptions for disabled retirees are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year.
- Mortality assumptions for contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year. Projected generationally using MP-2021.
- Mortality assumptions for healthy retirees are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

- There were no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

DISCOUNT RATE - DBRP

The discount rate used to measure the Total Pension Liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated. In addition, the State contributed a statutory appropriation from the General Fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2128. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

TARGET ALLOCATIONS – DBRP

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared for the Plan about every five years. The long-term rate of return as of the plan's measurement date of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.0%	-0.33%
Domestic Equities	30.0%	5.90%
International Equities	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Total	100.0%	

SENSITIVITY ANALYSIS – DBRP

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the net pension liability. The NPL was calculated using the discount rate of 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate (amounts in thousands).

Net Pension Liability Sensitivity	1.0% Decrease (6.30%)		Current Discount (7.30%)		1.0% Increase (8.30%)	
Enterprise Fund	$	502	$	345	$	212

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - DBRP

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used for the purposes of determining the NPL, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, the fiduciary net position, and additions to or deductions from fiduciary net position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value.

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. The State contributed a Statutory Appropriation from the General Fund of $35.3 million to the Plan. The change in the Fund's proportionate share of the Plan was determined as follows:

As of Measurement Date June 30, 2024	NPL (amounts in thousands)		Percent of Collective NPL	Change in Percent of Collective NPL
Fund Proportionate Share	$	345	0.014%	-<.001%
State of Montana Proportionate Share associated with Employer		86	0.004%	-<.001%
Total	$	431	0.018%	-0.001%

DEFERRED PENSION INFLOW / OUTFLOW OF RESOURCES - DBRP

At year end, the Fund reported its proportionate share of the DBRP's deferred outflows of resources and deferred inflows of resources from the following sources with amounts in thousands:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected vs. Actual Experience	$ 17	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	5
Measurement Date	28	-
Total	$ 45	$ 13

Amounts reported as deferred outflows of resources related to pensions resulting from the Fund's contributions after the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows with amounts in thousands:

For the Measurement Year Ended June 30:	Recognition of Deferred Outflows / Inflows in Future Years
2025	$ (7)
2026	19
2027	(5)
2028	(3)
Thereafter	-

PERS-DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)

The PERS-DCRP is a defined contribution multiple-employer plan. DCRP benefits are based on eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after five 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 statute. Forfeitures are used to cover the administrative expenses of the DCRP.

At the plan level for the measurement period ended June 30, 2024, the DCRP employer did not recognize any NPL or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 351 employers that have participants in the DCRP totaled $1.3 million.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

GENERAL INFORMATION ABOUT THE NON-TRUST PLAN

The Fund participates in the State's OPEB plan provided in accordance with Section 2-18-704, MCA. This coverage applies to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State OPEB plan is not administered through a trust; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems and elect to start medical coverage within 60 days of leaving employment. Further details on state retirement plans are provided in Note 9 - Pensions.

PLAN DESCRIPTION

The OPEB plan is a single-employer defined benefit OPEB plan administered by statute by the Montana Department of Administration (DOA) Health Care and Benefits Division (HCBD). The Fund is reported within the primary government for reporting purposes.

The State pays for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives the authority for establishing and amending the funding policy to the DOA. The healthcare OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2024, the State OPEB Plan's administratively established retiree medical contributions vary between $504.00 and $2,456.00 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental contributions vary between $42.37 and $71.27 per month, and vision hardware premiums vary between $7.64 and $22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

BASIS OF ACCOUNTING

The OPEB liability is reported on an accrual basis. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

The Fund's total OPEB liability of $12 thousand is approximately .03% of the total primary government OPEB liability of $45 million as reported on June 30, 2025. The following table presents the other items related to and changes in total OPEB liability with amounts in thousands:

	Fund Share Total OPEB Liability
Balance at 6/30/2024	$ 9
Changes for the Year:	
Difference Between Expected and Actual Experience	1
Changes of Assumptions or Other Inputs	2
Net Changes	3
Balance at 6/30/2025	$ 12

The total OPEB liability was determined by an actuarial valuation as of December 31, 2024, rolled forward to measurement period ending March 31, 2025.

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Contributions	**Retiree / Surviving Spouse**	**Spouse**
(weighted average)		
Before Medicare Eligibility	$16,620	$7,610
After Medicare Eligibility	6,048	5,379
Actuarial Valuation Date	December 31, 2024	
Experience Study Period	January 1, 2024, through December 31, 2024	
Actuarial Measurement Date	March 31, 2025	
Actuarial Cost Method	Entry age normal funding method	
Amortization Method	Level percent of payroll, open basis	
Asset Valuation	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial Assumptions:		
Discount Rate	4.57%	
Projected Payroll Increases	3.50%	
Healthcare Cost Trend Rates	Medical 7.6%, Pharmacy 9.6%	
Participation		
Future Retirees	40.00%	
Future Eligible Spouses	70.00%	
Marital Status At Retirement	70.00%	

Mortality - Contributing Members
Mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021.

Mortality – Retired
Morality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.
Mortality – Surviving Beneficiaries
Mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021.

Mortality – Disabled
Mortality follows the Pub-2010 General Disabled table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.

Changes in actuarial assumptions and methods since last measurement date:
The discount rate increased from 4.12% to 4.57%. Projected Payroll increased based on 2024 pension report assumptions. Decrement tables updated per the October 2024 actuarial reports. Updated trend projections based short-term on industry expectations and long-term on the 2025 Getzen model. Due to Inflation Reduction Act, applied separate healthcare and contribution trend rates for Medical, Pre-65 Med/RX, and Post-65 Med/Rx.

Changes in benefit terms since last measurement date:

None.

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the Fund, as well as what the Fund's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate with amounts in thousands:

Net OPEB Liability Sensitivity	**1.0% Decrease (3.57%)**	**Current Discount (4.57%)**	**1.0% Increase (5.57%)**
Enterprise Fund	$ 17	$ 12	$ 9

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following table presents the total OPEB liability of the Fund, as well as what the Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. Rates shown on the Plan are trend rates for medical/pharmacy, respectively, and all amounts are in thousands:

Net OPEB Liability Sensitivity	**1.0% Decrease**	**Current Healthcare Cost Trend Rate (7.6%/9.6%)**	**1.0% Increase**
Enterprise Fund	$ 9	$ 12	$ 17

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, the Fund recognized OPEB expense of 3 thousand. On June 30, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources with amounts in thousands:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 1	$ 15
Changes of Assumptions and Other Inputs	24	21
Total	$ 25	$ 36

Deferred outflows of resources and deferred inflows of resources related to total OPEB liability will be recognized as OPEB expense as follows with amounts in thousands:

Year Ended June 30	Amount Recognized In OPEB Expense As An Increase Or (Decrease) To OPEB Expense
2026	$ (1)
2027	(1)
2028	(1)
2029	(1)
2030	(1)
Thereafter	(6)

GENERAL INFORMATION ABOUT THE PERS-DCRP DISABILITY PLAN

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee's Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability Plan.

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State who are not covered by a separate retirement system governed by Title 19, MCA. The plan provides disability benefits to plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust was established to provide disability benefits to plan members, and it is accounted for as a fiduciary fund of the State. The assets are held in a trust capacity for the beneficiaries. The PERS-DCRP is administered by MPERA. The MPERA issues publicly available annual reports which include financial statements and required supplemental information for the plan. See Note 9 – Pensions for more information.

11. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through January 6, 2026. Since June 30, the Board made additional commitments to fund loans from the INTERCAP loan program of $6.3 million. Refer to Note 7 – INTERCAP Program Commitments for further detail. In addition, the Board requested an additional advance on bonds of $2 million in December 2025. Refer to Note 4 – Bonds Payable for further detail.

On December 15, 2025, the Great Falls Schools' Qualified School Construction Bonds (QSCB) reached maturity and were redeemed. Refer to Note 6 – Conduit Debt Obligations for further detail.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

PENSION LIABILITY AS AN EMPLOYER ENTITY

RSI regarding the pension information is as follows, with amounts in thousands except percentages.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS

As of Measurement Date	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund's Proportion of NPL	0.01%	0.02%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.03%	0.02%
Fund's Proportionate Share of NPL	$ 345	$ 384	$ 350	$ 254	$ 404	$ 269	$ 345	$ 419	$ 385	$ 291
State of Montana's Proportionate Share of NPL Associated with the Fund	$ 86	$ 102	$ 100	$ 72	$ 123	$ 84	$ 111	$ -	$ -	$ -
Employer's Covered Payroll	$ 295	$ 272	$ 250	$ 289	$ 210	$ 269	$ 264	$ 307	$ 241	$ 220
Fund's Proportionate Share of NPL as a Percent of Covered Payroll	116.95%	141.18%	140.00%	87.89%	192.38%	100.08%	130.68%	136.48%	159.75%	132.27%
Plan Fiduciary Net Position as a Percent Total Pension Liability	74.77%	73.93%	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR FISCAL YEAR ENDED JUNE 30

As of Most Recent FYE (Reporting Date)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	$ 28	$ 27	$ 23	$ 22	$ 23	$ 18	$ 23	$ 22	$ 51	$ 21
Contributions Made	$ (28)	$ (27)	$ (23)	$ (22)	$ (23)	$ (18)	$ (23)	$ (22)	$ (51)	$ (21)
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's Covered Payroll	$ 304	$ 295	$ 272	$ 250	$ 289	$ 210	$ 269	$ 264	$ 307	$ 241
Contributions As A Percent Of Employer's Covered Payroll	9.19%	9.17%	8.46%	8.80%	7.96%	8.57%	8.55%	8.33%	16.61%	8.71%

NOTES TO PREVIOUS SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION:

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2024, which were based on the results of the June 30, 2023, actuarial valuation:

- General Wage Growth 3.50%,
- Investment Rate of Return 7.30%, which includes inflation at 2.75%,
- Merit salary increase 0% to 4.80%,
- Asset valuation method: Four-year smoothed market,
- Actuarial cost method: Entry age Normal,
- Amortization method: Level percentage of payroll, open,
- Remaining amortization period: 30 years,

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

The actuarial assumptions and methods utilized in the June 30, 2022, valuation, were developed in the five-year experience study for the period ending 2021.

CHANGES OF BENEFIT TERMS

The following changes to the plan provisions were made as identified:

2017:

Working Retiree Limitations:

Effective July 1, 2017, 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.

Lump sum payouts:

Effective July 1, 2017, lump-sum payouts are limited to the member's accumulated contributions 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 eligible for a disability benefit until age 65.

OTHER POST EMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana plan allows retirees to participate, as a group, at a rate that does not cover all related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

The following information is presented to reflect the funding progress of the OPEB plan as it relates to the Fund as of June 30, with amounts in thousands except percentages.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 8 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018
Proportion of Total OPEB Liability	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%
Proportionate Share of Total OPEB Liability	$ 12	$ 9	$ 9	$ 37	$ 45	$ 14	$ 20	$ 19
Covered Employee Payroll	$ 242	$ 229	$ 230	$ 217	$ 207	$ 207	$ 276	$ 253
Total OPEB Liability as a Percentage Of Employee Covered Payroll	4.96%	3.93%	3.91%	17.05%	21.74%	6.76%	7.25%	7.51%

Notes to Schedule:

No assets are set aside to fund the OPEB benefits. The State funds the benefits on a pay-as-you-go basis from general assets. As additional data is available, 10 years will be presented.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

June 30, 2025: Changes in assumptions for 2025 were due to an increase in the discount rate from 4.12% to 4.57%. Projected Payroll increased based on 2024 pension report assumptions. Decrement tables updated per the October 2024 actuarial reports. Updated trend projections based short-term on industry expectations and long-term on the 2025 Getzen model. Due to Inflation Reduction Act, applied separate healthcare and contribution trend rates for Medical, Pre-65 Med/RX, and Post-65 Med/Rx.

June 30, 2024: Changes in assumptions for 2024 were due to an increase in the discount rate from 3.98% to 4.12%.

June 30, 2023: Changes in assumptions for 2023 were due to an increase in the discount rate from 3.31% to 3.98%.

June 30, 2022: Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

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

June 30, 2020: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest / discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

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

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

CHANGES IN BENEFIT TERMS

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

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

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 the Unified Investment Program and Enterprise Fund Program of the Montana Board of Investments, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the board's financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the board's Unified Investment Program and Enterprise Fund Program financial statements, we considered the board'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 board's internal control. Accordingly, we do not express an opinion on the effectiveness of the board'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the board's Unified Investment Program and Enterprise Fund Program 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*.

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 board'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 board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

January 12, 2026

Montana Board of Investments

Board Response

MONTANA
BOARD OF INVESTMENTS

January 20, 2026

Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 171 State Capitol Building
PO Box 201705
Helena MT 59620-1705

RECEIVED
January 20, 2026
LEGISLATIVE AUDIT DIV.

Mr. Maciver:

I am in receipt of the Financial Audits for the Unified Investment Program and Enterprise Fund dated January 2026 for the fiscal year ending June 30, 2025, issued by the Legislative Audit Division. There are no recommendations and no findings.

Thank you to Kelly Zwang, Jessica Curtis, Sophia Philson, Jennifer Erdahl, Alexa O'Dell, and Valerie Tummarello for their knowledge and professionalism during the audit process.

Sincerely,

DAN VILLA
Executive Director

Cc: Jeff Meredith, Chair
Mark Barry, Chair of Board's Audit Committee

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