



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

University of Montana

*For the Fiscal Year Ended
June 30, 2025*

FEBRUARY 2026

LEGISLATIVE AUDIT
DIVISION

25-10

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FINANCIAL AUDITS

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

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

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Reports can be found in electronic format at:
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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

February 2026

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our financial audit report for the University of Montana's (university) consolidated financial statements for the fiscal year ended June 30, 2025. The financial statements prepared by university personnel begin on page A-5. We issued unmodified opinions on the financial statements, which means readers can rely on the information presented.

Financial information on the university's four component units are included in the financial statements. The four component units include: the University of Montana Foundation, the Montana Technological Foundation, The University of Montana Western Foundation, and the Montana Grizzly Scholarship Association. The Government Accounting Standards Board requires the university to include the component units because of their close relationship with the university. Public accounting firms audit these organizations, and our opinion on the university's component unit information in its financial statements is based on the work of these other auditors.

We would like to thank the president and his staff for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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University of Montana	C-1
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ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

	<u>Name</u>	<u>City</u>	<u>Term Expires</u>
Board of Regents	Todd Buchanan, Chair	Red Lodge	January 31, 2028
	Loren Bough, Vice Chair	Big Sky	January 31, 2027
	Heather Hoyer	Great Falls	February 1, 2032 (effective February 1, 2025)
	Daniel Spoon	Missoula	February 1, 2033
	Jeff Southworth	Lewistown	January 31, 2029
	Dean Folkvord	Three Forks	February 1, 2031
	Carter Jasper, Student Regent	St. Regis	June 30, 2026
	Clayton Christian, Commissioner of Higher Education*		
	Greg Gianforte, Governor*		
	Elsie Arntzen, Superintendent of Public Instruction* (through December 2024)		
Susan Hedalen, Superintendent of Public Instruction* (effective January 2025)			

*Ex officio members.

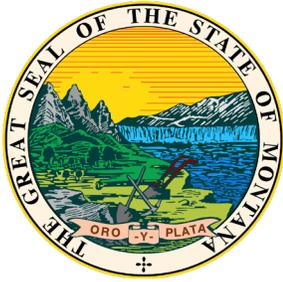
	<u>Name</u>	<u>Title</u>
Office of Commissioner of Higher Education	Clayton Christian	Commissioner of Higher Education
	Galen Hollenbaugh	Deputy Commissioner for Government Relations and Communications
	Tyler Trevor	Deputy Commissioner for Budget & Planning, Chief of Staff
	Ali Bovingdon	Montana University System (MUS) Chief Legal Counsel
	Joel Thiel	Interim Deputy Commissioner, Academic, Research and Student Affairs
	Chad Lee	Director of Assurance (effective February 2026)
	Margaret Wallace	Director of Assurance, Risk Management, and Workers' Compensation (through January 2026)

University of Montana	<u>Name</u>	<u>Title</u>
	Vacant	President
	Seth Bodnar	President (through January 2026)
	Adrea Lawrence	Provost and Vice President for Academic Affairs
	Paul Lasiter	Vice President for Administration & Finance
	Scott Whittenburg	Vice President for Research and Creative Scholarship
	Zach Rossmiller	Chief Information Officer
	Lucy France	Legal Counsel
Montana Technological University	<u>Name</u>	<u>Title</u>
	Dr. Johnny MacLean	Chancellor (effective June 2025)
	Dr. Les P. Cook	Chancellor (through June 2025)
	Dr. Tim Elgren	Provost, Executive Vice Chancellor
	Katie Hailer	Interim Vice Chancellor for Research and Dean of the Graduate School (effective July 2025)
	Ron Muffick	Vice Chancellor of Administration & Finance
	Carleen Cassidy	Director of Finance and Budget
	Dr. Joe Cooper	Vice Provost for Student Success & Dean of Students
University of Montana Western	<u>Name</u>	<u>Title</u>
	Michael Reid	Chancellor
	Estee Aiken	Interim Provost & Vice Chancellor for Academic Affairs (effective December 2025)
	Dr. Brian Elliot	Interim Provost and Vice Chancellor for Academic Affairs (from June 2025 to December 2025)
	Dr. Johnny MacLean	Provost and Vice Chancellor for Academic Affairs (through May 2025)
	Tia Brown	Vice Chancellor of Administration and Finance
	Ethan Powell	Director of Business Services and Controller (effective January 2026)
Troy Shirley	Director of Business Services and Controller (through June 2025)	

	<u>Name</u>	<u>Title</u>
Helena College	Sandra Bauman	Dean/CEO
	Valerie Curtin	Executive Director of Compliance and Financial Aid
	Robyn Kiesling	Executive Director of General Education & Transfer
	Cari Schwen	Executive Director of Fiscal Services

For additional information concerning the University of Montana (all campuses), contact:

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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL AUDIT

University of Montana

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

A report to the Montana Legislature

BACKGROUND

The University of Montana (UM or university) is a multi-campus university. The flagship campus is located in Missoula, with additional campuses in Missoula (Missoula College), Butte (Montana Technological University and Highlands College), Dillon (University of Montana Western, Helena (Helena College), and Hamilton (Bitterroot College). The university campuses and programs provide over 500 degree pathways, including two-year programs, undergraduate, graduate degrees, and technical certifications.

The university reported student FTE of 12,804 in fiscal year 2025, an increase of 478 from fiscal year 2024.

During fiscal year 2025, several significant capital projects were completed including; the new dining hall, heating plant improvements, Knowles Hall remodel, new indoor athletics practice facility, and the MT Museum of Art.

The University of Montana reported a \$25.8 million (7 percent) increase in net position for fiscal year 2025, reflecting continued improvement in financial health. Tuition revenue and fees increased by around \$12.6 million, driven by a 478 increase in student FTE and rising tuition rates. In March 2025, the university issued approximately \$66.1 million in revenue bonds intended to be used for the construction of a 600-bed residence hall. The total project cost is \$89 million, and it is expected to be completed by the fall of 2027. Overall, UM has issued \$286.1 million in revenue bonds since 2020, raising capital assets to \$526.1 million. The university's financial statements and notes included in this audit report received an unmodified opinion, and no recommendations were made to the university.

AUDITOR'S OPINION (page A-1): UNMODIFIED

This means readers of the financial statements can rely on them in all material respects.

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

RECOMMENDATIONS:

In this report, we did not issue any recommendations to the university or the legislature. The prior audit report did not include any recommendations to the university.

SUMMARY OF AUDIT WORK:

We reviewed key financial activities and balances, including tuition, federal grants and contracts, operating expenses, capital assets, and long-term obligations. We also assessed the accuracy of the financial statements and related notes. Our objective was to determine whether the financial statement materially present the financial position of the university and the results of operations.

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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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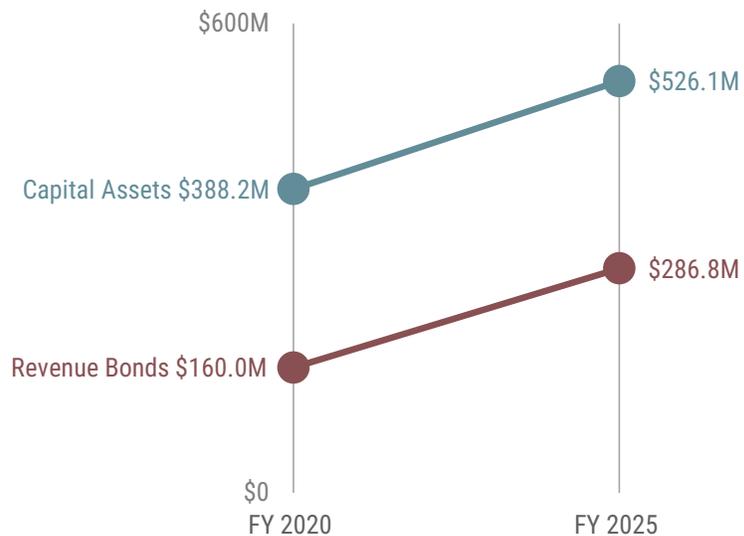
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The financial statements include consolidated financial information for the four component units: the University of Montana Foundation, the Montana Technological Foundation, The University of Montana Western Foundation, and the Montana Grizzly Scholarship Association. These entities are legally separate, independent organizations and are audited by public accounting firms. Our opinion on these financial statements is based on the work of these other auditors.

Figure 1

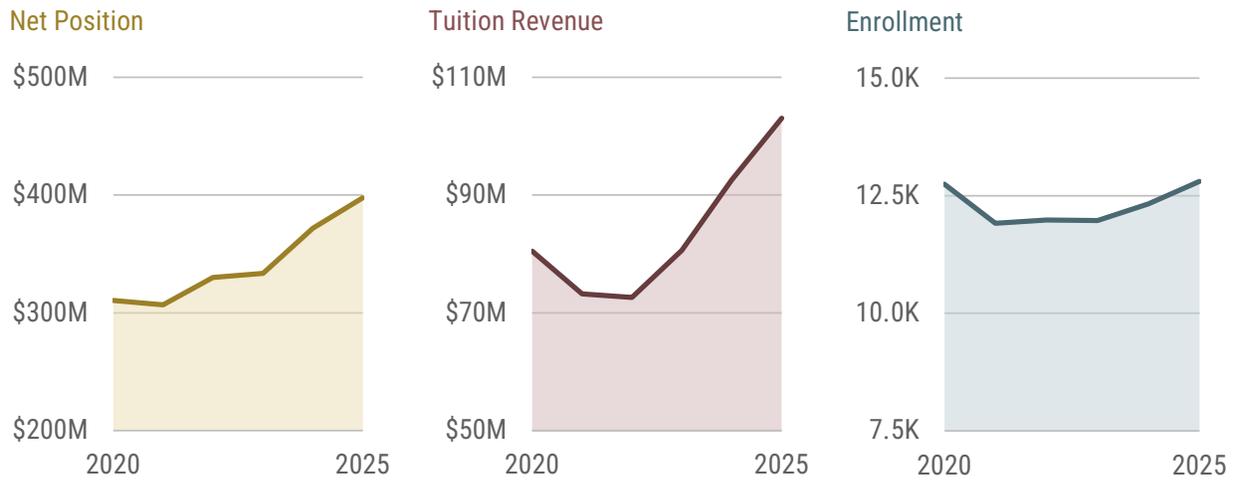
In recent years, UM has issued **revenue bonds** to finance campus improvements classified as **capital assets**.



Source: Compiled by the Legislative Audit Division.

During the same five-year period, the university’s net position has trended upwards partially due to increase in tuition revenue driven in part by increases in student FTE as illustrated by Figure 2 (page S-3).

The **net position** of UM increased in recent years, partly due to increases in **tuition revenue** from **enrollment** increases.



Source: Compiled by the Legislative Audit Division.

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.

Independent Auditor's Report and University Financial Statements

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

Opinions

We have audited the financial statements of the University of Montana, a component unit of the State of Montana, which are comprised of the Consolidated Statements of Net Position as of June 30, 2025, the related Consolidated Statements of Revenues, Expenses and Changes in Net Position, and Consolidated Statements of Cash Flows for the fiscal year then ended, and the University Component Units – Combined Statements of Net Position as of June 30, 2025, and the related University Component Units – Combined Statement of Activities for the fiscal year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Montana 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.

We did not audit the financial statements of the University of Montana Foundation, the Montana Technological Foundation, The University of Montana Western Foundation, and the Montana Grizzly Scholarship Association. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for the component units of the university, as noted above, is based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the university's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page A-5 and the Required Supplementary Information-Pensions beginning on page A-58 the required Supplementary Information - Other Post-Employment Benefits beginning on page A-67 and the related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information on page A-70. The other information comprises the unaudited supplemental information, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Other Legal and Regulatory Requirements***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the university's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the university's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Alexa O'Dell

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

January 15, 2026

UNIVERSITY OF MONTANA
UNIVERSITY OF MONTANA - MISSOULA
MONTANA TECHNOLOGICAL UNIVERSITY
UNIVERSITY OF MONTANA - WESTERN
HELENA COLLEGE UNIVERSITY OF MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
OVERVIEW OF FISCAL YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024

The University of Montana (University) is comprised of four affiliated campuses: University of Montana - Missoula; Montana Technological University (Montana Tech); University of Montana - Western; and Helena College University of Montana. This discussion pertains to the consolidated financial statements for the four affiliated campuses and provides a comparative overview of the University's financial position and operating results for the fiscal years ended June 30, 2025 and 2024, and should be read in conjunction with the fiscal year 2025 and 2024 financial statements.

FINANCIAL HIGHLIGHTS

During fiscal year 2025, the University of Montana's Missoula campus successfully defended and retained its R1 research classification. Research activity continued to demonstrate year-over-year strength, with externally sponsored funding increasing by approximately \$40 million. This growth occurred despite a decline in proposal submissions of nearly \$83 million and a modest decrease in research expenditures of approximately \$3 million, reflecting a shift in the timing and composition of research activity rather than a reduction in research capacity.

In FY25, the University's foundations provided over \$44 million to support students, faculty and programs, along with over \$14 million for capital projects. They also recognized nearly \$65 million in contributions from fundraising efforts.

The University's full time equivalent (FTE) student enrollment rose to 12,804 up from 12,326 in FY24. The Missoula campus experienced a 2.2% increase in total headcount, and the number of first-generation students at UM increased by over 400 students, or 15.7%. Additionally, the University achieved a 74.8% first-to-second year retention rate, remaining near an all-time high.

USING THE FINANCIAL STATEMENTS

The University's financial statements consist of the following three statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

A discussion of each of the individual statements follows. Some key points to be aware of regarding the statements are:

- These are consolidated financial statements representing the University's four campuses.
- The financial statements are prepared using the accrual basis of accounting, which means revenues are reported when earned, and expenses are reported when an obligation has been incurred.
- Assets and liabilities presented in the financial statements are generally measured at current value, with capital assets reported at historical cost less accumulated depreciation.
- Capital assets are classified as depreciable and non-depreciable with depreciation treated as an operating expense.
- Assets and liabilities are treated as current (due within one year) or as noncurrent (due in more than one year), and are presented in the Statement of Net Position in order of liquidity. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period but do not require a future exchange of goods or services. Deferred inflows represent the acquisition of resources that are applicable to a future reporting period.
- Revenues and expenses are classified as operating or nonoperating. "Operating" is defined as resulting from transactions involving exchanges of goods or services for payment, and directly related to supplying the basic

Management Discussion and Analysis (continued)

service while “nonoperating” is defined as resulting from transactions not derived from the basic operation of the enterprise. As a result, the accompanying Statement of Revenues, Expenses, and Changes in Net Position reflects a substantial operating loss, primarily because accounting standards requires that the State Appropriation, which is used for operations, must be reported as non-operating revenue.

- Tuition and auxiliary enterprise charges are reported net of any scholarships or fellowships that were applied directly to a student’s account. This prevents the University financial statements from duplicating this revenue and expense.

STATEMENT OF NET POSITION

The Statement of Net Position provides a snapshot of the University’s financial position at the end of the fiscal year. Changes in net position over time highlight improvements or declines in the University’s financial health. Below is a summary of the Statement of Net Position:

Description	For the years ended June 30, (in millions)		
	2025	2024	2023
Total current assets	\$ 296.18	\$ 234.81	\$ 246.78
Total capital assets (net)	526.14	494.71	444.95
Total noncurrent assets	68.90	70.16	65.99
Total assets	\$ 891.22	\$ 799.68	\$ 757.72
Deferred outflows of resources	\$ 63.71	\$ 54.24	\$ 56.85
Total current liabilities	\$ 91.47	\$ 86.83	\$ 76.60
Total noncurrent liabilities	418.09	348.86	353.83
Total liabilities	\$ 509.56	\$ 435.69	\$ 430.43
Deferred inflows of resources	\$ 47.78	\$ 46.47	\$ 50.76
Net invested in capital assets	\$ 319.29	\$ 288.67	\$ 259.91
Restricted:			
Nonexpendable	31.89	26.79	21.16
Expendable	6.94	3.40	5.63
Unrestricted	39.47	52.90	46.68
Total net position	\$ 397.59	\$ 371.76	\$ 333.38

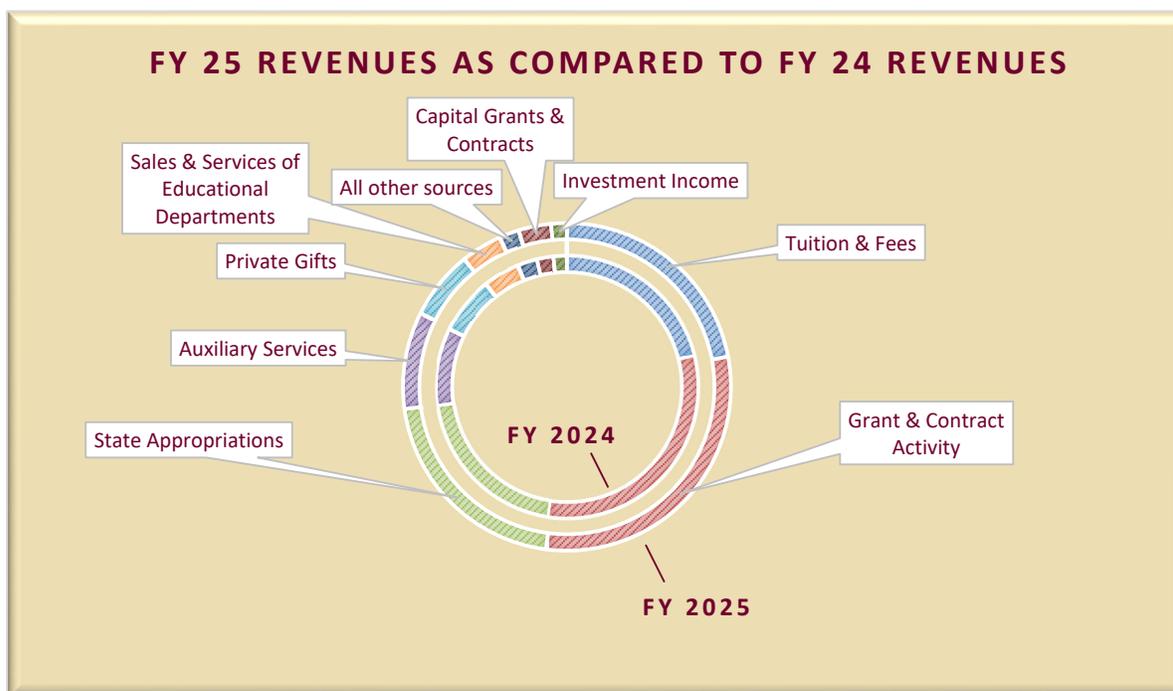
Significant events or developments that impacted the Statement of Net Position include:

- Current assets increased by over \$61 million in FY25, primarily from an approximately \$61 million increase in cash and cash equivalents related to the issuance of revenue bonds that will be used for planned capital construction and improvements. This was offset by a decrease of over \$2 million in amount due from the federal government that reflects a decrease in research activity and pending reimbursements from granting agencies. Changes in accounts and grants receivable and prepaid expenses make up the majority of the remaining \$2 million difference.
- Noncurrent assets and capital assets increased by approximately \$30 million in FY25, attributed primarily to a net increase in capital assets of approximately \$31 million, related to the completion of major capital projects including The Lodge Dining Center, Heating Plant upgrades, and the Indoor Practice Facility. These increases were offset by an approximately \$1 million decrease to investments and beneficial interests, leases receivable, and loans to students related to the repayment of loans associated with the Perkins program.
- Deferred outflow of resources increased in excess of \$9 million in FY25, due to a \$5 million increase related to the defined benefit retirement plan and a \$4 million increase related to other postemployment health insurance. These changes are due to the plans’ actuarial assumptions and other actuarial inputs and these increases are offset minimally by a decline in unamortized loss on debt refunding.

Management Discussion and Analysis (continued)

- In FY25, current liabilities increased by over \$4 million primarily from a \$1 million rise in unearned revenue related to grant funding. Additionally, accounts payable and accrued liabilities and accrued compensated absences rose by \$1 million each. An increase in securities lending liability comprises the majority of the remaining \$1 million increase.
- Noncurrent liabilities increased by over \$69 million, primarily due to the issuance of \$65 million in revenue bonds. Additionally, long term obligations related to net pension liability and other postemployment benefits increased by almost \$4 million and \$2 million, respectively. The changes in the University's proportionate share of the net pension liability and other postemployment benefits liability can be attributed primarily to changes in the plans' actuarial assumptions and other actuarial inputs. Additionally, due to federal government decreased by almost \$2 million due to the return of funds related to the Perkins loan program.
- The increase in deferred inflows of resources of just over \$1 million is primarily attributable to the assumptions related to the actuarial evaluations for the defined benefit retirement plans and other postemployment benefits for health insurance.
- Net position improved by nearly \$26 million (nearly 7%) in FY25. This increase was primarily due to a \$31 million rise in net investment in capital assets, an almost \$5 million increase in restricted endowments, and a nearly \$3 million rise in assets restricted for nonexpendable scholarships, research, instructions and other. These gains were offset by a \$13 million decrease in unrestricted assets.

The following chart provides a graphical representation of fiscal year 2025 revenues as compared to fiscal year 2024 revenues:



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the University's operational activities for the fiscal year, categorizing them as either operating or nonoperating items. Under the accrual method of accounting, the current year's revenues and expenses are recognized when they were earned or incurred, regardless of when cash was received or paid.

The following is a comparative analysis of revenues and expenses for the fiscal years ended June 30, 2025 and 2024:

Management Discussion and Analysis (continued)

Description	For the years ended June 30, (in millions)			
	2025		2024	
Operating revenues	\$	388.34	\$	376.86
Operating expenses		578.01		533.21
Operating loss		(189.67)		(156.35)
Nonoperating revenues		195.75		180.06
Gain (loss) before other revenues		6.08		23.71
Other revenues		19.75		14.67
Net Increase in net position		25.83		38.38
Net Position, beginning of year		371.76		333.38
Net position, end of year	\$	397.59	\$	371.76

The following provides a comparative analysis of revenues and expenses for the years ended June 30, 2025 and 2024:

	For the years ended June 30, (in millions)			
	2025		2024	
	Amount	Percent	Amount	Percent
REVENUES				
Tuition and fees, net	\$ 135.09	22.1%	\$ 122.44	21.1%
Federal grants and contracts	113.72	18.5%	120.16	20.7%
State & local grants/contracts	6.76	1.1%	6.81	1.2%
Nongovernmental grants/contracts	17.08	2.8%	14.81	2.6%
Facilities and administrative cost allowance	22.78	3.7%	21.85	3.7%
Sales/services of educational departments	24.92	4.1%	26.26	4.5%
Auxiliary enterprise charges	58.88	9.6%	55.82	9.6%
State appropriations	127.32	20.8%	117.74	20.3%
Federal financial aid grants and contracts	23.43	3.8%	18.02	3.1%
Investment income	9.50	1.6%	9.55	1.7%
Private gifts	41.64	6.8%	41.23	7.1%
Capital grants and gifts	19.62	3.2%	11.79	2.0%
All other sources	11.86	1.9%	13.91	2.4%
Total revenues	\$ 612.60	100.0%	\$ 580.39	100.0%
EXPENSES				
Compensation and benefits	\$ 336.50	57.4%	\$ 319.23	58.9%
Pension expense	12.75	2.2%	15.72	2.9%
Other postemployment benefits	0.57	0.1%	0.60	0.1%
Other operating expenses	156.90	26.7%	139.55	25.8%
Scholarships and fellowships	32.38	5.5%	26.01	4.8%
Depreciation and amortization	38.91	6.6%	32.12	5.9%
Interest expense	8.76	1.5%	8.80	1.6%
Total expenses	\$ 586.77	100.0%	\$ 542.03	100.0%

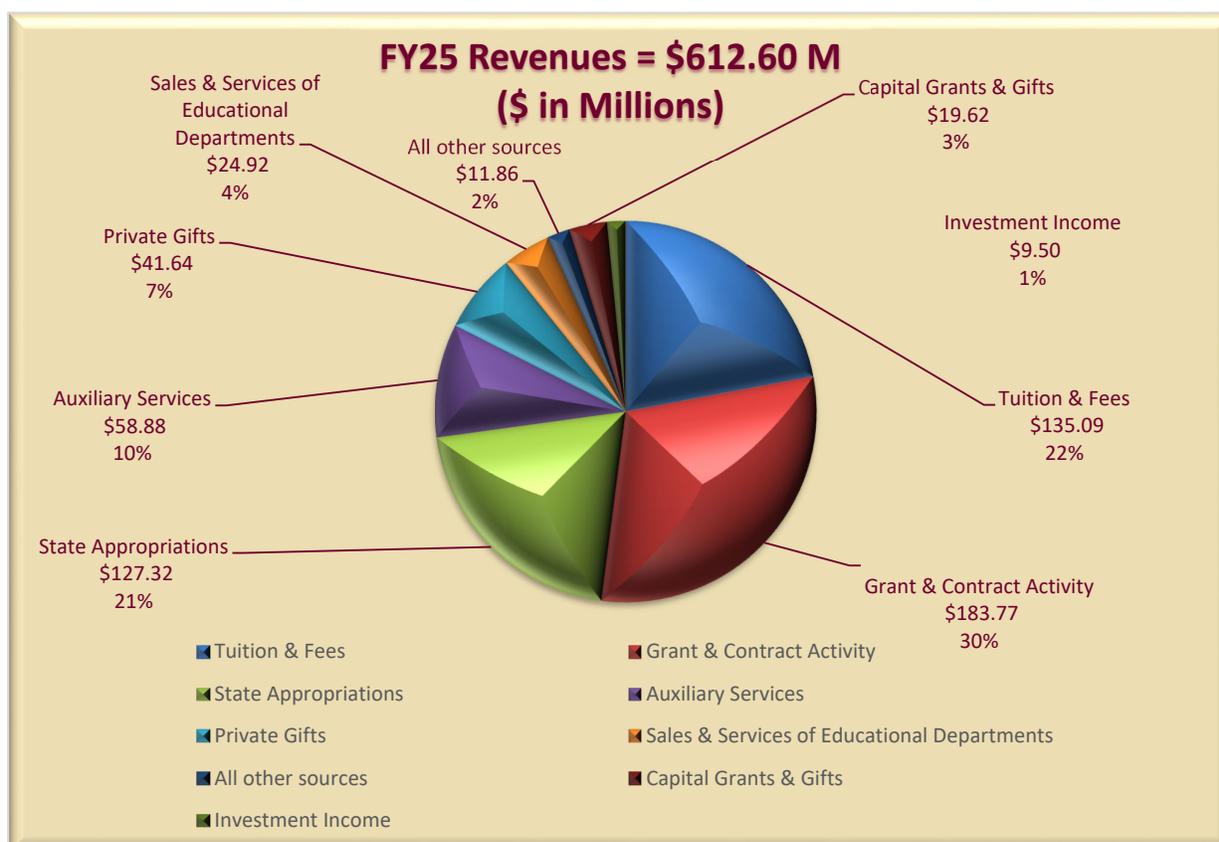
Management Discussion and Analysis (continued)

Events or developments which occurred during 2025 include:

The University experienced an increase of nearly \$26 million in its net position in FY25. Significant factors contributing to this change are described below.

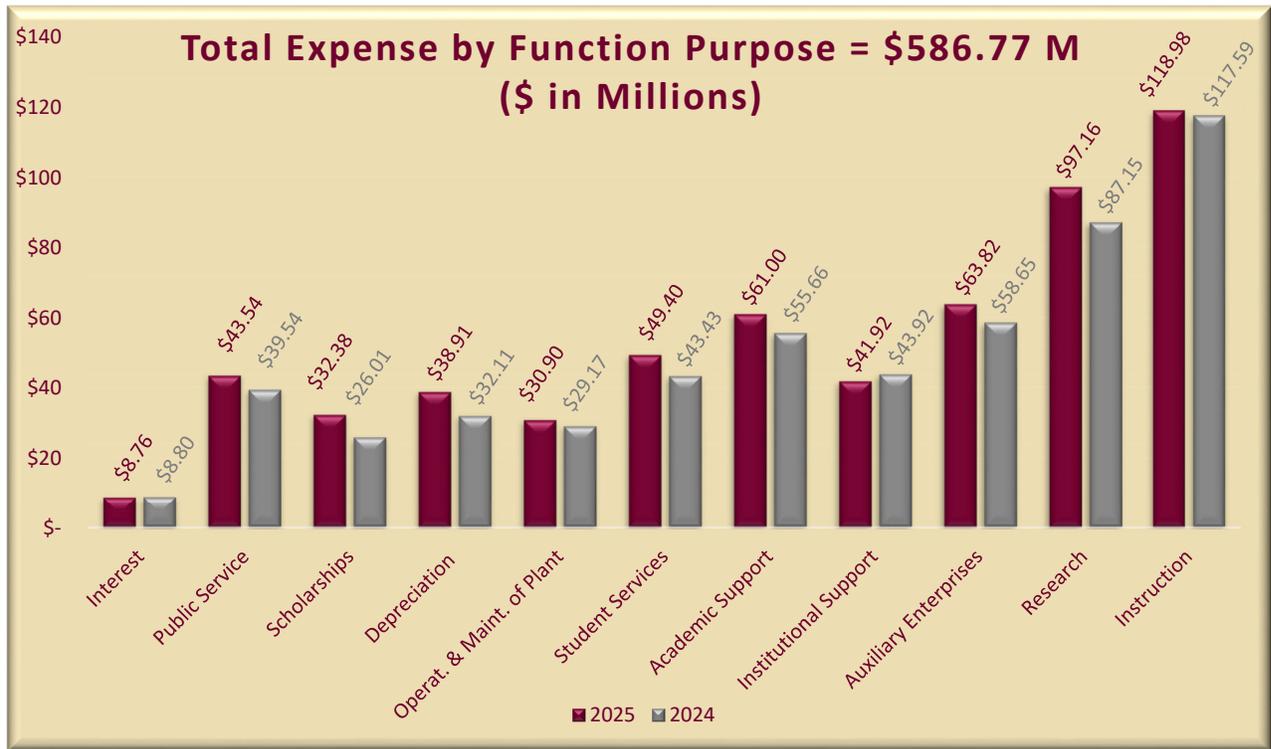
- In FY25, operating revenues increased by just over \$11 million, about 3%, over FY24, due to increases of over \$12 million in tuition and fee revenues, net of scholarship allowances, over \$2 million in nongovernmental grants and contracts, and just over \$3 million in auxiliary enterprise charges, net of scholarship allowances. Additionally, grants and contract facilities and administrative cost allowances, and other operating revenues increased by just over \$1 million. These were offset by an over \$6 million decrease in federal grants and contracts and a \$1 million decrease in sales and services of educational departments.
- Operating expenses increased by over \$44 million in FY25, or approximately 8%, primarily due to an increase in compensation and employment benefits of over \$17 million and an increase other operating expenses of \$17 million. Additionally, there were increases to scholarships and fellowships of about \$6 million and an increase to depreciation of nearly \$7 million. These increases are offset by a decrease to pension expense of almost \$3 million.

The following chart provides a graphical representation of revenue classifications as a percentage of total revenues for fiscal year 2025:



Management Discussion and Analysis (continued)

The following chart provides a graphical comparison of operating expenses by function for fiscal years 2025 and 2024:



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University’s sources and uses of cash during the fiscal year. This statement aids in assessing the University’s ability to meet obligations and commitments as they become due, its ability to generate future cash flows, and its need for external financing. As required by GASB, the statement is presented using the “Direct Method”, which focuses on those transactions that either provided or used cash during the fiscal year.

Cash Flow Category	For years ended June 30,	
	(in millions)	
	2025	2024
Cash (Used in) Provided by:		
Operating Activities	\$ (154.68)	\$ (120.06)
Noncapital Financing Activities	195.01	179.31
Investing Activities	10.32	4.33
Capital and Related Financial Activities	10.42	(85.68)
Net (Decrease) Increase in Cash	61.07	(22.10)
Cash and Cash Equivalents, beginning of year	179.30	201.40
Cash and Cash Equivalents, end of year	\$ 240.37	\$ 179.30

Management Discussion and Analysis (continued)

Specific events or cash transactions during fiscal year 2025, which were notable include:

- Net cash used by operating activities of nearly \$155 million increased by over \$34 million or 29% in FY25, primarily due to increases in cash used for payments to employees for salaries and benefits of over \$28 million, payments for scholarships of over \$6 million, and cash used for other operating expenses of nearly \$16 million. These increases were offset by an increase in cash provided by tuition and fees of nearly \$17 million and an increase in cash provided by federal grants and contracts of more than \$7 million, or over 6%, and an increase to cash provided by non-governmental grants and contracts of over \$4 million. Cash used by sales and services of educational activities increased by almost \$7 million, or nearly 23% and cash used by auxiliary enterprises increased by almost \$9 million or slightly over 14%. Cash provided by other grant activity increased by almost \$2 million. Cash used for payments for other postemployment benefits decreased by nearly \$2 million.
- Net cash flow provided by noncapital financing activities of over \$195 million increased by over \$15 million in FY25, or about 9%, primarily from an \$10 million increase in cash provided by state appropriations. In addition, cash provided by federal financial aid grants and contracts increased by over \$5 million or more than 30%.
- In FY25, the net cash flows provided by investing activities of just over \$10 million, increased by nearly \$6 million due to cash provided by proceeds from the sale of investments of just over \$5 million combined with a nearly \$1 million decrease in cash used to purchase investments.
- Net cash provided by capital and related financing activities of approximately \$10 million increased by over \$96 million in FY25 over cash used in FY24. Payments for capital assets decreased by nearly \$28 million. In addition, the University issued just over \$69 million in revenue bonds in FY25. These payments were offset by a decrease in cash proceeds from private gifts for capital purposes of over \$1 million.

DISCUSSION OF SIGNIFICANT ECONOMIC AND FINANCIAL ISSUES AND OPPORTUNITIES

Significant economic or financial issues for the four campuses are:

- The University has experienced four consecutive years of growth in incoming student cohorts and is currently in a sustained period of expansion across all four campuses. Demonstrating its commitment to attracting and retaining Montana residents, the University has made significant strategic investments, resulting in the enrollment of 2.7% additional Montana resident students at the Missoula campus during fiscal year 2025.
- The University has made substantial progress in recent years in reducing barriers to education for a wide range of student populations. In fiscal year 2025, the University saw additional significant growth in the enrollment of diverse student groups, including Native American students, veteran students, and first-generation students.
- The University partnered with a local high school to increase dual enrollment opportunities in fiscal year 2025. The Bronc Fast Track program allows students to earn college credits through the dual enrollment program beginning as early as their sophomore year. Over the course of three years, the students complete 30 or more college credits and graduate high school on track to complete a bachelor's degree within three years. This model offers a scalable, affordable solution to college and career readiness and enables students to reach their goals faster.
- Construction was completed on several significant capital projects on the University's Missoula campus. The projects include: Construction of a new \$47 million state of the art dining facility and a \$20 million upgrade to the campus heating and power plant that will provide significant energy cost savings and further reduce the campus' carbon footprint. The construction projects were funded primarily from Series BC 2019 General Revenue Bonds proceeds and Series 2022 General Revenue Bonds.
- Construction is ongoing on a new 600 bed residence hall, that is scheduled to be in use in the fall of 2027. This \$89 million project will be funded primarily from the Series 2025 General Revenue Bonds that were issued in Fiscal Year 2025. This facility will be the first new on-campus student housing addition in over 30 years. The project responds to sustained enrollment increases and housing demand in the Missoula area and is expected to enhance the student experience by providing modern, affordable living spaces that foster community and academic engagement. Construction of this facility reinforces the University's long-term commitment to renewing campus facilities and aligning physical capacity with institutional growth and student needs.

Management Discussion and Analysis (continued)

- These capital projects demonstrate the University's commitment to its mission of inclusive prosperity. These projects will also enhance the student experience at University of Montana and play a critical role in attracting and retaining students.
- During the fiscal year, the Montana Board of Regents approved the expansion of the University of Montana's Entertainment Management certificate into a four-year Entertainment, Events, and Sports Management major, effective Fall 2025. The new major responds to sustained student demand and industry workforce needs and is expected to enhance enrollment stability and program relevance within the College of Business. This strategic academic investment supports the University's mission to improve career outcomes and strengthen industry partnerships, which may positively influence future operating performance.
- During fiscal year 2025, the University of Montana continued to strengthen its cybersecurity capacity through targeted investments in infrastructure, partnerships, and workforce development. Key initiatives included the opening of a new cybersecurity laboratory to support hands-on instruction and applied learning, expansion of the CyberMontana program, and the launch of new public-private partnerships to enhance cybersecurity services for rural communities and public entities across the state. These efforts advanced UM's role as a statewide hub for cybersecurity education and operational support while creating experiential learning opportunities for students. Collectively, these initiatives align with institutional priorities around risk mitigation, technology resilience, and workforce development and are intended to contribute to future enrollment growth and external funding opportunities.
- Over the past two years, the University of Montana has taken a deliberate approach to artificial intelligence (AI). During fiscal year 2025, the University advanced institution-wide adoption of AI through the launch and early implementation of its Future Project initiative. Key accomplishments included the development of AI governance principles and usage guidelines, expansion of AI literacy resources, and deployment of enterprise AI tools to support teaching, learning, and administrative functions. These efforts focused on responsible integration of AI, operational efficiency, and workforce alignment, positioning the University to adapt to emerging technological demands while managing associated academic and operational risks. By scaling successful pilots and integrating AI thoughtfully into academic and administrative work, UM expects to improve service quality and productivity, create capacity for innovation, and strengthen the University's long-term financial resilience.

University of Montana

Consolidated Statements of Net Position

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As of June 30,	2025
ASSETS	
Current assets	
Cash and cash equivalents	\$ 239,605,386
Securities lending collateral	4,075,607
Accounts and grants receivable, net	8,894,665
Due from Federal government	32,280,818
Due from primary government	1,491,677
Due from other State of Montana component units	656,505
Loans to students, net	419,428
Inventories	2,019,566
Prepaid expenses and other charges	6,733,790
Total current assets	296,177,442
Noncurrent assets	
Restricted cash and cash equivalents	771,843
Investments and beneficial interest	62,478,698
Leases receivable	3,197,114
Loans to students	2,453,812
Capital assets, net	526,136,997
Total noncurrent assets	595,038,464
Total assets	\$ 891,215,906
DEFERRED OUTFLOW OF RESOURCES	63,715,636
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	28,853,957
Due to Federal government	1,000,108
Due to primary government	8,703
Securities lending liability	4,075,607
Student and other deposits	4,129,506
Unearned revenue	28,909,634
Accrued compensated absences	16,586,181
Current portion of long-term obligations	7,904,004
Total current liabilities	91,467,700
Noncurrent liabilities	
Accrued compensated absences	16,849,055
Unearned Compensation	422,495
Long-term obligations	287,965,123
Advances from primary government	757,026
Net pension liability	91,970,519
Other postemployment benefits liability	18,401,958
Due to Federal government	1,727,882
Total noncurrent liabilities	418,094,058
Total liabilities	\$ 509,561,758
DEFERRED INFLOW OF RESOURCES	47,782,749
NET POSITION	
Net investment in capital assets	\$ 319,290,526
Restricted for:	
Nonexpendable	
Endowments	30,158,714
Loans	1,727,882
Expendable	
Loans	4,207,200
Scholarships, research, instruction, and other	2,736,069
Unrestricted	39,466,644
Total net position	\$ 397,587,035

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

University of Montana

Consolidated Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,

2025

OPERATING REVENUES:	
Tuition and fees:	
Tuition (net of scholarship allowances for 2025 of \$39,540,346)	\$ 103,074,842
Fees	32,014,520
Total tuition and fees, net of scholarship allowances	135,089,362
Federal grants and contracts	113,718,671
State and local grants and contracts	6,764,502
Nongovernmental grants and contracts	17,080,909
Grant and contract facilities and administrative cost allowances	22,782,727
Sales and services of educational departments	24,921,666
Auxiliary enterprises charges (net of scholarship allowances for 2025 of \$5,018,902)	
Residential life	23,113,210
Food services	20,725,547
Other auxiliary revenues	15,026,426
Interest earned on loans to students	66,168
Other operating revenues	9,055,291
Total operating revenues	388,344,479
OPERATING EXPENSES:	
Compensation and employee benefits	336,497,800
Pension expense	12,750,418
Other postemployment benefits	571,224
Other	156,903,649
Scholarships and fellowships	32,377,919
Depreciation and amortization	38,912,548
Total operating expenses	578,013,558
OPERATING LOSS	(189,669,079)
NONOPERATING REVENUES (EXPENSES):	
State appropriations	127,324,409
Federal financial aid grants and contracts	23,429,037
Land grant revenues	2,614,497
Private gifts	41,639,401
Investment income	9,502,981
Interest expense	(8,760,072)
Net nonoperating revenues	195,750,253
INCOME BEFORE OTHER REVENUES	6,081,174
OTHER REVENUES:	
Capital grants and gifts	19,618,568
Gain from debt forgiveness and disposal of capital assets	128,084
Total other revenues	19,746,652
CHANGE IN NET POSITION	25,827,826
NET POSITION:	
Net position - beginning of year	371,759,209
Net position - end of year	\$ 397,587,035

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

University of Montana
A Component Unit of the State of Montana
Consolidated Statement of Cash Flows
For the Year Ended June 30,

2025

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 135,352,090
Federal grants and contracts	120,847,461
State grants and contracts	7,190,824
Non-governmental grants and contracts	18,151,675
Indirect cost recoveries	22,782,727
Sales and services of educational activities	22,937,846
Auxiliary enterprise charges	54,179,383
Interest earned on loans to students	83,286
Other operating receipts	8,876,413
Payments to employees for salaries and benefits	(352,108,957)
Payments for Other Post Employment Benefits (Pensions)	(2,044,171)
Operating expenses	(159,150,492)
Payments for scholarships and fellowships	(32,377,919)
Loans made to students	(54,751)
Loan payments received	653,402

Net Cash Used by Operating Activities \$ (154,681,183)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	127,324,409
Land Grants	2,614,497
Federal financial aid grants and contracts	23,429,037
Private gifts for other than capital purposes	41,639,401
Direct lending proceeds	68,410,580
Direct lending disbursements	(68,410,580)

Net Cash Provided by Noncapital Financing Activities 195,007,344

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(4,215,432)
Proceeds from the sale of investments	5,035,804
Earnings received on investments	9,502,982

Net Cash Provided by Investing Activities 10,323,354

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital assets	(66,724,903)
Private gifts for capital purposes	19,618,565
Cash proceeds from the issuance of revenue bonds	69,249,554
Bond issuance cost paid on revenue bonds	429,274
Increase to SBECF Loan	431,669
Gain on pay-off of MSTA Loan	-
Principal paid on advance from primary government MSTA Loan	-
Principal paid on other long term obligations (SBITAs)	(273,632)
Principal paid on bonds payable	(3,380,000)
Interest paid on revenue bonds	(8,245,584)
Interest paid on other long term obligations (SBITAs)	(684,197)

Net Cash Provided by Capital and Related Financing Activities 10,420,746

Net Change in Cash and Cash Equivalents \$ 61,070,261

Cash and Cash Equivalents, Beginning of Year 179,306,968

Cash and Cash Equivalents, End of Year \$ 240,377,229

Accompanying notes are an integral part of this financial statement

University of Montana
A Component Unit of the State of Montana
Consolidated Statement of Cash Flows (Continued)
For the Year Ended June 30,

2025

**Reconciliation of Operating Income (Loss) to Net Cash
 Provided (Used By) Operating Activities:**

Operating income (loss):	\$	(189,669,079)
Adjustments to reconcile operating income (loss) to net cash used by operating activities		
Noncash expense:		
Depreciation expense		38,912,548
Amortization of net pension liability		(3,535,824)
Amortization of other post employment benefits obligation		605,982
Gain on Disposal of Capital Assets		128,084
Changes in assets and liabilities		
Accounts receivable		672,121
Leases Receivable		(58,943)
Loans to students		598,651
Inventories		(104,450)
Prepaid expenses and deferred charges		(473,664)
Accounts payable and accrued expenses		(2,792,215)
Student and other deposits		390,742
Deferred revenue		1,042,131
Due to federal government		(1,785,637)
Compensated absences		1,388,371
Net Cash Used by Operating Activities	\$	(154,681,182)

**Noncash Investing, Noncapital Financing, and Capital
 and Related Financing Transactions**

Change in fair value of investments recognized as a component of investment earnings	\$	2,242,191
Fixed assets acquired from capital grants and donations	\$	593,914
Premiums and deferred loss on refunding amortized to expense	\$	(787,638)

Reconciliation of Cash and Cash Equivalent to the Statement of Net Position

Cash and cash equivalents classified as current assets	\$	239,605,386
Cash and cash equivalents classified as noncurrent assets		771,843
Total Cash and Cash Equivalents, End of Year	\$	240,377,229

University of Montana Component Units

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Combined Statements of Financial Position

As of June 30,	2025
ASSETS	
Cash and cash equivalents	\$ 22,550,162
Short-term investments	2,906,688
Accrued dividends and interest	744,075
Investments	529,021,381
Accounts receivable, net	343,451
Contributions receivable, net	25,474,210
Student loans and other receivables	455,756
Beneficial interests in trusts held by others	15,786,945
Property, building and equipment, net of accumulated depreciation	4,649,293
Other assets	2,434,074
Total assets	\$ 604,366,035
LIABILITIES	
Accounts payable	\$ 4,371,845
Accrued expenses	174,751
Deferred revenue	623,174
Compensated absences	376,706
Lease liability	2,657,875
Notes payable-current	501,140
Long-term notes payable	3,519,660
Liabilities to external beneficiaries	16,941,781
Custodial funds	32,311,142
Total liabilities	61,478,074
NET ASSETS	
Net assets - without donor restrictions:	15,933,955
Net assets - with donor restrictions:	526,954,006
Total net assets	542,887,961
Total liabilities and net assets	\$ 604,366,035

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

University of Montana Component Units

Combined Statement of Activities

For The Year Ended June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Contributions	\$ 2,505,087	\$ 62,307,695	\$ 64,812,782
Contributed Nonfinancial assets	139,573	587,914	727,487
Interest and dividend income	256,936	8,877,817	9,134,753
Net realized and unrealized gains (losses) on investments	7,272,665	30,875,973	38,148,638
Administrative fees	1,035,958	-	1,035,958
Support received from university	1,035,710	-	1,035,710
Net revaluation of trusts and split-interest agreements	8	1,373,884	1,373,892
Income from perpetual trust	2,306	398,756	401,062
Special events	623,619	601,371	1,224,990
Other income	34,646	1,108,368	1,143,014
Net assets released from restrictions	63,390,650	(63,390,650)	-
Total revenues	76,297,158	42,741,128	119,038,286
EXPENSES:			
Program services			
Academic and institutional	29,080,453	-	29,080,453
Capital expenses	14,461,794	-	14,461,794
Scholarships and awards	15,151,197	-	15,151,197
Total program services	58,693,444	-	58,693,444
Operating expenses			
Fundraising efforts	6,497,430	-	6,497,430
General and administrative	7,863,286	-	7,863,286
Other Expenses	-	-	-
Total operating expenses	14,360,716	-	14,360,716
Change in net assets before nonoperating items	3,242,998	42,741,128	45,984,126
NONOPERATING REVENUES (EXPENSES):			
Gain on disposition of asset	-	-	-
Change in net assets	3,242,998	42,741,128	45,984,126
Net Assets - beginning of year as previously stated	13,448,026	483,250,489	496,698,515
Restatement of net assets	(757,069)	962,389	205,320
Net assets - beginning of year as restated	12,690,957	484,212,878	496,903,835
Net assets - end of year	\$ 15,933,955	\$ 526,954,006	\$ 542,887,961

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSITY OF MONTANA FOR THE YEAR ENDED JUNE 30, 2025 INCLUDED AS A COMPONENT UNIT OF THE STATE OF MONTANA

NOTE 1 – ORGANIZATION, REPORTING ENTITY AND BASIS OF PRESENTATION

▪ ORGANIZATION

The University of Montana (University) and its affiliated campuses are a component unit of the State of Montana (State) with an enrollment of approximately 16,000 students on its affiliated campuses. The State of Montana Board of Regents (Board of Regents) is appointed by the Governor of the State and has oversight responsibility of the University. The State appropriates funds to the entire Montana University System and the Commissioner of Higher Education allots funds to each campus separately and requires that the funds be maintained accordingly.

▪ REPORTING ENTITY

The accompanying consolidated financial statements includes activities of the four affiliated campuses of the University, the Lubrecht Experiment Forest, the Montana Bureau of Mines and the Flathead Lake Biological Station. The four affiliated campuses of the University are the University of Montana – Missoula, Montana Technological University (Montana Tech), in Butte, the University of Montana – Western, in Dillon, and Helena College University of Montana in Helena.

GASB Statement No. 39, *“Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14”* requires that a legally tax exempt organization should be reported as a component unit of a reporting entity if the economic resources received or held by these organizations are entirely or virtually entirely for the direct benefit of the reporting entity or its component units, and the reporting entity is entitled to, or has the means to otherwise access, a majority of the economic resources received or held by the separate organization. The resources of the separate organization must also be significant to the reporting entity. The University has established a threshold minimum of one percent of consolidated net position or one percent of consolidated revenues as an additional requirement for inclusion of an organization as a component unit in its financial statements. In addition, other organizations should be evaluated for inclusion if they are closely related to, or financially integrated with, the reporting entity. All component units and other related organizations will be tested and evaluated on an annual basis for inclusion under GASB No. 39. Accordingly, the University has identified and will present the combined activities of four component units, The University of Montana Foundation, The Montana Tech Foundation, The University of Montana - Western Foundation, and the Montana Grizzly Scholarship Association. For further discussion of accounting for component units, see Consolidated Financial Statements Note 25, “Accounting for Component Units.”

The University is considered a component unit of the State of Montana under GASB No. 14. As such, the financial statements for the University are included as a component part of the State of Montana Basic Financial Statements, which are prepared annually and presented in the Montana Annual Comprehensive Financial Report (ACFR).

The University, as a political subdivision of the State of Montana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

▪ BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). Under the provisions of GASB standards, the University reports as a special-purpose government engaged in business type activities. Accordingly, the basic financial statements the University is required to present are a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Along with notes to the financial statements, required supplemental information includes a management discussion and analysis. All material intra-entity transactions have been eliminated in consolidation. Also, in accordance with GASB Statement No. 39, the combined statement of financial position and statement of activities of the four component units referred to above are separately presented following the University financial statements.

▪ **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In December, 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which is effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 implementation does not affect a specified financial line item and GASB 102 itself does not require note disclosure or reclassification.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▪ **BASIS OF ACCOUNTING**

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

▪ **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

▪ **CASH EQUIVALENTS**

For purposes of the Consolidated Statement of Cash Flows, the University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Funds invested in money market funds and in the Short Term Investment Pool (STIP) with the Montana Board of Investments are considered cash equivalents.

▪ **INVESTMENTS**

The University accounts for its investments at fair value. In accordance with GASB 72, *Fair Value Measurement and Application*, investments are classified within a fair value hierarchy as follows:

- Level 1—Fair value is determined using quoted prices for identical assets or liabilities in active markets.
- Level 2—Fair value is determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Values are determined using unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market Approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.
- Cost Approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement costs).
- Income Approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectation about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Investment income is recorded on an accrual basis. All investment income, including changes in unrealized gain or loss on the carrying value of investments, is reported as a component of investment income.

▪ **ACCOUNTS AND GRANTS RECEIVABLE**

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty, staff, and others, and the current portion of leases receivable. Accounts receivable also includes amounts due from the federal government and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

▪ **INVENTORIES**

Inventories are comprised of consumable supplies, food items and items held for resale or recharge within the University. The material inventories are valued using the moving-average method. Smaller inventories are valued using First-In-First-Out (FIFO) or specific identification methods.

▪ **CASH AND SHORT-TERM INVESTMENTS**

Cash and investments that are externally restricted to make debt service payments, or by a donor or outside agency prohibiting the expenditure of principal and possibly earnings, are classified as non-current assets in the Consolidated Statement of Net Position.

▪ **CAPITAL ASSETS**

Capital assets are stated at cost or fair market value at date of purchase or donation. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The following table illustrates the capitalization thresholds which the University considers in evaluating capitalization:

<u>Capital Asset Category:</u>	<u>Capitalization Threshold Amount:</u>
Equipment	\$ 5,000
Buildings, Building Improvements, Land	\$ 25,000
Intangibles	\$ 100,000
Capital Leases and SBITAs	\$ 100,000
Intangibles - Internally Generated	\$ 500,000
Infrastructure	\$ 500,000

Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets as follows: buildings – 40 to 70 years; land improvements and infrastructure – 20 and 40 years, respectively; library books – 8 years; and equipment – 3 to 10 years. Amortization is computed on a straight-line basis over the estimated 4 to 20 year useful lives of intangible assets. Intangible assets with indefinite useful lives are not amortized. Historically, the University has capitalized all artwork subject to applicable capitalization policies at the time of donation or purchase. The University has elected to capitalize artwork subject to the current threshold, but without recording depreciation on those items.

▪ **DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows represent the consumption of resources that are applicable to a future reporting period but do not require a future exchange of goods or services. The University has reported deferred outflows of resources from the refunding of revenue bond debt, recording leases in accordance with GASB 87, recording Subscription Based Information Technology Arrangements (SBITAs) in accordance with GASB 96, and for its proportionate share of the statewide defined benefit retirement plans and the Montana University System Group Insurance Plan deferred outflows. For revenue bond debt, the unamortized difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a deferred outflow.

▪ **UNEARNED REVENUE**

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

▪ **COMPENSATED LEAVE**

Eligible University employees begin to earn eight hours sick leave and ten hours annual leave for each month worked. The accrual rate for annual leave increases with length of service. The maximum annual leave that eligible employees may accumulate is two hundred percent of their eligible annual accrual. Sick leave accumulates without limitation. Upon termination of employment, employees are compensated for unused leave as follows: 25 percent of sick leave accumulated after July 1, 1971 and one hundred percent of accumulated annual leave.

▪ **DEFERRED INFLOWS OF RESOURCES**

Deferred inflows represent the acquisition of resources that are applicable to a future reporting period. The University has reported its proportionate share of the statewide defined benefit retirement plans and the Montana University System Group Insurance Plan; for the fair value of the University’s beneficial interest in perpetual trusts; and the unamortized amount of deferred inflows from its lessor leasing arrangements as components of deferred inflows of resources.

▪ **NET POSITION**

Components of the University's net position are categorized as follows:

- **Net Investment in capital assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted, nonexpendable** – Net position subject to externally imposed stipulations which require that the University maintains those assets permanently. Such assets include the University's permanent endowment funds.
- **Restricted, expendable** – Net position that is subject to externally imposed stipulations that can be fulfilled either by action of the University pursuant to those stipulations or by the specified passage of time.
- **Unrestricted** – Net position whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents, or may otherwise be limited by contractual agreements with outside parties.

▪ **CLASSIFICATION OF REVENUES**

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

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.
- **Non-operating revenues** – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*," and GASB No. 34, "*Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*." Types of revenue sources that fall into this classification are state appropriations, private gifts, investment income, and federal financial aid grants and contracts.

▪ **USE OF RESTRICTED REVENUES**

When the University maintains both restricted and unrestricted funds for the same purpose, the order of use of such funds is determined on a case-by-case basis, in accordance with appropriate laws and restrictions. Restricted funds remain classified as restricted until they have been expended.

▪ **SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are generated by the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's consolidated financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, and cash equivalents consisted of the following at June 30, 2025:

	<u>2025</u>
Cash deposits and change funds	\$ 96,286,734
Cash equivalents:	
STIP	63,327,520
Cash held by trustee ⁽¹⁾	79,991,132
	<u>143,318,652</u>
	<u>\$ 239,605,386</u>

⁽¹⁾ Cash held by Trustee are proceeds from the Series 2019 BC, Series 2022, and Series 2025 Bond issuances that will fund capital improvements to the University campuses.

- **CASH DEPOSITS**

The University must comply with State statutes, which generally require that cash remain on deposit with the State treasury, and as such are subject to the State's investment policies. Certain exceptions exist, which allow funds to be placed on deposit with trustees to satisfy bond covenants or to maximize investment earnings by placing certain funds with University foundations. Deposits with State treasury and other financial institutions at June 30, 2025 totaled \$96,096,496.

- **CASH EQUIVALENTS**

Cash equivalents consist of cash held by trustees and amounts invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments (MBOI). STIP investments are primarily in short-term, high quality, fixed income securities and as required by MBOI policy, maintain a dollar-weighted average portfolio maturity of one-hundred twenty (120) days or less. The fair values of this investment pool have been determined using the net asset value (NAV) per share (or its equivalent) of the investment. The fair value measurement disclosure within MBOI's annual financial statements provides information about the underlying investments in the pool and where they are categorized within the fair value hierarchy. STIP is a commingled pool for investment purposes and participant requested redemptions from the pool are redeemed the next business day.

Cash held by trustee is invested in a money market funds that invest exclusively in short-term U.S. Government securities and repurchase agreements secured by U.S. Government securities. Cash held by trustees may be withdrawn on demand.

- **SECURITIES LENDING COLLATERAL**

The fair value of the MBOI securities lending collateral investment pool at June 30, 2025 amounted to \$4,075,607. Securities lending cash collateral is shown at net asset value and is invested in the Navigator Securities Lending Government Money Market portfolio with an average duration of 21 days and the average weighted final maturity was 103 days within the Navigator portfolio. The securities lending collateral investment pool is unrated for credit quality type.

- **INVESTMENTS**

Investments are stated at fair values determined through the application of GASB Statement No. 72, *Fair Value Measurement and Application*, that requires investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as observable or unobservable: Observable inputs are "inputs that are developed using market data, such as publicly available information about actual events, or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability"; Unobservable inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

The University investments are categorized within the fair value hierarchy as follows:

- Level 1 – Fair value is determined using quoted prices for identical assets or liabilities in active markets.
- Level 2 – Fair value is determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Values are determined using unobservable inputs.

The fair value of certain investments that do not have a readily determinable fair value is classified at Net Asset Value (NAV). This includes financial assets in external investment pools administered by the MBOI, and the University of Montana and Montana Tech Foundations. For investments administered by MBOI, the annual financial statements provide the necessary disclosure of investments measured at fair value and where they are categorized within the fair value hierarchy.

Investments consisted of the following at June 30, 2025:

Security Type	Fair Value Measurement Level	Fair Value ⁽⁵⁾ 2025	Effective Duration at June 30, 2025 ⁽¹⁾	Credit Quality Rating at June 30, 2025 ⁽³⁾
Noncurrent				
Trust Fund Investment Pool (TFIP)	NAV ⁽⁴⁾	\$ 30,800,718	6.38 years ⁽²⁾	NR
Foundation pooled investments	NAV ⁽⁴⁾	24,843,146	Not applicable	N/A
Other pooled investments	NAV ⁽⁴⁾	965,447	Not applicable	N/A
Life insurance	NAV ⁽⁴⁾	291,010	Not applicable	N/A
Total noncurrent investments		\$ 56,900,321		
Beneficial interest	NAV ⁽⁴⁾	5,578,377	Not applicable	N/A
		\$ 62,478,698		

⁽¹⁾See Interest Rate Risk under the Investment Risks disclosure included in this note.

⁽²⁾Effective duration for the Trust Fund Investment Pool (TFIP) is for the entire portfolio. The University's ownership represents approximately 0.88% of the portfolio

⁽³⁾NR indicates security investment unrated for credit quality type.

⁽⁴⁾Fair values of the investments in this type have been determined using the NAV per share of the investments.

⁽⁵⁾Restricted investments fair value amounted to \$29,142,195 at June 30, 2025.

Investments held by the University at June 30, 2025 are described below:

Montana Board of Investments Pools

The University at June 30, 2025 was a participant in the Trust Fund Investment Pool (TFIP), an external investment pool administered by the MBOI. MBOI manages investments for the TFIP portfolio in accordance with the statutorily mandated "Prudent Expert Principle." TFIP shares can be redeemed monthly but a 30 day redemption notice is required.

TFIP is a commingled pool for investment purposes and invests primarily in investment grade, U.S. dollar dominated fixed income securities. The portfolio has high yield, core real estate, real assets, and private credit exposure.

Additionally, at June 30, 2025, the University was a participant in two separately managed accounts administered by the MBOI: Lubrecht Experimental Forest and Kyiyo Pow Wow. The NAV of these accounts was \$2,628,992 and \$315,435, respectively, as of June 30, 2025. These accounts invest in a combination of TFIP, STIP (or any cash vehicle at the Custodial Bank), and public equities.

The University Foundation Pool

This pool consists of endowment funds held in a common investment pool administered by the University of Montana and Montana Tech Foundations. The Foundations portfolio includes cash equivalents, fixed income and equity securities. The University's investment in these pools are intended to be permanent for regular endowment and quasi-endowment funds and accordingly, a liquidity term has not been formally established for these funds. The foundations are component units of the University and relevant information about their investments can be found in Note 25.

Securities Lending Transactions

MBOI is authorized by law to lend its securities and has contracted with the custodial bank, to lend the MBOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Contractually, the custodial bank is required to maintain collateral equal to from 102 percent to 115 percent depending on collateral type. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. The MBOI and the custodial bank split the earnings, 85 percent and 15 percent respectively, on security lending activities. The MBOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the MBOI's credit risk exposure to the borrowers.

During the fiscal year, the custodial bank loaned the Board's public securities and the collateral received included the following instruments: cash (U.S. and foreign), various sovereign and agency debt, equities (to include exchange-traded funds and certain depositary receipts), bonds (convertible and covered), preferred securities, asset-backed commercial paper, collateralized mortgage obligations, certificates of deposit, money market instruments, asset-backed and mortgage-backed securities, commercial paper, supra-national debt, certain irrevocable bank letters of credit, assets permissible under Rule 15c3-3, and any other mutually agreed collateral.

The MBOI imposed no restrictions on the amount of securities available to lend during fiscal year 2025. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2025 resulting from a borrower default. As of June 30, 2025, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders.

During fiscal year 2025, the MBOI maintained 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 an average duration of 21 days and the average weighted final maturity of 103 days.

Investment Risks

The University's investments administered by the MBOI are governed by its investment risk policies. The University does not have its own formal investment policy for interest rate risk, credit risk, custodial risk or concentration of credit risk. Detailed asset maturity and other information demonstrating risk associated with the State of Montana Board of Investments STIP and TFIP is contained in the State of Montana Board of Investments financial statements, and can be obtained online at <https://investmentmt.com/Annual-Reports> or by contacting the Board of Investments at P.O. Box 200126, Helena, MT 59620-0126.

Investment risks associated with the University's investments are described as follows:

Interest Rate Risk

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

Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP interest rate risk is determined using the 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 STIP portfolio minimizes interest risk by among other things, maintaining a WAM of 120 days or less.

The MBOI has selected the effective duration method as a measure of interest rate risk for all fixed income portfolios. Durations is a measure of a bond or portfolio's sensitivity to changes in interest rates. As duration increases, the bond or portfolio's sensitivity to interest rates increases. The TFIP investment policy requires average duration to be maintained in a range within 20% of the benchmark duration.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, all STIP and TFIP fixed income instruments have credit risk as measured by a nationally recognized statistical rating organization (NRSRO). All STIP money market investments are in U.S. government money markets or in a short-term investment vehicle through the custodial bank. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate.

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the MBOI 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 MBOI's custodial bank must be rated at a minimum at the 6th highest investment grade rating by at least two NRSRO's on an annual basis.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

The TFIP and STIP investments policies provide detailed guidelines on permitted investments and other investment restrictions to mitigate risks including the concentration of credit risk. There were no U.S. government sponsored entities securities held at June 30, 2025.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. Foreign currency risk is mitigated by limiting the total amount of foreign investments to 20 percent or less of admitted assets. Additionally, the amount of any single foreign jurisdiction cannot exceed 10 percent or 5 percent, depending on the jurisdictions sovereign debt rating.

Beneficial Interests

The University has beneficial interests in donated perpetual trust assets that are administered by an outside management trust company. The beneficial interest assets were measured at fair value when recorded and were subsequently re-measured at June 30, 2025. Changes in fair value of the beneficial interests are recognized as an increase or a decrease in the related deferred inflow of resources. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the outside management trust company that are outside the control and management of the University.

Land Grant Earnings

In 1881, the Congress of the United States granted land to the State of Montana for the benefit of the state's universities and colleges. The Enabling Act of 1889 granted 46,563 acres to the University of Montana - Missoula, 100,000 acres to Montana Tech and 50,000 acres to Western Montana College (now University of Montana - Western). Under provisions of the grants, proceeds from the sale of land and land assets, together with proceeds from the sale of timber, oil royalties and other minerals, must be reinvested, and constitute, along with the balance of unsold land, a perpetual trust fund. The grant is administered as a trust by the State Land Board, which holds title and has the authority to direct, control, lease, exchange and sell these lands. The University, as a beneficiary, does not have title to the assets resulting from the grant, only a right to the earnings generated. The University's share of the trust earnings was \$ 2,614,497 for the year ended June 30, 2025.

The assets held in land grant for the University are not reflected in the consolidated financial statements, but are included as a component of the State of Montana Basic Financial Statements that are prepared annually and presented in the Montana Annual Comprehensive Financial Report (ACFR).

NOTE 4 – ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consisted of the following at June 30, 2025:

	<u>2025</u>
Student tuition and fees	\$ 9,215,730
Auxiliary enterprises and other operating activities	4,855,290
Private grants and contracts	107,911
Other	1,015,325
Gross accounts and grants receivable	<u>15,194,256</u>
Less: allowance for doubtful accounts	6,299,591
	<u>\$ 8,894,665</u>

NOTE 5 – LEASES RECEIVABLE

The University leases office and retail space on the Missoula campus under long-term, non-cancellable lease agreements. The leases expire at various dates through fiscal year 2040 and provide for renewal options that vary from no right for renewal to terms for up to two years. The present value of these lessor lease agreements are calculated at the inception of the lease using an implicit interest rate. The implicit interest rate used for fiscal year 2025 was 3.81%. The University recognized rental revenue and interest income during the year ended June 30, 2025 of \$281,641 and \$115,125, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026*	\$ 244,869	\$ 107,403	\$ 352,272
Noncurrent			
2027	242,044	99,371	341,415
2028	250,141	91,418	341,559
2029	260,835	83,123	343,958
2030	271,882	74,476	346,358
2031-2035	1,665,477	220,758	1,886,235
2036-2040	506,735	20,774	527,509
Total noncurrent leases receivable	<u>3,197,114</u>	<u>589,920</u>	<u>3,787,034</u>
Total leases receivable	<u>\$ 3,441,983</u>	<u>\$ 697,323</u>	<u>\$ 4,139,306</u>

* Included in Accounts and grants receivable, net

NOTE 6 – LOANS RECEIVABLE

Student loans made under the Federal Perkins Loan Program constitute the majority of the University's loan receivable balances. Congress did not renew the Federal Perkins Loan Program after September 30, 2017, and no new disbursements were permitted after June 30, 2018. The lack of renewal means that as loans are repaid, participating institutions must return the Federal share of the repayment to the Department of Education. Institutions that choose to continue servicing their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Perkins Loan Program regulations. Institutions must also continue to report on their outstanding loan portfolio to the Department annually.

The University of Montana has elected to continue servicing its Perkins Loans. By University estimates, the Perkins Loan portfolio will be collected over approximately 15-20 years. Amounts refundable to the Federal Government for the Perkins Loan portfolio included in non-current liabilities as of June 30, 2025 amounted to \$1,727,882.

The Federal portion of interest income and loan program expenses is shown as additions to and deductions from the amount due to the Federal government, rather than operating transactions in the Consolidated Statement of Net Position.

NOTE 7 – INVENTORIES

Inventories consisted of the following at June 30, 2025:

	<u>2025</u>
Bookstore	\$ 657,170
Campus Recreation Operations	43,478
Dining Services	500,513
Facilities Services	569,737
Medical/Pharmacy Services	121,975
Other	126,693
	<u>\$ 2,019,566</u>

NOTE 8 – PREPAID EXPENSES AND OTHER CHARGES

Prepaid expenses and other charges consisted of the following at June 30, 2025:

	<u>2025</u>
Financial aid	\$ 2,044,357
Library materials	810,481
Technology software	909,017
Student fees	138,283
Travel and other	2,831,652
	<u>\$ 6,733,790</u>

NOTE 9 – CAPITAL ASSETS

The following tables present the changes in capital assets at June 30, 2025.

	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Capital assets not being depreciated:					
Land	\$ 8,343,822	\$ -	\$ -	\$ -	\$ 8,343,822
Capitalized collections	28,741,500	41,600	-	-	28,783,100
Construction in progress	78,701,033	26,718,533	(304,600)	(61,679,364)	43,435,602
	<u>115,786,355</u>	<u>26,760,133</u>	<u>(304,600)</u>	<u>(61,679,364)</u>	<u>80,562,524</u>
Other capital assets:					
Land improvements	19,191,299	1,991,654	-	-	21,182,953
Infrastructure	9,904,101	3,031,620	-	-	12,935,721
Buildings	442,206,110	20,426,891	-	60,965,698	523,598,699
Building improvements	284,363,296	3,675,626	-	713,666	288,752,588
Furniture and equipment	146,652,020	11,836,137	(2,724,763)	-	155,763,394
Library materials	61,105,389	140,114	-	-	61,245,503
Livestock and other capital assets	245,268	-	-	-	245,268
	<u>963,667,483</u>	<u>41,102,042</u>	<u>(2,724,763)</u>	<u>61,679,364</u>	<u>1,063,724,126</u>
Lease assets being amortized:					
Furniture and equipment	1,780,030	206,579	(970,369)	-	1,016,240
Subscription-based information technology arrangements	27,631,528	5,348,242	(8,916,242)	-	24,063,528
	<u>29,411,558</u>	<u>5,554,821</u>	<u>(9,886,611)</u>	<u>-</u>	<u>25,079,768</u>
Less capital asset accumulated depreciation for:					
Land improvements	(14,651,709)	(529,060)	-	-	(15,180,769)
Infrastructure	(3,901,857)	(339,361)	-	-	(4,241,218)
Buildings	(221,788,794)	(10,856,985)	-	-	(232,645,779)
Building improvements	(210,425,437)	(7,890,611)	-	-	(218,316,048)
Furniture and equipment	(93,476,131)	(8,438,585)	1,555,618	-	(100,359,098)
Library materials	(59,779,501)	(283,366)	-	-	(60,062,867)
Livestock and other capital assets	(207,687)	(12,527)	-	-	(220,214)
	<u>(604,231,116)</u>	<u>(28,350,495)</u>	<u>1,555,618</u>	<u>-</u>	<u>(631,025,993)</u>
Less lease accumulated amortization for:					
Furniture and equipment	(875,341)	(168,046)	409,173	-	(634,214)
Subscription-based information technology arrangements	(11,057,542)	(5,305,036)	2,955,645	-	(13,406,933)
	<u>(11,932,883)</u>	<u>(5,473,082)</u>	<u>3,364,818</u>	<u>-</u>	<u>(14,041,147)</u>
Other capital and leased assets, net	<u>376,915,042</u>	<u>12,833,286</u>	<u>(7,690,938)</u>	<u>61,679,364</u>	<u>443,736,754</u>
Intangible assets	<u>2,008,498</u>	<u>59,950</u>	<u>(230,729)</u>	<u>-</u>	<u>1,837,719</u>
Total capital assets, net	<u>\$ 494,709,895</u>	<u>\$ 39,653,369</u>	<u>\$ (8,226,267)</u>	<u>\$ -</u>	<u>\$ 526,136,997</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 115,786,355	\$ 26,760,133	\$ (304,600)	\$ (61,679,364)	\$ 80,562,524
Other capital, lease and intangible assets	995,087,539	46,716,813	(12,842,103)	61,679,364	1,090,641,613
	<u>1,110,873,894</u>	<u>73,476,946</u>	<u>(13,146,703)</u>	<u>-</u>	<u>1,171,204,137</u>
Less: accumulated depreciation and amortization	(616,163,999)	(33,823,577)	4,920,436	-	(645,067,140)
Total capital assets, net	<u>\$ 494,709,895</u>	<u>\$ 39,653,369</u>	<u>\$ (8,226,267)</u>	<u>\$ -</u>	<u>\$ 526,136,997</u>

NOTE 10 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows and outflows of resources consisted of the following at June 30, 2025:

	<u>2025</u>
Deferred Outflows of Resources	
Unamortized loss on debt refunding	\$ 1,884,545
Defined benefit retirement plans (note 19)	33,176,867
Other postemployment benefits for health insurance (note 20)	28,654,224
	<u>\$ 63,715,636</u>
Deferred Inflows of Resources	
Defined benefit retirement plans (note 19)	\$ 3,374,785
Other postemployment benefits for health insurance (note 20)	36,115,104
Beneficial interest	5,578,377
Leases	2,714,483
	<u>\$ 47,782,749</u>

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2025:

	<u>2025</u>
Compensation, benefits and related liabilities	\$ 16,778,305
Accrued interest expense	1,787,246
Accounts payable	1,284,384
Vouchers payable	3,416,338
Other accrued liabilities	5,587,684
	<u>\$ 28,853,957</u>

NOTE 12 – UNEARNED REVENUES

Unearned revenues consisted of the following at June 30, 2025:

	<u>2025</u>
Grant and contract revenue received in advance	\$ 11,423,379
Summer session payments received in advance	3,596,302
Advance ticket sales	8,634,360
Other unearned revenues	5,255,593
	<u>\$ 28,909,634</u>

NOTE 13 – NONCURRENT LIABILITIES

The following tables present the changes in long-term liabilities at June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Less: Current Portion	Long Term Portion
Bonds, notes and capital leases						
Revenue bonds payable, net	\$ 220,364,482	\$ 69,678,828	\$ (4,364,540)	\$ 285,678,770	\$ (3,515,000)	\$ 282,163,770
Leases payable	337,472	206,579	(166,712)	377,339	(183,298)	194,041
SBITAs payable	9,919,938	6,203,260	(6,310,180)	9,813,018	(4,205,706)	5,607,312
	230,621,892	76,088,667	(10,841,432)	295,869,127	(7,904,004)	287,965,123
Other long-term liabilities						
Accrued compensated absences	32,046,864	17,395,980	(16,007,608)	33,435,236	(16,586,181)	16,849,055
Unearned compensation	697,168	267,754	(542,427)	422,495	-	422,495
Advances from primary government	325,357	431,669		757,026	-	757,026
Other postemployment benefits liability	16,790,177	1,611,781	-	18,401,958	-	18,401,958
Net pension liability	88,340,728	3,629,791		91,970,519	-	91,970,519
Due to Federal Government	3,513,519	-	(1,785,637)	1,727,882	-	1,727,882
	141,713,813	23,336,975	(18,335,672)	146,715,116	(16,586,181)	130,128,935
Total long-term liabilities	\$ 372,335,705	\$ 99,425,642	\$ (29,177,104)	\$ 442,584,243	\$ (24,490,185)	\$ 418,094,058

NOTE 14 – REVENUE BONDS

Revenue bonds were issued pursuant to an Indenture of Trust dated September 1, 2019 between the Board of Regents of Higher Education for the State of Montana (Board) and U.S. Bank National Association (Trustee). The bonds are secured by a first lien on the combined net pledged revenues of the four campuses of the University. Bonds payable recorded by each campus reflect the liability associated with the bond proceeds deposited into the accounts of the campus and do not necessarily mean that the debt service payments on that liability will be made by that campus.

On September 26, 2019, the Board, on behalf of the University, issued \$54,460,000 of General Revenue Bonds Series 2019B and \$92,355,000 of General Revenue Bonds Series 2019C (Taxable), collectively referred to as Series 2019BC Bonds. The proceeds of the sale of the Series 2019BC (the "Refinancing"), were used to defease and advance refund \$88,778,070 of outstanding indebtedness, pay costs and expenses in connection with the issuance of the Series 2019BC Bonds, and generate proceeds of \$63,380,831 which have been and will be used to fund capital improvements for the University. These capital improvements may include the renewal and renovation of existing student housing, dining and recreational facilities, deferred maintenance projects, and plant upgrades which are expected to result in significant energy cost savings.

The Refinancing consisted of a defeasance and advance refunding of the following: (i) Refunding all bonds outstanding except the Series O 2017 revenue bonds in the amount of \$73,210,706; (ii) State of Montana Board of Investments INTERCAP Program loans outstanding in the aggregate principal amount of \$11,475,130; and (iii) State Building Energy Conservation Program (SBCEP) loan outstanding in the aggregate principal amount of \$4,002,234.

Simultaneously with the Refinance, the University's General Revenue Bonds, Series O 2017 outstanding in the amount of \$13,185,000 was exchanged for General Revenue Bonds, Series 2019A in the amount of \$13,185,000. The Series 2019A Bonds were issued under the Indenture of Trust between the Board and the Trustee, and the Series O 2017 Bonds were cancelled.

The total aggregate principal amount issued in 2019 pursuant to the 2019 Indenture of Trust and the various supplements to the Indenture for all campuses of the University of Montana was \$160,000,000. On August 16, 2022, the Board, on behalf of the University, issued \$60,000,000 of General Revenue Bonds Series 2022. The proceeds of the sale of the Series 2022 Bonds is being used to fund issuance costs and capital improvements for the University. Such capital improvements may include the renewal and renovation of existing student housing, dining and recreational facilities and deferred maintenance projects.

On March 13, 2025, the Board, on behalf of the University, issued an additional \$66,075,000 of General Revenue Bonds Series 2025. The proceeds of the sale of the Series 2025 Bonds will be used to fund issuance costs and capital improvements for the University. Such capital improvements may include the design, construction, equipping and furnishing of a new 600-bed residence hall at UM Missoula and other capital projects and deferred maintenance.

The combined principal amount outstanding of all revenue bonds at June 30, 2025 was \$270,340,000.

Defeased Bonds

The University has defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2025, \$30,990,000 of bonds outstanding were considered defeased.

Revenue Bonds Payable

The following tables present the scheduled maturities of the revenue bonds payable at June 30, 2025:

Fiscal Year	2019A		2019B		2019C		2022		2025		Principal	Interest	Total Payment
	Rate	Principal	Rate	Principal	Rate	Principal	Rate	Principal	Rate	Principal			
2026	3.390%	\$ 665,000	4.000%	\$ 2,850,000		\$ -		\$ -		\$ -	\$ 3,515,000	\$ 11,666,850	\$ 15,181,850
2027	3.390%	685,000	5.000%	2,985,000		-		-		-	3,670,000	11,181,374	14,851,374
2028	3.390%	710,000	5.000%	3,135,000		-		-		-	3,845,000	11,005,153	14,850,153
2029	3.390%	735,000	5.000%	3,295,000		-		-	5.000%	1,190,000	5,220,000	10,790,584	16,010,584
2030	3.390%	760,000	5.000%	3,465,000		-		-	5.000%	1,250,000	5,475,000	10,535,667	16,010,667
2031-2035	3.390%	4,195,000	3.000% - 5.000%	19,895,000		-		-	5.000%	7,275,000	31,365,000	48,671,518	80,036,518
2036-2040	3.390%	1,885,000	3.000%	6,650,000	3.075% - 3.225%	19,905,000		-	5.000%	9,345,000	37,785,000	42,275,200	80,060,200
2041-2045	-	-	-	-	3.075% - 3.225%	33,310,000		-	5.000%	11,995,000	45,305,000	34,729,370	80,034,370
2046-2050	-	-	-	-	3.225%	39,140,000		-	5.000%	15,405,000	54,545,000	25,491,933	80,036,933
2051-2055	-	-	-	-	-	-	5.250%	60,000,000	4.500% - 5.000%	19,615,000	79,615,000	7,131,188	86,746,188
		9,635,000		42,275,000		92,355,000		60,000,000		66,075,000	270,340,000	\$ 213,478,837	\$ 483,818,837
Premium		-		4,258,813		-		7,476,129		3,603,828	15,338,770		
		<u>\$ 9,635,000</u>		<u>\$ 46,533,813</u>		<u>\$ 92,355,000</u>		<u>\$ 67,476,129</u>		<u>\$ 69,678,828</u>	<u>\$ 285,678,770</u>		

NOTE 15 - LEASES PAYABLE

The University leases photocopy equipment, office space, vehicles, and land and/or tower space used to house broadcasting equipment for the Missoula campus public radio station under long-term, non-cancellable lease agreements. The leases expire at various dates through fiscal year 2035, and provide for renewal options ranging from no right for renewal or unlimited five year renewals. The present value of lease agreements are calculated at the inception of the lease using an implicit interest rate. For the fiscal year 2025, the implicit interest rate applied was 3.81%

Total future minimum lease payments under lease agreements are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 183,298	\$ 10,062	\$ 193,360
2027	59,424	5,815	65,239
2028	34,015	4,417	38,432
2029	35,333	3,098	38,431
2030	36,704	1,728	38,432
2031-2035	28,565	365	28,930
	<u>\$ 377,339</u>	<u>\$ 25,485</u>	<u>\$ 402,824</u>

NOTE 16 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS PAYABLE (SBITAs)

The University obtains temporary control of various software through long-term, non-cancellable subscription contracts. The leases expire at various dates through fiscal year 2035, and provide for renewal options ranging from no right for renewal or unlimited five year renewals. The present value of subscription agreements are calculated at the inception of the subscription term using an implicit interest rate of 3.81%.

Total future minimum payments under SBITA agreements are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 4,205,705	\$ 226,897	\$ 4,432,602
2027	3,012,887	113,888	3,126,775
2028	1,579,540	52,558	1,632,098
2029	570,254	20,898	591,152
2030	274,483	6,871	281,354
2031-2035	170,149	7,853	178,002
	<u>\$ 9,813,018</u>	<u>\$ 428,965</u>	<u>\$ 10,241,983</u>

NOTE 17 – COMPENSATED LEAVE

Employee compensated absences are accrued at year-end for consolidated financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 18 – ADVANCES FROM PRIMARY GOVERNMENT

Advances from the primary government were received through the State Building Energy Conservation Program (SBCEP) offered through the Montana Department of Environmental Quality. The SBCEP lends resources to state agencies to fund projects that create energy cost savings for state owned buildings. The outstanding balance at June 30, 2025 of \$757,026 is related to an energy cost savings project on the University of Montana – Western campus.

NOTE 19 – RETIREMENT PLANS**Overview**

University employees eligible to participate in retirement programs are members of either the Public Employees' Retirement System (PERS), Game Wardens' & Peace Officers' Retirement System (GWPORS), or Teachers' Retirement System (TRS). Only faculty and administrators with contracts under the authority of the Board of Regents are enrolled under TRS. Beginning July 1, 1993, state legislation required all new faculty and administrators with contracts under the authority of the Board of Regents to enroll in the Montana University System Retirement Program (MUS-RP), a defined contribution plan.

All Montana University System employees hired into a position covered by the PERS are initially members of the PERS-Defined Benefit Retirement Plan (DBRP) and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. All new PERS members from the universities also have a third option is to join the Montana University System Retirement Programs (MUS-RP) defined contribution plan that is administered by TIAA (Teachers Insurance and Annuity Association).

DEFINED BENEFIT PLANS**Combined Net Pension Liability**

The University proportionate share of the net pension liability for its defined benefit plans consisted of the following at June 30, 2025:

	<u>2025</u>
Public Employees Retirement System	\$ 80,037,831
Game Wardens and Peace Officers Retirement System	477,689
Teachers Retirement System	11,454,999
	<u>\$ 91,970,519</u>

Combined Deferred Outflows and Deferred Inflows

At June 30, 2025, the University's proportionate share of deferred outflows of resources and deferred inflows of resources for its defined benefit plans were from the following sources:

	<u>2025</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,552,235	\$ 5,952
Changes in actuarial assumptions	414,701	1,310,668
Difference between projected and actual earnings on pension plan investments	-	-
		2,054,284
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,956,364	3,881
Contributions paid subsequent to the measurement date	14,253,567	-
	<u>\$ 33,176,867</u>	<u>\$ 3,374,785</u>

- **Public Employees Retirement System**

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP) and the PERS-Defined Contribution Plan (PERS-DCRP) administered by the Montana Public Employee Retirement Administration (MPERA), are a multiple-employer, cost-sharing plans established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Codes Annotated (MCA). These plans provide retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contribution rates are a percentage of the member's specified by state law are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2024, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 351 employers that have participants in the PERS-DCRP totaled \$1,345,278.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries based on eligibility, years of service and highest average compensation (HAC). Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Eligibility for Benefit

	<u>Service retirement</u>	<u>Early retirement (reduced benefit)</u>
Hired prior to July 1, 2011:	<ul style="list-style-type: none"> ▪ Age 60, 5 years of membership service; ▪ Age 65, regardless of membership service; or ▪ Any age, 30 years of membership service. 	<ul style="list-style-type: none"> ▪ Age 50, 5 years of membership service; or ▪ Any age, 25 years of membership service.
Hired on or after July 1, 2011:	<ul style="list-style-type: none"> ▪ Age 65, 5 years of membership service; ▪ Age 70, regardless of membership service. 	<ul style="list-style-type: none"> ▪ Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service)

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retire 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.
- Retire 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.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation 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 highest average compensation.

Monthly benefit formula

- Members hired prior to July 1, 2011:
 - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011:
 - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 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% PERS is funded below 90%; and 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

State law for periodic employer and employee contributions specifies rates and are a percentage of member compensation. The State Legislature has the authority to establish and amend contribution rates. Employer and employee contribution rates for fiscal year 2025 were 9.17% and 7.90%, respectively.

- Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% 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.
- Employer contributions to the system:
 - Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. For fiscal years beginning after June 30, 2024, additional contribution amount stays at 2.27%. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS- DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and 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.
 - The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
- Non-employer contributions
 - Special Funding:
 - a. The state contributed 0.1% of members' compensation on behalf of local government entities.
 - b. The state contributed 0.37% of members' compensation on behalf of school district entities.
 - c. The state of Montana contributed a Statutory Appropriation from the General Fund of \$35,329,705.
 - d. \$1,067,564 was the University's proportionate share of the state's contribution to the plan.

Actuarial Assumptions

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2024 was determined by taking the actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

- | | |
|--|---|
| ▪ Investment Return (net of admin expense) | 7.30% |
| ▪ General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| ▪ Merit Increases | 0% to 4.80% |
| ▪ Postretirement Benefit Increases | |
| 1. Guaranteed Annual Benefit Adjustment (GABA) each January - after the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other all 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: |
| (a) | 1.5% for each year PERS is funded at or above 90%; |
| (b) | 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90% |
| (c) | 0% whenever the amortization period for PERS is 40 years or more. |

- Mortality assumptions among active participants were based on PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Mortality assumptions among Disabled Retirees were based on PUB-2010 General Amount Weighted Disabled Retirees Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among Contingent Survivors were based on 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 assumptions among Healthy Retirees were 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.

Discount Rate

The discount rate used to measure the TPL 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 the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. 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

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as 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 in the experience study. 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	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
	<u>100.00%</u>	

Sensitivity Analysis

The following presents the University'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 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.

As of Measurement Date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
University's proportionate share of the net pension liability	\$116,677,808	\$80,037,831	\$49,313,419

Net Pension Liability

At June 30, 2025 the net pension liability was measured as of June 30, 2024. The employer's proportionate share equals the ratio of the employer's contributions relative to the sum of all employer and non-employer contributions during the measurement period July 1, 2023 through June 30, 2024. The University's proportion of the net pension liability at June 30, 2025 was 3.27%. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The state's proportion of the net pension liability at June 30, 2025 was 0.81%.

The University and State's proportionate share of the net pension liability consisted of the following at June 30, 2025:

	2025
University proportionate share of the net pension liability	\$80,037,831
State of Montana's proportionate share of the net pension liability associated with the University	19,920,537
	\$99,958,368

For the year ended June 30, 2025, the University recognized pension expense of \$7,277,610. The University also recognized grant revenue for the year ended June 30, 2025, of \$1,067,564, for the support provided by the State of Montana for its proportionate share of the pension expense associated with University.

Changes in Actuarial Assumptions and Methods

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

Changes in Benefit Terms

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share

Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have a significant effect on the employer's proportionate share of the collective NPL.

Deferred Outflows and Deferred Inflows

At June 30, 2025, the University's proportionate share of PERS-DBRP deferred outflows of resources and deferred inflows of resources were from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,044,676	\$ -
Difference between projected and actual earnings on pension plan investments	-	1,779,824
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,550,706	-
Contributions paid to PERS-DBRP subsequent to the measurement date.	6,323,832	-
	\$ 13,919,214	\$ 1,779,824

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2025	\$1,142,338
2026	\$6,690,959
2027	(\$1,251,228)
2028	(\$766,511)
Thereafter	\$0

Summary of Significant Accounting Policies

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

▪ Game Wardens and Peace Officers Retirement System

Plan Description

The GWPORS is a multiple-employer, cost-sharing defined benefit pension plan established in 1963, and governed by Title 19, chapters 2 & 8, Montana Codes Annotated (MCA), and administered by the Montana Public Employee Retirement Administration (MPERA). This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the State Legislature.

The GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation (HAC). Member rights are vested after five years of service.

Summary of Benefits

Service retirement and monthly benefit formula

- Age 50 with 20 years of membership service
- 2.5% of HAC x years of service credit

Early retirement

- Age 55 with 5 years up to 20 years of membership service
- A reduced retirement benefit calculated using the HAC and service credit at early retirement.

Second retirement

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

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

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

Vesting

- 5 years of membership service

Member's compensation period used in benefit calculation

- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:

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

Contributions to the Plan

Rates are specified by state law for periodic employer and employee contributions. The State Legislature has the authority to establish and amend contribution rates to the plan. Contributions are deducted from each member's salary and remitted by participating employers. Member and employer contribution rates are shown in the table below:

Fiscal Year	Member	Employer
2024-2025	10.560%	10.560%
2003-2023	10.560%	9.000%
1998-2002	8.500%	9.000%

Upon passage and approval of House Bill 85 during the 2025 Legislative session, the modified layered amortization policy put in place for GWPORS during the 2023 Legislative session was repealed and restored to the employer contribution rate for the fiscal year 2024 employer rates that existed before HB 569 was passed. Consequently, the 2025 employer contribution rate for GWPORS is 10.560% instead of 9.620% for fiscal year 2025.

House Bill 569 also provides a one-time appropriation of State of Montana general fund dollars to the GWPORS of \$41.2 million. This is a non-special funding, non-contributing entity contribution. For GASB Statement 68 reporting, the University recognized a proportionate share of support revenue from the State of Montana in the pension expense. No deferrals will be recognized by the University.

Actuarial Assumptions

For fiscal year 2025, the basis for the Total Pension Liability is an actuarial valuation performed by the Plan's actuary as of June 30, 2024. The actuarial assumptions and methods utilized in the June 30, 2024 valuation, were developed in the five-year experience study for the period ending June 30, 2021, without consideration for the administrative expenses shown in the study.

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

- General Wage Growth, including inflation at 2.75% 3.50%
- Merit Increases 1% to 6.40%
- Investment Return (net of admin expense) 7.30%
- 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.
 - (a) For members hired prior to July 1, 2007 3.00%
 - (b) For members hired on or after July 1, 2007 1.50%
- Mortality assumptions among active participants were based on PUB-2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021 for males and females. Projected generationally using MP-2021.
- Mortality assumptions among Healthy Retirees were based on PUB-2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males, adjusted 105% for males and 100% for females. Projected generationally using MP-2021.
- Mortality assumptions among contingent survivors were based on PUB-2010 Safety Amount Weighted Contingent Survivor Mortality Table projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Mortality assumptions among disabled retirees were based on PUB-2010 Safety Amount Weighted Disabled Retiree Mortality Table projected to 2021, set forward one year for males.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Codes Annotated. 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 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the Plan about every 5 years and is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown in the experience study. Long-term historical data, estimates inherent in current market data, expected future real rates of return, and best-estimate ranges of variability and correlations for each asset class contribute to the evaluation of the long-term rate. These ranges were used to develop the long-term expected rate of return by weighting the expected future real rates of return by target asset and adding expected inflation. The assumption is intended to be long-term (30 to 50 years) and is not expected to change without a significant change in the asset allocation, the underlying inflation assumption, or a fundamental change in the market. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

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

Sensitivity Analysis

The following table presents the sensitivity of the University's proportionate share of the GWPORS NPL at June 30, 2025, to the discount rate. A small change in the discount rate can create a significant change in the 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.

As of Measurement Date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
University's proportionate share of the net pension liability (asset)	\$1,528,706	\$477,689	\$(378,916)

Net Pension Liability

At June 30, 2025, the University recorded \$477,689 for its proportionate share of the net pension liability. At June 30, 2025, the net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2024. The employer's proportion of the net pension liability was based on the employer's contributions received by GWPORS during the measurement period July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of GWPORS' participating employers. At June 30, 2025, the employer's proportion was 1.86%.

For the year ended June 30, 2025, the University recognized pension expense of \$91,340 and grant revenue of \$767,014 for the support revenue provided by the State of Montana from the one-time appropriation to the plan.

Changes in Actuarial Assumptions and Methods

There have been no changes in actuarial assumptions since the previous measurement date.

Changes in Benefit Terms

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share

Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have a significant effect on the employer's proportionate share of the collective NPL.

Deferred Outflows and Deferred Inflows

At June 30, 2025, the University reported its proportionate share of GWPORS deferred outflows of resources and deferred inflows of resources from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 217,754	\$ 5,952
Difference between projected and actual earnings on pension plan investments	-	53,405
Changes in proportion and differences between employer contributions and proportionate share of contributions		3,881
Changes in assumptions of contributions	414,701	929,914
Contributions paid to GWPORS subsequent to the measurement date	136,287	-
	\$ 768,742	\$ 993,152

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2025	(\$12,984)
2026	(\$302,026)
2027	(\$23,508)
2028	(\$22,179)
Thereafter	\$0

Summary of Significant Accounting Policies

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

▪ Teachers Retirement System

Plan Description

TRS is a mandatory-participation multiple-employer, cost sharing defined-benefit pension plan established in 1937, that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the System in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

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

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions to the Plan

Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan. Contributions are deducted from each member's salary and remitted by participating employers. The State and University System contribution rate for fiscal year 2025 was 11.85% and the employee contributions rate for fiscal year 2025 was 8.15%.

A portion, of the total required statutory contributions, is provided directly from the State for all employers. The employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity in TRS. The system receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The system receives 0.11% of reportable compensation from the State general fund for State agency and university system employers. In addition, the State contributes \$25 million in perpetuity, payable July 1st of each year.

Actuarial Assumptions

The total pension liability recorded at June 30, 2025, was measured as of July 1, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2024, valuation was based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total Wage Increases* 3.50%-9.00% for Non-University Members and 4.25% University Members
- Price Inflation 2.75%
- Investment Return 7.30%
- Postretirement Benefit Increases:
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provision of the increase is not projected to cause the funded ratio to be less than 85%.
 - Mortality among contributing members
 - PUBT-2010 General Employee Mortality Table projected to 2021. Projected generationally using MP-2021.
 - Mortality among service retired members
 - PUBT-2010 Retiree Mortality Table projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
 - Mortality among beneficiaries
 - PUBT-2010 Contingent Survivor Table projected to 2021. Projected generationally using MP-2021.
 - Mortality among disabled members
 - PUBT-2010 Non-Safety Disabled Retiree Mortality Table projected to 2021.

*Total Wage Increases include 3.50% general wage increase assumption

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating TRS members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under MCA. In addition to these contributions, the State general fund will contribute \$25 million annually to the TRS payable July 1st of each year. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134.

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

Target Allocations

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	-0.33%
	100.0%	

Sensitivity Analysis

The following presents the University's proportionate share of the TRS net pension liability at June 30, 2025, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

As of Measurement Date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
University's proportionate share of the net pension liability	\$16,463,661	\$11,454,999	\$7,270,213

Net Pension Liability

In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The state's proportion of the net pension liability at June 30, 2025 was 0.17%.

The net pension liability reported by the University at June 30, 2025, was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2024. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The University's proportion of the net pension liability was based on contributions received by TRS during the measurement period July 1, 2023, through June 30, 2024, relative to total contributions received from all of TRS participating employers. The University's proportionate of the net pension liability at June 30, 2025 was 0.61%.

The University and State's proportionate share of the net pension liability consisted of the following at June 30, 2025:

	2025
University proportionate share of the net pension liability	\$ 11,454,999
State of Montana's proportionate share of the net pension liability associated with the University	3,170,567
	<u>\$ 14,625,566</u>

For the year ended June 30, 2025, University recognized pension expense of \$5,381,468, and grant revenue for the State's proportionate share of the University's pension expense of \$170,544.

Changes in Actuarial Assumptions and Other Inputs

There have been no changes in actuarial assumptions since the previous measurement date.

Changes in Benefit Terms:

There have been no changes in plan benefit terms since the previous measurement date.

Changes in Proportionate Share

Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have a significant effect on the employer's proportionate share of the collective NPL.

Deferred Outflows and Deferred Inflows

At June 30, 2025, the University's proportionate share of TRS deferred outflows of resources and deferred inflows of resources were from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 289,805	\$ -
Changes in actuarial assumptions	-	380,754
Difference between projected and actual earnings on pension plan investments	-	221,055
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,405,658	-
Contributions paid to TRS subsequent to the measurement date	7,793,448	-
	<u>\$ 18,488,911</u>	<u>\$ 601,809</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase to Pension Expense
2026	\$3,256,841
2027	\$3,559,298
2028	\$2,402,980
2029	\$874,535
2030	\$0
Thereafter	\$0

Summary of Significant Accounting Policies

TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when

due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

▪ **Legal Actuarial Status of Plans**

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually and is intended to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2025. As of June 30, 2025, all the public retirement systems were in compliance with the state law.

Annual reports that include financial statements and required supplemental information on the plans are available from:

Public Employees' Retirement Administration
 P.O. Box 200131
 100 North Park, Suite 220
 Helena, Montana 59620-0131
 Phone: (406) 444-3154
 Website: <https://mpera.mt.gov>

Teachers' Retirement Division
 P.O. Box 200139
 1500 Sixth Avenue
 Helena, MT 59620-0139
 Phone: (406) 444-3134
 Website: <https://trs.mt.gov/TrsInfo/NewsAnnualReports>

DEFINED CONTRIBUTION PLANS

MUS-RP was established in 1988, and is underwritten by the Teachers' Insurance and Annuity Association (TIAA). The MUS-RP is a defined-contribution plan. Until July 1, 2003, only faculty and staff with contracts under the authority of the Board of Regents were eligible to participate. The plan was changed, effective July 1, 2003, to allow all staff to participate in the MUS-RP. Contribution rates for the plan are required and determined by state law. The University's contributions were equal to the required contribution. The benefits at retirement depend upon the amount of contributions, amounts of investment gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA. The University records employee/employer contributions and remits monies to TIAA. Individuals vest immediately in the employer portion of retirement contributions.

Contributions to MUS-RP (TIAA) were as follows:

	<u>Year ending June 30,</u>	
	<u>2025</u>	
	<u>FACULTY</u>	<u>STAFF</u>
Covered Payroll	\$ 139,343,611	\$ 9,985,803
Employer Contributions	\$ 8,306,996	\$ 914,732
Percent of Covered Payroll	5.962%	9.160%
Employee Contributions	\$ 9,806,833	\$ 791,498
Percent of Covered Payroll	7.044%	7.926%

For the year ended June 30, 2025, 4.72% or \$6,597,658 was contributed to TRS from MUS-RP faculty employer contributions to amortize past service unfunded liability in accordance with state law.

Annual reports that include financial statements and required supplemental information on the plan are available from:

TIAA
 730 Third Avenue
 New York, New York 10017-3206
 Phone: 1-800-842-2733

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE

Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave. During the year ended June 30, 2018, the University adopted GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense as reported in accordance with GASB Statement No. 75, for the fiscal year ended June 30:

	<u>2025</u>
Net OPEB Liability	\$ 18,401,958
Deferred OPEB Outflows of Resources	\$ 28,654,224
Deferred OPEB Inflows of Resources	\$ (36,115,104)
OPEB expense	\$ 571,224

Plan Description

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

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

Employer Proportionate Share of Total OPEB Liability and Basis for Allocation

The total OPEB liability (TOL) as of June 30, 2025, was based on the actuarial valuation at December 31, 2024, with update procedures to roll forward the TOL to the measurement date of March 31, 2025. The University's proportion of the TOL was based upon the total participants in the group health insurance plan. The actuary report presents a valuation of the TOL assigned to each participant in the group health insurance plan.

Proportionate Share of Collective Total OPEB Liability as of Report Date

The University's share of the total plan OPEB liability was as follows as of June 30:

	<u>2025</u>
University proportion of the OPEB liability	41.46%
University proportionate share of the OPEB liability	\$ 18,401,958

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025 the University's OPEB plan deferred outflows and inflows of resources were from the following sources:

	<u>2025</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,087,206
Changes in assumptions or other inputs	28,654,224	22,027,898
	<u>\$ 28,654,224</u>	<u>\$ 36,115,104</u>

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

Year ended June 30:	Net Amount to be Recognized as a (decrease) to OPEB expense
2025	(\$851,393)
2026	(\$851,393)
2027	(\$851,393)
2028	(\$851,393)
2029	(\$850,170)
Thereafter	(\$3,600,581)

Actuarial Methods and Assumptions

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

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

	Retiree/Surviving Spouse	Spouse
Retiree Contributions		
Before Medicare eligibility	\$11,772	\$10,011
After Medicare eligibility	\$4,416	\$4,886
Actuarial valuation date	December 31, 2024	
Actuarial measurement date ⁽¹⁾	March 31, 2025	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB	
Actuarial assumptions:		
Discount rate	4.57%	
Projected payroll increases	3.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

⁽¹⁾ Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality – Contributing Members

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

Mortality - Retired

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

Mortality – Surviving Beneficiaries

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

Mortality – Disabled

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

Changes in Actuarial Assumptions and Methods Since Prior Valuation

Changes in actuarial methods since the last measurement date include the following:

- One of the components of the actuarial assumptions, the interest/discount rate, was changed from 4.12% to 4.57%.
- Projected Payroll increased based on 2024 TRS and MPERA pension report assumptions.
- Decrement tables were updated per the October 2024 TRS and MPERA Actuarial Reports.
- Trend projections were updated based short-term on industry expectations and long-term on the 2025 Getzen Model.
- Separate Healthcare trend rates for Medical, Pre-65Rx and Post-65 Rx were applied to account for anticipated changes due to the Inflation Reduction Act.
- Separate Contribution trend rates for Pre-65 Med/Rx and Post-65 Med/Rx were applied to account for anticipated changes due to the Inflation Reduction Act.

Changes in Benefit Terms since Last Prior Valuation

There were no changes in Benefit Terms since the last measurement date.

Sensitivity of the TOL to Changes in the Healthcare Cost Trend Rates:

The following presents the TOL of the MUS OPEB plan, as well as what they would be if calculated using healthcare cost trend rates that are 1 percentage-point lower (6.6 percent) or 1 percentage-point higher (8.6 percent) than the current healthcare cost trend rates:

As of Measurement Date	1.0% Decrease (6.6%)	Current Rate (7.6%)	1.0% Increase (8.6%)
University proportion of total OPEB Liability	\$14,838,650	\$18,401,957	\$23,206,219

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the MUS OPEB plan, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current discount rate:

As of Measurement Date	1.0% Decrease (3.57%)	Current Rate (4.57%)	1.0% Increase (5.57%)
University proportion of total OPEB Liability	\$23,104,223	\$18,401,957	\$14,828,837

Summary of Significant Accounting Policies

Total OPEB liability is reported on an accrual basis on the financial statements. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The MUS OPEB plan states that an employee enrolled in the plan who (a) at least meets the early retirement criteria defined by Montana Public Employees’ Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office within 60 days of the date active employee coverage ends to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive to the date active employee coverage was lost. Therefore, the plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2025.

Financial and Plan Information

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

NOTE 21 – PLEDGED REVENUES

Revenue bonds issued by the University to defease and refund outstanding indebtedness and to fund capital improvements as described in Note 14, are secured by a first lien on the combined pledged revenues of its campuses. As defined in the Indenture for the Series 2019A, Series 2019 BC, Series 2022 Bonds, and Series 2025 Bonds the University has pledged all permitted revenues after certain charges for payment of operation and maintenance expenses. Total principal and interest remaining on the debt at June 30, 2025 is \$483,818,837, with annual debt service requirements ranging from \$25,993,238 in fiscal year 2053 to \$4,381,413 in fiscal year 2055, the final year of repayment.

A schedule of revenues pledged as security for Series 2019A, Series 2019 BC, Series 2022, and Series 2025 Bonds is presented as follows at June 30, 2025:

	2025
Net operating and nonoperating revenues	\$584,094,732
Tuition	(103,074,842)
Student fees controlled by students	(2,630,215)
Grants	(137,564,082)
State appropriations	(127,324,409)
Federal financial aid grant and contracts	(23,429,037)
Restricted gifts	(41,639,401)
Interest Expense	8,760,072
Operations and Maintenance expenses for Auxiliary Facilities:	
Dining/food services	(23,614,420)
Rentals	(793,067)
Student housing	(25,023,384)
Student unions	(4,234,260)
Bookstores	(937,820)
Auxiliary Facilities Expenses Subtotal:	(54,602,951)
Net revenues pledged as security for debt	\$102,589,867

NOTE 22 – RISK MANAGEMENT

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Montana statutes, 2-9-101 through 305, MCA, require participation of all state agencies in the self-insurance plan established by the Montana Department of Administration, Risk Management and Tort Defense Division (RMTDD). The self-insurance program includes coverage for tort general liability, auto liability, professional liability, and errors and omissions exposures. The RMTDD provides coverage, above self-insured retentions, by purchasing other commercial coverage through the state’s brokers, Alliant Insurance Services and Willis, for excess liability, property, crime, fidelity, boiler and machinery, fine arts, aircraft-liability and hull coverage. The RMTDD also supplies other commercial insurance coverage for specific risk exposures on an as-needed basis such as the Volunteer Accident and Health, Dismemberment and Accidental Death coverage obtained for all units of the Montana University

System. In addition to these basic policies, the University has established guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

The Tort Claims Act of the State of Montana in section, 2-9-102, MCA, "provides that Governmental entities are liable for its torts and of those of its employees acting within the course and scope of their employment or duties whether arising out of a governmental or proprietary function, except as specifically provided by the Legislature under Article II, section 19 of The Constitution of the State of Montana". Accordingly section, 2-9-305, MCA, requires that the state "provide for the immunization, defense and indemnification of its public officers and employees civilly sued for their actions taken within the course and scope of their employment". The University also has commercial coverage for other risk exposures that are not covered by the State's self-insurance program.

Buildings and Contents – are insured for replacement value. For each loss covered by the state's self-insurance program and commercial coverage, the University has a \$5,000 per occurrence retention.

General Liability and Tort Claim Coverage – includes comprehensive general liability, auto liability, personal injury liability, officer's and director's liability, professional liability, aircraft liability, watercraft liability, leased vehicles and equipment liability, and are provided for by the University's participation in the state's self-insurance program. Montana Codes Annotated (2-9-108, MCA) limits awards for damages against the state to \$750,000 per claim, \$1,500,000 per occurrence.

Self-Funded Programs – The University's health care program is self-funded, and is provided through participation in the Montana University System (MUS) Inter-unit Benefits Program. The MUS program is funded on an actuarial basis and the University believes that sufficient reserves exist to pay run-off claims related to prior years, and that the premiums and University contributions are sufficient to pay current and future claims.

Effective July 1, 2003, (for fiscal year 2004), the University transitioned to a self-funded workers' compensation program administered through membership in the MUS Self Insured Workers' Compensation Program. Prior to this, workers' compensation coverage was provided through participation in the State Compensation Insurance Fund. The MUS self-funded program is administered by a third party, currently Intermountain Claims, Inc.. The MUS program incorporates a self-insured retention of \$750,000 per claim and excess commercial coverage to statutory limits. Employer's liability is provided with a \$750,000 retention and an excess insurance limit of \$1,000,000. The University provides periodic disbursements to the administrator for claims paid and administrative expenses. Benefits provided are prescribed by state law and include biweekly payments for temporary loss of wages as well as qualifying permanent partial and permanent total disability. Medical and indemnity benefits are statutorily prescribed for qualifying job-related injuries or illnesses.

NOTE 23 – COMMITMENTS AND CONTINGENCIES

At June 30, 2025, the University has the following outstanding commitments under major capital and maintenance projects:

	Budget Authorization *	Total Expenditures through June 2025	Funding Source
Residence Hall - Missoula Campus	\$ 89,000,000	\$ 12,457,121	Revenue Bonds/Institutional Funds
Residence Hall Design - Missoula	5,600,000	5,600,000	Revenue Bonds
Clapp Building Replacement Planning & Design	4,000,000	552,541	Research, Revenue Bonds, LRBP
Campus Exterior Street Lighting	4,000,000	3,040,896	Revenue Bonds, Student Fees
Classroom Fixed Furniture & Equipment	3,200,000	1,017,421	Revenue Bonds
IT Infrastructure Projects	3,000,000	1,475,330	Revenue Bonds
Jesse Hall Renovation	2,000,000	1,253,218	Revenue Bonds
Classroom Loose Furniture & Equipment	1,000,000	774,428	Revenue Bonds
WGS Structural Repairs	1,000,000	772,286	Revenue Bonds
Campus Wayfinding Signage	650,000	507,013	Revenue Bonds
Bio Research Addition	600,000	353,107	Revenue Bonds
Main Hall Renovation - Butte Campus	30,000,000	540,895	LRBP
Steam Distribution Line	12,524,000	7,722,772	LRBP, State and Auxiliary
Engineering Hall Renovation Butte	8,000,000	152,182	LRBP
Highlands College Roof Replacement	5,000,000	-	LRBP
Heating and Boiler System Butte	2,400,000	-	LRBP
Campus-wide electrical system upgrades	1,300,000	-	LRBP
Roof Replacements - Butte Campus	1,255,309	949,735	LRBP
Restroom Renovations Butte	1,200,000	-	LRBP
Electrical Distribution Upgrades	650,000	168,593	LRBP
Block Hall Renovations	15,600,000	8,720,181	LRBP
Wellness Center Construction	4,500,000	1,834,599	Auxiliary/Student Fees
Airport Hangar Acquisition & Renovation	3,600,000	1,660,738	LRBP
HVAC	2,000,000	927,925	LRBP
Lighting Upgrade	650,000	592,720	Revenue Bonds
	\$ 202,729,309	\$ 51,073,701	

*Projects disclosed have budget authorization greater than or equal to \$500,000

The University is a defendant in some legal actions. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, from these actions will not have a material effect on the University's financial position.

In the normal course of operations, the University receives grants and other forms of reimbursement from various federal and state agencies. These funds are subject to review and audit by the cognizant agencies. The University does not expect any material adjustments or repayments to result from such audits.

Although the University is exempt from federal income tax as an instrumentality of the State of Montana, certain income may be considered unrelated business income by the Internal Revenue Service (IRS). The Montana University System files appropriate tax returns with the IRS to report such income. Because the tax liability for the System as a whole is not material, no provision is recorded in the accompanying consolidated financial statements.

NOTE 24 – RELATED PARTIES

The University of Montana is a component unit of the State of Montana. The University's consolidated financial statements and the combined financial statements of its component units include only the activities, funds and accounts of the University and the component units. Private nonprofit organizations with relations to the University include The University of Montana Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Digger Athletic Association and the Montana Tech Alumni Association.

The associations and athletic association operate exclusively for the purpose of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with, the University. For the year ended June 30, 2025, \$384,972 was transferred from or expended by the Montana Tech Digger Athletic Association for scholarships, academic and institutional support. In exchange, the University provides the associations and athletic association with office space, staff and some related office expenses.

MonTEC was established as a nonprofit 501(C) 3 corporation in fiscal year 2001 as a result of an agreement between the University and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of no less than five members and no more than nine members. MonTEC board members are recommended by current MonTEC board members and appointed by the University of Montana-Missoula President. The President of MonTEC is the University's Vice President for Research and is a voting member of the board. The University does not provide office space or other services to MonTEC.

NOTE 25 – ACCOUNTING FOR COMPONENT UNITS

The entities included as component units in the financial statements are nonprofit, tax exempt organizations operating exclusively for the purposes of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with the University. Although the University does not control the timing or amount of receipts from these entities, the majority of the revenues or income that the entities hold and invest is restricted to the activities of the University by donors. The entities included as component units in the financial statements are The University of Montana Foundation, The Montana Technological University Foundation (The Montana Tech Foundation), The University of Montana – Western Foundation and The Montana Grizzly Scholarship Association.

For the fiscal year ended June 30, 2025, the University received the following transfers from its foundations for scholarships, academic or institutional support, and capital expenses:

- \$42,669,882 from the University of Montana Foundation (406-243-2593, supportum.org)
- \$3,879,206 from the Montana Tech Foundation (406-496-4532, foundation.mtech.edu)
- \$6,365,395 from the University of Montana Western Foundation (406-683-7305)

In addition, \$3,549,646 was transferred from the Montana Grizzly Scholarship Association (406-243-6485) for the fiscal year ended June 30, 2025. For the fiscal year ended June 30, 2025, the University foundations also expended \$2.2 million directly to third parties in support of the University. In exchange, the University provides the foundations with office space and an annual contracted fee. Included with the office space are staff and some related office expenses. For the fiscal year ended June 30, 2025, the University provided \$1,045,710 to its Foundations, which included payments for contracted services and capital campaign support.

In March, 2022 the Montana Board of Regents authorized the University to construct an Athletics Indoor Practice Facility on the Missoula Campus. In accordance with MCA 20-25-309 the University subsequently entered into an agreement with the University of Montana Foundation (the Foundation) to, among other things, lease land for the purpose of constructing the \$10.2 million athletic facility. Upon completion of the project any right, title or interest in the facility that was granted by the agreement reverts back to the University. This project was completed in fiscal year 2025 and was capitalized in the amount of approximately \$9.7 million.

The Montana Grizzly Scholarship Association restated beginning net position in order to correct a misstatement. The financial statements for the year ended June 30, 2024 were restated to correct a misstatement. Other receivables were overstated by \$277,056, deferred revenue was overstated by \$57,935, and contribution/membership income was overstated by \$219,121. These overstatements were due to an error in measuring the other receivable as of June 30, 2024, and the amounts should not have been recorded until the subsequent fiscal year. Accordingly, this restatement ultimately did not affect the ending net asset balances as of June 30, 2025.

The University of Montana Western Foundation was unable to provide audited financial statements for the fiscal year ended June 30, 2024. The Foundation provided estimates to the University for the preparation of the consolidated financial statements. The audited financial statements provided by the Foundation for the fiscal year ended June 30, 2025 resulted in an adjustment to the prior year estimate in the amount of \$424,441.

The Montana Tech Foundation evaluated subsequent events through October 2, 2025 and reported entering into a line of credit in September, 2025 in the amount of \$2.55 million with a maturity date of September, 2028.

Condensed financial information for each of the University's component units is presented below:

STATEMENT OF FINANCIAL POSITION						
June 30, 2025						
	University of Montana Foundation	Montana Tech Foundation	University of Montana – Western Foundation	Montana Grizzly Scholarship Association	Elimination	Total
ASSETS:						
Cash and investments	\$426,472,349	\$106,971,523	\$17,273,218	\$ 4,915,371	\$ (410,155)	\$555,222,306
Other receivables, net of allowances	28,358,719	12,792,618	565,574	343,451	-	42,060,362
Fixed assets, net of depreciation	2,864,348	1,739,945	7,427	37,573	-	4,649,293
Other assets	1,422,131	398,345	586,066	27,532	-	2,434,074
Total Assets	<u>\$459,117,547</u>	<u>\$121,902,431</u>	<u>\$18,432,285</u>	<u>\$ 5,323,927</u>	<u>\$ (410,155)</u>	<u>\$604,366,035</u>
LIABILITIES:						
Current liabilities associated with operations	\$ 3,794,836	\$ 198,172	\$ 432,870	\$ 120,718	\$ -	\$ 4,546,596
Other current liabilities	3,294,151	-	-	363,604	-	3,657,755
Current portion long-term debt	-	-	74,215	426,925	-	501,140
Long-term debt	-	-	905,551	2,614,109	-	3,519,660
Liabilities to external beneficiaries	16,758,035	183,746	-	-	-	16,941,781
Custodial funds	32,144,869	-	-	576,428	(410,155)	32,311,142
Total Liabilities	<u>55,991,891</u>	<u>381,918</u>	<u>1,412,636</u>	<u>4,101,784</u>	<u>(410,155)</u>	<u>61,478,074</u>
NET ASSETS:						
Net assets – Without donor restrictions	13,968,761	1,994,331	68,156	(97,293)	-	15,933,955
Net assets – With donor restrictions	389,156,895	119,526,182	16,951,493	1,319,436	-	526,954,006
Total Net Assets	<u>403,125,656</u>	<u>121,520,513</u>	<u>17,019,649</u>	<u>1,222,143</u>	<u>-</u>	<u>542,887,961</u>
Total Liabilities & Net Assets	<u>\$459,117,547</u>	<u>\$121,902,431</u>	<u>\$18,432,285</u>	<u>\$ 5,323,927</u>	<u>\$ (410,155)</u>	<u>\$604,366,035</u>

STATEMENT OF ACTIVITIES					
For the year ended June 30, 2025					
	University of Montana Foundation	Montana Tech Foundation	University of Montana – Western Foundation	Montana Grizzly Scholarship Association	Total
REVENUES:					
Contributions	\$ 42,614,649	\$ 10,802,947	\$ 8,219,959	\$ 3,175,227	\$ 64,812,782
Contributed nonfinancial assets	583,545	10,369	-	133,573	727,487
Investment income and unrealized gain on investments	36,597,800	9,130,049	1,358,345	197,197	47,283,391
Administrative fees	606,092	-	429,866	-	1,035,958
Contract for services	1,035,710	-	-	-	1,035,710
Net revaluation of trusts and split-interest agreements	1,373,892	-	-	-	1,373,892
Income from perpetual trust	401,062	-	-	-	401,062
Special events	-	-	601,371	623,619	1,224,990
Other income	1,115,753	-	27,261	-	1,143,014
Total revenues	<u>84,328,503</u>	<u>19,943,365</u>	<u>10,636,802</u>	<u>4,129,616</u>	<u>119,038,286</u>
EXPENSES:					
Program services	43,251,873	5,113,715	6,556,498	3,771,358	58,693,444
Supporting services	10,626,801	2,536,758	361,205	835,952	14,360,716
Total expenses	<u>53,878,674</u>	<u>7,650,473</u>	<u>6,917,703</u>	<u>4,607,310</u>	<u>73,054,160</u>
Change in net assets	<u>\$ 30,449,829</u>	<u>\$ 12,292,892</u>	<u>\$ 3,719,099</u>	<u>\$ (477,694)</u>	<u>\$ 45,984,126</u>
Net assets, beginning of fiscal year	372,675,827	109,227,621	12,876,109	1,918,958	\$496,698,515
Restatement of net assets (see explanation this note)	-	-	424,441	(219,121)	205,320
Net assets - beginning of year, as restated	<u>372,675,827</u>	<u>109,227,621</u>	<u>13,300,550</u>	<u>1,699,837</u>	<u>496,903,835</u>
Net assets, end of fiscal year	<u>\$403,125,656</u>	<u>\$121,520,513</u>	<u>\$17,019,649</u>	<u>\$ 1,222,143</u>	<u>\$542,887,961</u>

The following table shows the total investments held by the component units at June 30, 2025:

	Fair Market
	2025
Investments held by component units:	
Stocks and bonds	\$ 172,785,868
Money market and certificates of deposit	3,133,855
Alternative investments ⁽¹⁾	303,912,878
Real property	19,214,463
Other	35,582,928
	<u>\$ 534,629,992</u>

⁽¹⁾Alternative investments are held entirely by the University of Montana Foundation and consist of the following: \$178,909,463 in Equities, \$31,541,199 in Diversifying strategies, \$50,392,278 in Fixed income investments, and \$43,069,938 in Real assets .

NOTE 26 – NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by natural and functional classifications for the year ended June 30, 2025 were as follows:

Functional Classification:	Compensation & benefits	Pension expense	postemployment benefits	Other	Supplies & other services	Utilities	Communication	Scholarships	Depreciation and amortization	Total
	\$ 99,583,721	\$ 4,046,097	\$ 174,866	\$ 14,906,396	\$ 20,823	\$ 250,439	\$ -	\$ -	\$ -	\$ 118,982,341
Instruction	62,145,606	672,608	42,596	33,863,338	153,109	286,144	-	-	-	97,163,401
Research	29,428,552	305,846	15,993	13,705,222	45	88,699	-	-	-	43,544,357
Public service	37,443,004	2,437,848	83,196	20,749,453	64,681	214,701	-	-	-	60,992,885
Academic support	29,804,818	1,224,275	65,879	17,566,719	411,714	330,494	-	-	-	49,403,899
Student services	31,583,126	1,392,562	69,423	7,364,666	27,463	1,479,833	-	-	-	41,917,073
Institutional support	15,597,584	1,040,613	43,433	8,868,659	5,340,730	5,362	-	-	-	30,896,381
Operation and maintenance of plant	-	-	-	-	-	-	-	32,377,919	-	32,377,919
Scholarships and fellowships	30,911,389	1,630,569	75,838	27,040,150	3,963,373	201,435	-	-	-	63,822,754
Auxiliary enterprises	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	38,912,548	38,912,548
	\$ 336,497,800	\$ 12,750,418	\$ 571,224	\$ 144,064,603	\$ 9,981,938	\$ 2,857,107	\$ 32,377,919	\$ 38,912,548	\$ 38,912,548	\$ 578,013,558

The University of Montana

Required Supplementary Information

(Unaudited)

Pensions

▪ Public Employees' Retirement System - Defined Benefit Retirement System

Schedule of Proportionate Share of the Net Pension Liability ¹ Measurement Date of June 30

Year	University's Proportion of the NPL	University's Share of the NPL	State of Montana's Share of the NPL Associated with the University	Total University Share of the NPL	University's Covered- Employee Payroll	University's Share of the NPL as a % of Covered- Employee Payroll	Plan fiduciary Net Position as a % Total Pension Liability
2024	3.27%	\$ 80,037,831	\$ 19,920,537	\$ 99,958,368	\$ 63,191,565	126.66%	74.77%
2023	3.10%	75,561,340	20,037,067	95,598,407	56,851,682	132.91%	73.93%
2022	3.01%	71,505,594	20,546,132	92,051,726	52,146,610	137.12%	73.66%
2021	3.03%	55,019,493	15,574,719	70,594,212	52,854,045	104.10%	79.91%
2020	2.98%	78,719,997	23,864,644	102,584,641	49,512,641	158.99%	68.90%
2019	2.92%	60,942,763	19,099,661	80,042,424	47,565,632	128.12%	73.85%
2018	2.93%	61,150,041	19,665,918	80,815,959	47,730,177	128.12%	73.47%
2017	3.97%	77,373,223	-	77,373,223	48,695,988	158.89%	73.75%
2016	4.17%	71,099,299	-	71,099,299	49,401,010	143.92%	74.71%
2015	4.23%	59,138,504	-	59,138,504	48,779,362	121.24%	78.40%

Schedule of Employer Contributions ¹ For the Fiscal Year Ended June 30

Year	Contractually Required Contributions	Plan Choice Rate Required Contributions	Contributions in relation to Contractually Required Contributions	Contribution deficiency/(exc ess)	University's Covered- employee payroll	Contributions as a % of Covered- Employee Payroll
2025	\$ 6,312,335	\$ -	\$ 6,312,335	\$ -	\$ 68,725,184	9.18%
2024	5,842,368	-	5,842,368	-	63,191,565	9.25%
2023	5,206,721	-	5,206,721	-	56,851,682	9.16%
2022	4,699,972	-	4,699,972	-	52,146,610	9.01%
2021 [*]	4,749,826	-	4,749,826	-	52,854,045	8.99%
2020 [*]	4,386,261	-	4,386,261	-	49,512,614	8.86%
2019	4,137,369	-	4,137,369	-	47,565,623	8.70%
2018	4,081,094	-	4,081,094	-	47,730,177	8.55%
2017	4,124,934	-	4,124,934	-	48,695,988	8.47%
2016	4,179,137	233,909	4,413,046	233,909.00	49,401,010	8.93%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available

^{*}Some amounts/percentages restated to agree with actuarial valuation

**Notes to Required Supplementary Information
For the Year Ended June 30, 2024 (as of Measurement Date)**

The following actuarial assumptions were used from the June 30, 2024 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%
*Includes inflation at	2.75%
Merit salary increases	0% to 4.80%
Guaranteed Annual Benefit Adjustment (GABA)**	
- Members hired prior to July 1, 2007	3.00%
- Members hired between July 1, 2007 & June 30, 2013	1.50%
- Members hired on or after July 1, 2013:	
- 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%	1.50%
- If the amortization period for PERS is 40 years or more.	0%
Mortality (Active Participant)	Based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Mortality (Healthy Retiree)	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.
Mortality (Contingent Survivor)	Based on PUB-2010 General Amount Weighted Contingent Survivor projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Mortality (Disabled Retiree)	Based on PUB-2010 General Amount Weighted Disabled Retirees Retiree Mortality table, projected to 2021, set forward one year for both males and females.

*** Requires 12 full months of retirement before GABA will be made.*

The actuarial assumptions and methods utilized in the June 30, 2024 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 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Required Supplementary Information (continued)**Working Retiree Limitations – for PERS**

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

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

▪ **Game Wardens' and Peace Officers' Retirement System**

**Schedule of Proportionate Share of the Net Pension Liability¹
Measurement Date of June 30**

Year	University's Proportion of the NPL	University's Share of the NPL	State of Montana's Share of the NPL Associated with the University	Total University Share of the NPL	University's Covered- Employee Payroll	University's Share of the NPL as a % of Covered- Employee Payroll	Plan fiduciary Net Position as a % Total Pension Liability
2024	1.86%	\$ 477,689	\$ -	\$ 477,689	\$ 1,234,335	38.70%	93.20%
2023	1.99%	\$ 1,334,490	\$ -	\$ 1,334,490	\$ 1,157,527	115.29%	80.70%
2022	1.90%	\$ 2,895,079	\$ -	\$ 2,895,079	\$ 1,026,233	282.11%	63.08%
2021	1.61%	\$ 522,770	\$ -	\$ 522,770	\$ 967,037	54.06%	89.39%
2020	1.77%	\$ 2,398,259	\$ -	\$ 2,398,259	\$ 956,673	250.69%	61.17%
2019	1.96%	\$ 796,316	\$ -	\$ 796,316	\$ 1,011,905	78.69%	83.54%
2018	1.94%	\$ 792,743	\$ -	\$ 792,743	\$ 983,942	80.57%	82.54%
2017	1.97%	\$ 735,826	\$ -	\$ 735,826	\$ 969,235	75.92%	82.48%
2016	2.15%	\$ 705,352	\$ -	\$ 705,352	\$ 1,011,526	69.73%	82.48%
2015	2.09%	\$ 438,071	\$ -	\$ 438,071	\$ 935,808	46.81%	87.60%

**Schedule of Employer Contributions¹
For the Fiscal Year Ended June 30**

Year	Contractually Required Contributions	Contributions in relation to Contractually Required Contributions	Contribution deficiency/(excess)	University's Covered- employee payroll	Contributions as a % of Covered- Employee Payroll
2025	\$ 136,287	\$ 136,287	\$ -	\$ 1,396,847	9.76%
2024	131,310	898,324	767,014	1,234,335	72.78%
2023	104,794	104,794	-	1,157,527	9.05%
2022	93,824	93,824	-	1,026,233	9.14%
2021*	87,166	87,166	-	967,037	9.01%
2020*	86,387	86,387	-	956,672	9.03%
2019	91,767	91,767	-	1,011,905	9.07%
2018	88,555	88,555	-	983,942	9.00%
2017	87,231	87,231	-	969,235	9.00%
2016	91,867	91,867	-	1,011,526	9.08%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

*Some amounts/percentages restated to agree with actuarial valuation

Required Supplementary Information (continued)

Notes to Required Supplementary Information For the Year Ended June 30, 2024 (as of Measurement Date)

The following actuarial methods and assumptions were adopted from the June 30, 2024 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%
*Includes inflation at	2.75%
Merit salary increases	1% to 6.40%
Guaranteed Annual Benefit Adjustment (GABA).**	
- Members hired prior to July 1, 2007	3.00%
- Members hired on or after July 1, 2007	1.50%
Mortality (Active Participant)	Based on PUB-2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021 for males and females. Projected generationally using MP-2021
Mortality (Healthy Retiree)	Based on PUB-2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males, adjusted 105% for males and 100% for females. Projected generationally using MP-2021.
Mortality (Contingent Survivor)	Based on PUB-2010 Safety Amount Weighted Contingent Survivor Mortality Table projected to 2021, set forward one year for males. Projected generationally using MP-2021
Mortality (Disabled Retiree)	Based on PUB-2010 Safety Amount Weighted Disabled Retiree Mortality Table projected to 2021, set forward one year for males.

** Requires 12 full months of retirement before GABA will be made.

The actuarial assumptions and methods utilized in the June 30, 2024 valuation, were developed in the five-year experience study for the period ended June 30, 2021.

Changes of Benefit Terms

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

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations

Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

- 1) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- 2) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;
 - b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.

Required Supplementary Information (continued)

- 3) Employee, employer and state contributions, if any, apply as follows:
 - a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

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

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Lump-sum payouts

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

2024 Employer contribution rate:

Beginning July 1, 2024 and after, contribution rates are actuarially determined based on the funding valuation one year prior.

Required Supplementary Information (continued)

Teachers' Retirement System

Schedule of Proportionate Share of the Net Pension Liability¹ Measurement Date of June 30

Year	University's Proportion of the NPL	University's Share of the NPL	State of Montana's Share of the NPL Associated with the University	Total University Share of the NPL	University's Covered- Employee Payroll	University's Share of the NPL as a % of Covered- Employee Payroll	Plan fiduciary Net Position as a % Total Pension Liability
2024	0.61%	\$ 11,454,999	\$ 3,170,567	\$ 14,625,656	\$ 7,341,354	156.03%	73.33%
2023	0.59%	11,444,898	3,252,608	14,697,506	7,005,805	163.36%	71.75%
2022	0.53%	10,347,480	3,032,980	13,380,460	6,146,045	168.36%	70.61%
2021	0.58%	9,557,995	2,949,067	12,507,062	6,525,406	146.47%	75.54%
2020	0.62%	13,954,295	4,554,271	18,508,566	6,763,745	206.31%	64.95%
2019	0.71%	13,736,916	4,637,175	18,374,091	7,642,688	179.74%	68.64%
2018	0.84%	15,509,582	5,434,309	20,943,891	8,799,902	176.25%	69.09%
2017	1.02%	17,147,199	6,185,159	23,332,358	10,550,521	162.52%	70.09%
2016	1.14%	20,741,987	7,764,849	28,506,836	11,559,350	179.44%	66.69%
2015	1.29%	21,139,488	8,228,030	29,367,518	12,852,552	164.48%	69.30%

Schedule of Employer Contributions¹

For the Fiscal Year Ended June 30

Year	Contractually Required Contributions	Contributions in relation to Contractually Required Contributions	Contribution deficiency/(excess)	University's Covered- employee payroll	Contributions as a % of Covered- Employee Payroll
2025	\$ 7,793,450	\$ 7,793,450	\$ -	\$ 8,229,783	94.70%
2024	7,277,056	7,277,056	-	7,341,354	99.12%
2023	6,644,707	6,644,707	-	7,005,805	94.85%
2022	6,234,181	6,234,181	-	6,146,045	101.43%
2021	6,001,496	6,001,496	-	6,525,406	91.97%
2020	5,980,242	5,980,242	-	6,763,745	88.42%
2019	6,147,501	6,147,501	-	7,642,688	80.44%
2018	6,906,559	6,906,559	-	8,799,902	78.48%
2017	6,705,145	6,705,145	-	10,550,521	63.55%
2016	6,627,145	6,627,145	-	11,559,350	57.33%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (continued)

Notes to Required Supplementary Information For the Year Ended June 30, 2024 (as of Measurement Date)

The following actuarial methods and assumptions were adopted from the July 1, 2024 actuarial valuation:

Inflation	2.75%
Salary increase	3.50% to 9.00%, including inflation for Non-University Members and 4.25% for University Members;
Investment rate of return	7.30%, net of pension plan investment expense, and including inflation
Mortality (Contributing Members)	Based on PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
Mortality (Service Retired Members)	Based on PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
Mortality (Beneficiaries)	Based on PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021
Mortality (Disabled Members)	Based on PUBT-2010 Disabled Retiree mortality table projected to 2021.

The actuarial assumptions and methods utilized in the July 1, 2024 valuation, were developed in the experience study dated May 3, 2022.

Changes of Benefit Terms:

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

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

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

- 1) Final Average Compensation: average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- 2) Service Retirement: Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- 3) Early Retirement: Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- 4) Professional Retirement Option: if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
- 5) Annual Contribution: 8.15% of member's earned compensation
- 6) Supplemental Contribution Rate: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
 - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
 - c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- 7) Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination

Required Supplementary Information (continued)

- 8) Guaranteed Annual Benefit Adjustment (GABA):
- a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- (1) Annual State contribution equal to \$25 million paid to the System in monthly installments.
- (2) One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- (3) 1% supplemental employer contribution. This will increase the current employer rates:
 - a. School Districts contributions will increase from 7.47% to 8.47%
 - b. The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - c. The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- (4) Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- (5) Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2022:

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

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

- 1) The discount rate was lowered from 7.34% to 7.06%.
- 2) The investment rate of return assumption was lowered from 7.34% to 7.06%.

The following changes to the actuarial assumptions were adopted in 2020:

- 1) The discount rate was lowered from 7.50% to 7.34%.
- 2) The investment rate of return assumption was lowered from 7.50% to 7.34%.
- 3) The inflation rate was reduced from 2.50% to 2.40%.

The following changes to the actuarial assumptions were adopted in 2019:

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

The following changes to the actuarial assumptions were adopted in 2018:

- 1) Assumed rate of inflation was reduced from 3.25% to 2.50%
- 2) Payroll growth assumption was reduced from 4.00% to 3.25%
- 3) Investment return assumption was reduced from 7.75% to 7.50%.
- 4) Wage growth assumption was reduced from 4.00% to 3.25%
- 5) Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - a. For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
- 6) Mortality among disabled members was updated to the following:
 - a. For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - b. For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

Required Supplementary Information (continued)

- 7) Retirement rates were updated
- 8) Termination rates were updated
- 9) Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

- 1) The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

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

The following changes to the actuarial assumptions were adopted in 2014:

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

Other Postemployment Benefits

▪ **Montana University System Group Insurance Plan**

**Schedule of Proportionate Share of the OPEB Liability¹
Measurement Date of March 31,**

	2025	2024	2023	2022	2021	2020	2019	2018
University’s proportion of the OPEB liability	41.46%	41.21%	41.21%	40.56%	40.56%	40.71%	45.09%	45.78%
University’s share of the OPEB liability	\$ 18,401,957	\$ 16,790,177	\$ 15,721,160	\$ 20,276,769	\$ 24,425,784	\$ 11,514,328	\$ 18,560,031	\$ 16,905,803
University’s covered employee payroll	\$ 198,271,251	\$ 188,959,062	\$ 171,389,710	\$ 163,276,756	\$ 164,312,421	\$ 162,661,884	\$ 160,709,985	\$ 162,897,963
University’s share of the OPEB liability as a % of covered employee payroll	9.28%	8.89%	9.17%	12.42%	14.87%	7.08%	11.55%	10.38%
Plan fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (continued)

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2025:

- 1) Interest/discount rate based on the average of multiple March 31, 2024 municipal bond rate resources.
- 2) An inflow of \$4,822,073 due to an increase in the interest rate from 4.12% to 4.57%.
- 3) An outflow of \$18,536,689 due to updated healthcare trend assumptions.
- 4) Projected Payroll increased based on 2024 TRS and MPERA pension report assumptions.
- 5) Decrement tables were updated per the October 2024 TRS and MPERA Actuarial Reports.
- 6) Trend projections were updated based short-term on industry expectations and long-term on the 2025 Getzen Model.
- 7) Separate Healthcare trend rates for Medical, Pre-65Rx and Post-65 Rx were applied to account for anticipated changes due to the Inflation Reduction Act.
- 8) Separate Contribution trend rates for Pre-65 Med/Rx and Post-65 Med/Rx were applied to account for anticipated changes due to the Inflation Reduction Act.

The following changes to the actuarial assumptions were adopted in 2024:

- 1) Interest/discount rate based on the average of multiple March 31, 2023 municipal bond rate resources.
- 2) An inflow of \$941,331 due to an increase in the interest rate from 3.98% to 4.12%.

The following changes to the actuarial assumptions were adopted in 2023:

- 1) Interest/discount rate based on the average of multiple March 31, 2023 municipal bond rate resources.
- 2) An inflow of \$6,628,977 due to an increase in the interest from 3.31% to 3.98%.
- 3) Mortality – Contributing Members: For TRS and MUS-RP employees, mortality follows the Pub-2010 Teacher table, projected generationally using MP-2021. For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021. For GWPORS members, mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.
- 4) Mortality – Retired Members: For TRS and MUS-RP retirees, mortality follows the Pub-2010 Retired Teacher table adjusted 102% for males and 103% for females, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021. For GWPORS retirees, mortality follows the Pub-2010 Safety Retiree table set forward 1 year and adjusted 105% for males, or adjusted 100% for females, projected generationally using MP-2021.
- 5) Mortality – Surviving Beneficiaries: For TRS and MUS-RP survivors, mortality follows the Pub-2010 Contingent Survivor table, projected generationally using MP-2021. For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021. For GWPORS survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.
- 6) Mortality – Disabled: For TRS and MUS-RP retirees, mortality follows the Pub-2010 General Disabled table, projected generationally using MP-2021. For general MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021. For GWPORS retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

The following changes to the actuarial assumptions were adopted in 2022:

- 7) Interest/discount rate based on the average of multiple March 31, 2022 municipal bond rate resources.
- 8) An inflow of \$7,189,480 due to an increase in the interest from 2.23% to 3.31%.

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

- 1) Interest/discount rate based on the average of multiple March 31, 2021 municipal bond rate resources
- 2) An outflow of \$40,203,319 due to no retiree contribution increase.
- 3) An outflow of \$7,609,835 due to a decrease in the interest rate from 2.75% to 2.23%.

Changes of Benefit Terms:

- 1) In FY20, Annual deductible and out-of-pocket maximums were increased since prior actuarial valuation at December 31, 2019.
- 2) Reduced carrier options to one on the actuarial valuation at December 31, 2020.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment,

Required Supplementary Information (continued)

mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Changes to the plan that affect trends will be reported as they occur in the future.

The University of Montana
Supplemental Information - All Campuses
(Unaudited)

<u>DESCRIPTION</u>	<u>Fall 2025</u>	<u>Fall 2024</u>	<u>Fall 2023</u>	<u>Fall 2022</u>	<u>Fall 2021</u>
Enrollment (Headcount) ¹	16,378	16,027	15,441	14,957	15,179
	<u>FY2025</u>	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>
Enrollment (FTE) ²					
Two-year Colleges	2,350	2,243	2,055	1,940	1,876
Undergraduate	8,540	8,207	8,033	8,064	8,024
Graduate	1,914	1,876	1,882	1,981	2,013
	<u>12,804</u>	<u>12,326</u>	<u>11,970</u>	<u>11,985</u>	<u>11,913</u>
Enrollment (FTE) ²					
In-State students	7,643	8,609	8,405	8,614	8,817
Out-of-State students	3,834	2,341	2,169	1,887	1,934
Western Undergraduate Exchange	1,327	1,376	1,396	1,484	1,162
	<u>12,804</u>	<u>12,326</u>	<u>11,970</u>	<u>11,985</u>	<u>11,913</u>
	<u>FY2025</u>	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>
Employees (FTE) - All Funds ³					
Contract Faculty	887	874	861	869	842
Contract Admin & Professional	1,094	985	936	896	819
Classified	1,048	1,003	983	968	976
GTA/GRA	253	249	240	248	254
Part Time and Other	484	482	452	423	465
	<u>3,766</u>	<u>3,593</u>	<u>3,472</u>	<u>3,404</u>	<u>3,357</u>
	Fiscal Year Ended				
	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Degrees Granted ⁴					
Certificate ⁵	404	429	363	302	228
Associate	657	599	553	622	608
Undergraduate	2,034	1,993	2,000	2,007	2,021
Graduate	1,338	1,123	1,307	1,417	1,318
	<u>4,433</u>	<u>4,144</u>	<u>4,223</u>	<u>4,348</u>	<u>4,175</u>

¹ Source: MUS Data Warehouse. Headcount and FTE for each Fall period presented are primary drivers for the subsequent fiscal year's net tuition revenue production. The data presented is as of the Fall semester census date.

² Source: MUS Data Warehouse. Enrollment FTE data is based on Fiscal Year, End of Term for the Fiscal Year reported.

³ Source: MUS Data Warehouse | CHE113 Report

⁴ Source: IPEDS Completions Reports

⁵ Post-masters certificates and post-baccalaureate certificates are reported as graduate degrees. The certificate count only includes 1 and 2 year degrees.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

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



B-1

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 business-type activities and the aggregate discretely presented component units of the University of Montana, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the university's basic financial statements, and have issued our report dated January 15, 2026. Our report includes a reference to other auditors who audited the financial statements of the University of Montana Foundation, the Montana Technological Foundation, The University of Montana Western Foundation, and the Montana Grizzly Scholarship Association as described in our report on the university's financial statements. The financial statements of these component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these component units or that are reported on separately by those auditors who audited the financial statements of the component units.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

/s/ Alexa O'Dell

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

January 15, 2026

UNIVERSITY OF
MONTANA

UNIVERSITY RESPONSE



February 17, 2026

Angus Maciver
Legislative Audit Division
Room 160 State Capitol
P. O. Box 201705
Helena, MT 59620-1705

RECEIVED
February 13, 2026
LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

On behalf of the University of Montana, I want to extend our appreciation to you and your staff for their work on the audit of the University of Montana's financial statements for the fiscal year ended June 30, 2025. We value our ongoing partnership with the Legislative Audit Division and remain committed to upholding the highest standards of accountability and fiscal responsibility.

Thank you once again for your diligence and professionalism throughout the audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Clayton T. Christian".

Clayton T. Christian
Commissioner of Higher Education
Montana University System (MUS)

c: Kelly Webster, Chief of Staff & VP for Strategy and Community Relations, University of Montana
Chad Lee, Director of Assurance, Office of the Commissioner of Higher Education, MUS