

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

March 31, 2025

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

March 31, 2025

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APPOINTED OFFICIALS

Bob Brown, Lottery Director

Bryan Costigan, Lottery Assistant Director for Security

LOTTERY COMMISSION

		Term Expires
Leo Prigge	Butte	January 1, 2027
Tony Harbaugh	Miles City	January 1, 2025
Steve Morris	Helena	January 1, 2025
Janna Taylor	Rollins	January 1, 2026
Jon Metropoulos	Helena	January 1, 2026

REPORT DISTRIBUTION – 2025

According to Section 23-7-202(9), MCA, copies of this report must be distributed to the following:

Governor – Greg Gianforte
Legislative Auditor – Angus Maciver
Speaker of the House – Brandon Ler

Director of Dept. of Administration – Misty Ann Giles
President of the Senate – Matt Regier

The law provides “the President of the Senate and the Speaker of the House will determine the report distribution to each member of the appropriate committee of each house of the legislature.” The President of the Senate and the Speaker of the House have requested that this report be distributed to the following committees:

HOUSE – STATE ADMINISTRATION COMMITTEE

Darling, Julie (Ch.)	Cochran, Curtis	Parry, Gar	Sooktis, Jad
Bertoglio, Marta	Edwards, Becky	Reksten, Linda	Strand, Peter
Kortum, Kelly	Fyant, Shelly	Running Wolf, Tyson	Tilleman, Eric
Bennett, Lyn	Lee, Marc	Schubert, Lukas	Wirth, Zack
Byrne, Ed	Love, Kathy	Schubert, Lukas	

HOUSE – BUSINESS AND LABOR COMMITTEE

Buttrey, Ed (Ch.)	Fitzpatrick, Chip	Ler, Brandon	Schomer, Curtis
Seekins-Crowe, Kerr	Fitzpatrick, Steve	Maness, Shannon	Seckinger, Joshua
Lynch, Jennifer	Gist, Steve	Marshall, Ron	Sprunger, Courtenay
Carter, Bob	Isaly, Jamie	Nicol, Nelly	Sullivan, Katie
DeMarois, Scott	Karlen, Jonathan	Oblander, Greg	Thiel, Morgan

SENATE – STATE ADMINISTRATION COMMITTEE

Manzella, Theresa (Ch.)	Ellis, Janet	Regier, Matt
McKamey, Wendy	Morigeau, Jacinda	Tezak, Tony
Hayman, Denise	Phalen, Bob	Vance, Shelley

SENATE – BUSINESS, LABOR, AND ECONOMIC AFFAIRS COMMITTEE

Noland, Mark (Ch.)	Ellsworth, Jason	Loge, Denley	Phalen, Bob
Trebas, Jeremy	Gillespie, Bruce	Morigeau, Jacinda	Webber, Susan
Curdy, Willis	Hunter, Gregg	Novak, Sara	Zolnikov, Daniel



June 2025

Montana Lottery Commission:

As we transition from spring into the vibrant energy of summer, we find ourselves at an exciting juncture - an opportunity to build on the momentum we've created and drive our sales strategy forward. The shift in seasons brings fresh opportunities to enhance our market presence, strengthen customer engagement, and position ourselves for success in the months ahead.

Alongside our focus on maximizing seasonal growth, we are also preparing to shape the vision for the next fiscal year. Strategic planning, goal setting, and refining our approach will ensure that we continue to innovate and increase our profitability.

Despite our multi-state jackpot games having seen less larger jackpots than the past fiscal year, we have been able to decrease the sales gap by concentrating our marketing efforts on the products we can positively affect. Scratch and Lotto America each experienced an increase over the first nine months of last year. Scratch bumped up by 3.1% and Lotto America jumped up with an increase of 79.2% due to the growing jackpot for the game.

The rest of the games have seen a decrease compared to last year. Powerball dropped by 54.9%, Montana Cash decreased by 43.7%, Mega Millions slipped 26.2%, Treasure Play decreased by 29.3%, Lucky for Life dropped by 7.8%, Big Sky Bonus dipped 6.1%, and Sports Betting decreased by 0.8%. Lower jackpots compared to record jackpots last year, along with our continued updates under review for the financial reporting, attribute to the seemingly poor performance defined here.

Overall, this quarter compared to third quarter fiscal year 2024 there was a decrease in operating revenue of 46.6% along with a decrease in direct game costs of 40.4%. Combined with a 0.3% increase in operating expenses, the transfer for the quarter ended is \$2,489,548 which is \$2,979,186 less than last year's third quarter, which is a 54.5% decrease. The percentage of transfer to revenue was 12.5% this quarter compared to 14.7% last year, at this time.

We are excited for what summer holds for the Montana Lottery. Including the launch of our new website, mobile app and Payer's Club. All these assets will undoubtedly support the efforts of increasing our profit back to STEM Scholarships and the state's general fund.

Sincerely,

Bob Brown
Lottery Director

MONTANA LOTTERY
STATEMENT OF NET POSITION
Quarters Ending March 31, 2025 and March 31, 2024
(Unaudited)

	Quarter Ended March 31, 2025	Quarter Ended March 31, 2024
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,264,844	\$ 3,755,657
Investments	29,431	0
Receivables (Net)	4,038,720	6,461,680
Inventories	696,856	568,476
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	9,029,851	10,785,813
NONCURRENT ASSETS		
Computer, Furniture & Equipment	699,634	699,634
Leasehold Improvements	112,322	112,322
Accumulated Depreciation	(624,302)	(574,040)
Intangible Assets	1,140,798	1,140,798
Accumulated Amortization	(777,817)	(570,399)
Multi-State Reserve fund	1,315,567	1,116,656
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	1,866,202	1,924,971
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	275,881	343,969
OPEB Deferred Outflows	230,194	264,814
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	506,075	608,783
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>11,402,128</u>	\$ <u>13,319,567</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,170	\$ 735,189
Estimated Prize Liability	921,369	4,038,438
Due to Primary Government	0	11,977
Transfer Obligations	6,052,048	5,468,734
Building Lease Payable	0	103,107
Unearned Revenue	2,231,942	513,887
Accrued Compensated Absences	158,630	178,559
Other Current Liabilities	33,539	0
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	9,403,699	11,049,891
NONCURRENT LIABILITIES		
Building Lease Payable	373,749	397,948
Multi-State Prize Liability	934,196	924,070
Accrued Compensated Absences	184,410	132,941
Net Pension Liability	2,356,640	2,275,971
Other Post Employment Benefits	82,780	86,256
	<hr/>	<hr/>
TOTAL NONCURRENT LIABILITIES	3,931,775	3,817,186
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	92,227	237,926
OPEB Deferred Inflows	369,550	426,065
	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	461,777	663,991
COMBINED LIABILITIES AND DEFERRED INFLOW OF RESOURCES	13,797,251	15,531,068
NET POSITION		
Net Investment in Capital Assets	176,885	237,916
Unrestricted	(2,572,008)	(2,655,630)
	<hr/>	<hr/>
TOTAL NET POSITION	\$ <u>(2,395,122)</u>	\$ <u>(2,417,714)</u>

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

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE QUARTERS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

	Quarter Ended March 31, 2025	Quarter Ended March 31, 2024	Year to Date Fiscal Year 2025	Year to Date Fiscal Year 2024
OPERATING REVENUES:				
Scratch ticket revenue	\$ 4,512,906	\$ 7,033,753	\$ 20,752,087	\$ 20,129,214
Powerball revenue	1,868,441	4,305,293	8,098,026	17,939,820
Montana Cash revenue	926,030	1,587,773	3,039,656	5,401,538
MT Millionaire revenue	0	0	0	7,600,000
Mega Millions revenue	852,876	2,724,440	6,520,086	8,830,421
Treasure Play revenue	0	2,191,721	4,496,973	6,356,764
Lucky for Life revenue	660,626	1,003,932	2,793,072	3,029,848
Big Sky Bonus revenue	351,198	622,092	1,845,286	1,965,910
Lotto America revenue	592,478	433,460	2,596,226	1,448,439
Sports Bet revenue	10,098,882	17,302,626	49,032,927	49,422,753
License, permits, and misc	1,459	1,580	4,651	6,694
Total Operating Revenues	19,864,896	37,206,670	99,178,990	122,131,401
Less Direct Game Costs:				
Scratch ticket prize expense	3,138,410	4,906,286	14,371,344	13,330,104
On-line ticket prize expense	2,832,574	6,390,938	16,782,337	28,366,451
Sports Bet ticket prize expense	8,671,588	15,463,265	41,352,954	42,730,067
Retailer commission	1,193,474	1,596,479	4,694,207	5,682,746
Cost of tickets sold	279,848	186,341	863,753	427,008
Vendor fees	2,015,258	1,888,233	7,018,107	7,697,487
Total Direct Game Costs	18,131,151	30,431,542	85,082,703	98,233,863
Income Before Operating Expenses	1,733,745	6,775,128	14,096,287	23,897,538
OPERATING EXPENSES:				
Advertising	129,700	142,539	388,384	462,137
Advertising Production	30,504	37,277	156,756	145,187
Audit Fees	0	10,491	11,076	56,930
Communications	87,144	70,233	234,253	240,650
Contractual Services	28,672	58,584	98,893	111,736
Depreciation and Amortization	10,230	3,472	32,081	19,565
Administrative Service Fee	29,709	59,418	89,127	118,994
Public Relations	14,000	574	23,590	28,660
Other	17,426	53,325	67,440.61	64,233
Personal Services	775,913	709,079	2,277,486	2,190,590
Repairs and Maintenance	3,731	4,055	11,916	13,200
Supplies and Materials	65,782	37,429	190,042	183,690
Travel	6,997	9,668	24,173	30,255
Utilities and Rent	61,038	61,325	200,068	185,158
Total Operating Expense	1,260,845	1,257,469	3,805,286	3,849,370
Operating Income	472,900	5,517,659	10,291,000	20,048,168
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	327	1,451	949	3,098
Gain/Loss on sale of asset	25,588	9,624	25,588	9,624
Total Nonoperating Revenues(Expenses)	25,914	11,075	26,537	12,722
Income Before Operating Transfers	498,815	5,528,734	10,317,538	20,060,890
Operating Transfers Out - General Fund	(1,927,048)	(4,906,234)	(8,630,038)	(18,373,390)
Operating Transfers Out -OCHE	(562,500)	(562,500)	(1,687,500)	(1,687,500)
Total Operating Transfers	(2,489,548)	(5,468,734)	(10,317,538)	(20,060,890)
CHANGE IN NET POSITION	(1,990,733)	0	(0)	0
Total Net Position, Beginning of Period	(404,389)	(2,417,714)	(2,395,122)	(2,417,714)
Prior Period Adjustments	-	-	-	-
TOTAL NET POSITION, END OF PERIOD	\$ (2,395,122)	\$ (2,417,714)	\$ (2,395,122)	\$ (2,417,714)

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

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
AND RECONCILIATION OF BUDGET AND ACTUAL (BUDGETARY BASIS) TO GAAP BASIS
FOR THE FISCAL YEAR 2025 TO DATE AS OF MARCH 31, 2025
(Unaudited)

	<u>Budget</u> Fiscal Year July 1, 2024- June 30, 2025	<u>Actual</u> Through Quarter Ending March 31, 2025 (Unaudited)	Actual as a Percent of Final Budget (%)
REVENUES:			
Scratch ticket revenue	\$ 27,340,000	\$ 20,752,087	75.90
Powerball revenue	12,240,000	8,098,026	66.16
Montana Cash revenue	5,110,000	3,039,656	59.48
MT Millionaire revenue	10,000,000	0	0.00
Mega Millions revenue	5,200,000	6,520,086	125.39
Treasure Play revenue	8,250,000	4,496,973	54.51
Lucky for Life revenue	3,890,000	2,793,072	71.80
Big Sky Bonus revenue	3,010,000	1,845,286	61.31
Lotto America revenue	1,910,000	2,596,226	135.93
Sports Bet revenue	75,000,000	49,032,927	65.38
License, permits, and misc	12,000	4,651	38.75
Total Revenues	<u>151,962,000</u>	<u>99,178,990</u>	<u>65.27</u>
DIRECT GAME COSTS:			
Scratch ticket prize expense	24,478,600	14,371,344	58.71
On-line ticket prize expense	28,585,230	16,782,337	58.71
Sports Bet ticket prize expense	70,436,170	41,352,954	58.71
Retailer commission	10,200,000	4,694,207	46.02
Cost of tickets sold	1,160,000	863,753	74.46
Vendor fees	12,946,350	7,018,107	54.21
Total Direct Game Costs	<u>147,806,350</u>	<u>85,082,703</u>	<u>57.56</u>
OPERATING EXPENSES:			
Advertising	644,000	388,384	60.31
Advertising Production	335,000	156,756	46.79
Audit Fees	149,492	11,076	7.41
Communications	367,725	234,253	63.70
Contractual Services	213,285	98,893	46.37
Depreciation and Amortization	0	32,081	
Administrative Service Fee	119,152	89,127	74.80
Multi-State Dues	40,000	0	0.00
Public Relations	60,000	23,590	39.32
Other	-31,810	67,441	-212.01
Personal Services	3,055,339	2,277,486	74.54
Repairs and Maintenance	32,000	11,916	37.24
Supplies and Materials	305,200	190,042	62.27
Travel	83,400	24,173	28.98
Utilities and Rent	225,016	200,068	
Total Operating Expenses	<u>5,597,799</u>	<u>3,805,286</u>	<u>67.98</u>
Operating Income	<u>(1,442,149)</u>	<u>10,291,000</u>	<u>-713.59</u>
NONOPERATING REVENUES (EXPENSES):			
Interest earnings	3,000	949	31.65
Gain/Loss on sale of asset	0	25,588	N/A
NET INCOME (BUDGETARY BASIS)	<u>\$ (1,439,149)</u>	<u>\$ 10,317,538</u>	<u>-716.92</u>
RECONCILIATION OF BUDGETARY/GAAP BASIS:			
Capitalized equipment purchases	35,000	0	0.00
MUSL interest earnings	<u>1,000</u>	<u>0</u>	<u>0.00</u>
Total Reconciling Items	36,000	0	
NET INCOME (GAAP BASIS)	<u>\$ (1,403,149)</u>	<u>\$ 10,317,538</u>	<u>-735.31</u>

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

MONTANA LOTTERY
ANALYSIS OF REVENUES AND EXPENSES BY PRODUCT
FOR THE FISCAL YEAR 2025 TO DATE AS OF MARCH 31, 2025
(Unaudited)

	SCRATCH	POWERBALL	MONTANA CASH	MT MILLIONAIRE	MEGA MILLIONS	TREASURE PLAY	LUCKY FOR LIFE	BIG SKY BONUS	LOTTO AMERICA	SPORTS BET	ADMIN
REVENUES:	\$ 20,752,087	\$ 8,098,026	\$ 3,039,656	\$ 0	\$ 6,520,086	\$ 4,496,973	\$ 2,793,072	\$ 1,845,286	\$ 2,596,226	\$ 49,032,927	\$ 4,651
DIRECT GAME COSTS:											
Prize Expense	14,371,344	3,948,886	1,963,118	0	3,269,768	3,625,098	1,646,178	1,277,392	1,051,897	41,352,954	0
Retailer Commissions	1,622,178	403,454	151,983	0	326,004	361,160	139,654	92,264	129,811	1,467,699	0
Cost of Tickets Sold	863,753	0	0	0	0	0	0	0	0	0	0
Vendor Fees	1,663,824	649,689	283,543	800,003	524,267	494,123	225,590	148,204	169,882	2,058,982	0
NET OPERATING REVENUE	2,230,988	3,095,997	641,012	(800,003)	2,400,047	16,592	781,650	327,426	1,244,636	4,153,292	4,651
OPERATING EXPENSES:											
Advertising	52,704	4,933	7,846	1,053	11,837	53,846	7,846	7,430	7,410	232,685	795
Advertising Production	67,826	7,146	3,521	5,075	18,021	15,950	3,521	3,521	3,524	19,575	9,076
Audit Fees	0	0	0	0	0	0	0	0	0	0	11,076
Communications	170,080	0	0	0	0	0	0	0	0	0	64,173
Contractual Services	0	0	0	0	0	0	0	0	0	2,034	96,859
Depreciation and Amortization	8,357	1,732	1,521	1,437	1,293	2,095	1,020	1,126	934	5,425	7,141
Administrative Service Fee	23,227	4,813	4,225	3,993	3,592	5,820	2,834	3,119	2,594	15,071	19,840
Public Relations	6,500	722	722	722	722	722	722	722	722	722	10,590
Other	0	0	0	0	0	0	0	0	0	0	67,441
Personal Services	593,513	122,984	107,953	102,031	91,783	148,720	72,424	79,712	66,275	385,123	506,968
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0	11,916
Supplies and Materials	0	0	0	0	0	0	0	0	0	0	190,042
Travel	0	0	0	0	0	0	0	0	0	0	24,173
Utilities and Rent	20,855	4,321	3,793	3,585	3,225	5,226	2,545	2,801	2,329	13,533	137,855
TOTAL OPERATING EXPENSES	943,062	146,652	129,580	117,897	130,472	232,378	90,912	98,432	83,787	674,168	1,157,945
OPERATING INCOME	1,287,927	2,949,345	511,432	(917,900)	2,269,575	(215,786)	690,738	228,994	1,160,849	3,479,124	(1,153,295)
NONOPERATING REVENUES (EXPENSES)											
Interest Earnings	0	0	0	0	0	0	0	0	0	0	949
Gain(Loss) on Sale of Asset	0	0	0	0	0	0	0	0	0	0	25,588
TOTAL NONOPERATING REVENUES (EXPENSES)	0	0	0	0	0	0	0	0	0	0	26,537
NET INCOME BY PRODUCT	\$ 1,287,927	\$ 2,949,345	\$ 511,432	\$ (917,900)	\$ 2,269,575	\$ (215,786)	\$ 690,738	\$ 228,994	\$ 1,160,849	\$ 3,479,124	\$ (1,126,757)
PROFIT AS A % OF REVENUE	6.21%	36.42%	16.83%	N/A	34.81%	-4.80%	24.73%	12.41%	44.71%	7.10%	N/A
PRIOR YEAR PROFIT AS A % OF REVENUE	10.36%	38.35%	29.89%	27.97%	46.24%	10.62%	8.18%	22.02%	39.95%	4.99%	N/A

NOTE: THIS IS TWELVE MONTHS' ACTIVITY AND THEREFORE SHOULD NOT BE INTERPRETED TO SHOW HOW OUR PRODUCTS HAVE PERFORMED IN PAST YEARS OR WILL PERFORM IN THE FUTURE.

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

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
March 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity.

The Montana Lottery, established under the provisions of Section 23-7-101, Montana Code Annotated (MCA), was approved by the Montana electorate through Legislative Referendum No. 100 on November 4, 1986.

Montana's first lottery tickets went on sale June 24, 1987.

The Montana Lottery is operated by a five-member commission consisting of Montana residents appointed by the Governor. The Commission, by law, has the power to operate a state lottery, determine the types and forms of lottery games, set the ticket price, number and size of prizes, conduct lottery drawings, enter into agreements to offer lottery games in conjunction with other lottery states and countries, and prepare financial reports. The Montana Lottery is attached to the Montana Department of Administration for administrative purposes.

The Montana Lottery is included as an enterprise fund in the State of Montana's Comprehensive Annual Financial Report. In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Montana Lottery's financial statements as a reporting entity.

Basis of Presentation. The Montana Lottery prepares its quarterly financial statements from the transactions posted to the state's accounting system without adjustment. Transactions are posted in accordance with state laws and policies.

Basis of Accounting. The Montana Lottery's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Enterprise Fund. The Montana Lottery is classified as an enterprise fund of the proprietary fund type. Enterprise funds account for operations: a) financed and operated similar to private business enterprises, where the intent of the Legislature is that costs are to be financed or recovered primarily through user charges, or b) where the Legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Property and Equipment. Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair market value at the date of donation. Ordinary maintenance and repairs are charged to operations as incurred; major renewals and betterments are capitalized. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts. Gain or loss on disposal is reflected in non-operating revenues and expenses. Depreciation and amortization are calculated on a straight-line basis over estimated useful lives of three to ten years. The Lottery conforms to the State of Montana capitalization threshold for capitalizing property and equipment as well as buildings and building/land improvements. The threshold for capitalizing property and equipment is \$5,000 and the threshold for capitalizing buildings/land improvements is \$25,000.

Revenue Recognition. Lottery scratch ticket sales are recorded as revenue based on the time the retailer activates the pack of tickets for sale. In accordance with an established policy, retailers may return unsold tickets to the Lottery for credit. Sales are decreased by an allowance for estimated ticket returns.

Ticket sales for online games Powerball, Montana Cash, Montana Millionaire, Mega Millions, Lucky for Life, Big Sky Bonus, and Lotto America are recorded as revenue based on drawings. Tickets sold in advance for future drawings are recorded as unearned revenue until such time as the tickets become valid for the most current drawing.

Ticket sales for Sports Bet Montana wagers are recorded as revenue when the specific event for the bet has occurred and become official. All other wagers for future events that are placed by players are recorded as unearned revenue until such time the specific event has happened and is official.

Classification of Revenues. The Lottery has classified its revenues as either operating or non-operating according to the following criteria:

Operating revenues – include activities that have characteristics of exchange transactions, including (1) ticket sales, net of returns, and (2) retailer license fees and administrative fees in relation to selling lottery tickets.

Non-Operating revenues – include activities that have the characteristics of non-exchange transactions, such as gifts and other revenue sources that are defined as non-operating revenues by GASB No. 9, "Reporting Cash Flows of Proprietary

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
March 31, 2025

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 investment income, and gain or loss on disposition of assets.

2. OTHER ACCOUNTING ISSUES

Free Tickets. Some Montana Lottery scratch games award free tickets as prizes. Net lottery ticket revenue does not include the value of free tickets given away and free plays won.

Promotional Credits. The Lottery issues promotional credits to retailers to be used to distribute free tickets to players. The tickets are distributed as part of a promotion run by the retailer, e.g., "Ask for the Sale" or second chance drawings. The Lottery also directly distributes scratch tickets for promotional purposes at trade shows, for media giveaways, and during new game introductions. The tickets distributed because of promotional credits are reflected as a reduction in revenue. The related prize expense and ticket cost for all promotions are reclassified as an advertising expense.

Prizes. Expenses for scratch prizes are recorded based on the predetermined prize structure for each game. Expenses for lotto prizes are recorded based on the predetermined prize structure for each individual game. Prizes for Sport Bet are recorded as they are paid out for each event. No prize expense is recorded for free tickets distributed.

Unclaimed Prizes. Prizes for the online games must be claimed within six months after the appropriate draw dates and prizes for scratch games must be claimed within six months of the announced end of each game. Unclaimed prizes reduce the Lottery Prize expenses and liabilities.

Prior Period Correction: The amount presented as Income Before Operating Transfers on the September 30, 2024 Statement of Revenues, Expenses, and Changes in Net Position was understated by \$2,868,909 due to a computational (footing) error. The correction was reported as a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Net Position.

3. SUMMARY OF ACCOUNTS

Cash and Cash Equivalents. Cash and cash equivalents consist of interest-bearing deposits with the Montana Board of Investments short-term investment pool, cash deposited in revolving account with a non-state financial institution, cash on hand, and cash deposited with the Montana State Treasurer. The funds held by the State Treasurer are pooled with other funds of the state. These funds are highly liquid and may be drawn on daily. The reported value of cash and cash equivalents approximates the fair market value.

Cash and cash equivalents consist of the following:

	March 31, 2025	March 31, 2024
Short-term investment pool	\$ 29,431	\$ 28,114
Cash on deposit with State Treasurer	4,064,844	3,527,543
Cash in revolving deposit account	200,000	200,000
Total	\$ 4,264,844	\$ 3,755,657

Receivables. For the quarter ended March 31, 2025, receivables of \$4,038,720 represent \$4,530,388 due the Lottery for tickets purchased by retailers, \$42,753 due for returned vendor fees, and an estimated allowance of (\$534,421) for ticket returns. The estimated allowance is based on historical unsold or and returned tickets.

For the quarter ended March 31, 2024, receivables of \$6,461,680 represent \$6,839,438 due the Lottery for tickets purchased by retailers, \$32,848 due for returned vendor fees, and an estimated allowance of (\$410,606) for ticket returns. The estimated allowance is based on historical unsold or and returned tickets.

Inventories. Inventories consist of merchandise and supplies inventories. Merchandise inventory for the quarters ended March 31, 2025, and 2024 include scratch tickets valued at \$605,160 and \$498,318, respectively, that are stored in the warehouse, at retailers prior to being activated by the retailer, and with the marketing representatives. These ticket inventories are recorded at cost using the specific identification method and maintained on a perpetual inventory system. Tickets are charged to cost of tickets sold upon activation or after game end.

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Supplies inventories include ticket dispensers, premiums and point-of-sale materials. For the quarters ended March 31, 2025, and 2024, supplies inventories totaled \$91,696 and \$70,158, respectively. These inventories are also recorded at cost using the specific identification method.

Property and Equipment. A summary of property and equipment for the Lottery is as follows:

	June 30, 2024	Additions	Deletions	March 31, 2025
Leasehold Improvements	\$ 112,322	\$ -	\$ -	\$ 112,322
Furniture & Equipment	699,634	-	-	699,634
Accumulated Depreciation	(592,221)	(32,081)	-	(624,302)
Property & Equipment, Net	\$ 219,735	\$ (32,081)	\$ -	\$ 187,654

Estimated Prize Liability. The estimated prize liability represents the Lottery's estimate of prizes payable related to games in process at quarter end based on the predetermined prize structure of each outstanding game.

Obligation to Transfer Funds. Under Montana Code Annotated § 23-7-402, the Montana Lottery must quarterly transfer \$562,500 to the Montana STEM scholarship program and any remaining net revenues to the state general fund. The transfer obligation outstanding on March 31, 2025, was \$6,052,048, which represents \$4,927,048 owed to the state general fund and \$1,125,000 to the Office of the Commissioner of Higher Education.

Compensated Absences. State employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. With no limit on accumulation, sick leave is earned at 12 days per year. Upon retirement or termination, an employee is paid 100% for unused vacation and 25% for unused sick leave. As of March 31, 2025, the Lottery has recognized a compensated absences liability of \$343,040.

Commissions. Montana Code Annotated § 23-7-301(10) provides retailers a commission on scratch and lotto tickets or chances sold. The Lottery Commission established this commission at 5% of the face value of scratch tickets activated by the retailers and the face value of lotto tickets sold and 3% on all sports betting wages placed. In addition, retailers can earn bonus commissions on tickets sold based on incremental sales of scratch and Treasure Play tickets. For the nine months ended March 31, 2025 and 2024, retailers earned commissions of \$4,694,207 and \$5,682,746.

4. PAYMENTS TO OTHER STATE AGENCIES

The Lottery receives a variety of services, supplies, and materials from other state agencies. These services and materials are detailed below for the quarter ended March 31, 2025:

Warrant Writing Services	\$ 459
Payroll Services	209
Computer and Phone Service Fees	38,602
Records Retention	554
State Accounting System Support	2,365
Print and Mail	957
Administrative Service Fees	11,234
Total	\$ 54,380

5. PRIZES

Paid Prizes. Montana Code Annotated § 23-7-402 provides "A minimum of 45% of the money paid for tickets or chances must be paid as prize money". Prize expense is recorded based on the predetermined prize structure percentage for each game less unclaimed prizes. For the quarter ended March 31, 2025, the prize expense of \$14,642,572 is 73.7% of net Lottery ticket revenue of \$19,864,896. For the quarter ended March 31, 2024, the prize expense of \$26,760,489 was 71.9% of net Lottery ticket revenues of \$37,206,670.

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6. MULTI-STATE LOTTERY

In November 1989 the Montana State Lottery joined the Multi-State Lottery Association (MUSL). MUSL was created in September 1987 to operate a multi-state lottery game for the benefit of party lotteries. Powerball, Mega Millions, and Lotto America are the games jointly operated by the members, in which Montana presently participates. Each lottery participating in MUSL is represented on the Board of Directors. The Multi-State Lottery Reserve Fund with balances of \$1,315,567 and \$1,116,656 as of March 31, 2025 and 2024, respectively, is comprised of several reserve accounts, which are maintained by the Multi-State Lottery Association (MUSL). The balance of these reserve accounts is as follows:

	March 31, 2025	March 31, 2024
Powerball Prize Reserve Account	\$ 250,195	\$ 253,972
Powerball Set Prize Reserve Account	114,199	110,423
Powerball Unreserved Account	340,435	183,245
Lotto America Prize Reserve Account	290,183	236,802
Mega Millions Prize Reserve Account	320,555	332,214
Total	\$ 1,315,567	\$ 1,116,656

The Powerball Prize Reserve Account is to be used only in the event of an unanticipated prize claim. It is an insurance fund intended to protect the member lotteries against the liability that could result from a system failure at one of the member lotteries. All money paid to this fund would be returned to the Lottery one year after the Lottery leaves the Powerball game, assuming that no unanticipated prize claims have been paid. Interest earned on the Lottery's share of the fund, represented by the Unreserved Account, would be returned to the Lottery upon leaving MUSL. The amounts in the Unreserved Account may be used at the MUSL Board's discretion.

The Powerball Set Prize Reserve Account is used to fund prize payments for current drawings. Since the Powerball game has fixed prizes, it is often necessary to draw from this reserve to fund payment of prizes at the fixed amount. This account would be returned to the Lottery upon withdrawal from the Powerball Game.

The Lottery contributes to these reserve funds through the 50% set aside for prizes. In addition, the Lottery was required to contribute for its portion of the reserve funds accumulated since the start of the Powerball game. Payments made to this fund are considered a portion of prize expense associated with the game.

The Powerball Unreserved Account is a separate account used by a participating Lottery to have MUSL hold funds due to the Lottery. Balances in this account are created when any MUSL jackpot expires and goes unclaimed. Each Lottery is then refunded its pro rata share of the jackpot based on sales during the accumulation of that specific jackpot. This money is then invested in U.S. Treasury securities until withdrawn. Interest earned on the Lottery's share of the fund is added to the Unreserved Account on a quarterly basis. The amount in the Unreserved Account has limited uses and are set and approved by the Board with the stipulation that requests to use the funds are accompanied by certification from the requesting Board Member that the payment is made in conformance with state or jurisdiction law and is related to a MUSL activity.

The Lotto America Set Prize Reserve Account is administered by MUSL and is to be used only in the event of unanticipated prize claims. Like other MUSL games the reserve amount would be returned to the Lottery one year after withdrawal from the Lotto America game. The Lottery contributes to the reserve through the 50% set aside for prizes. Payments made to the reserve are considered a portion of the prize expense related to the game.

The Mega Millions Prize Reserve Account is to be used only in the event of an unanticipated prize claim. It is an insurance fund intended to protect the member lotteries against the liability that could result from a system failure at one of the member lotteries. All money paid to this fund would be returned to the Lottery one year after the Lottery leaves the Mega Millions game, assuming that no unanticipated prize claims have been paid. The Lottery contributes to the reserve through the 50% set aside for prizes for Mega Millions plays and 50% for Megaplier plays. Payments made to the reserve are considered a portion of the prize expense related to the game. The Lottery had just started cross-selling Mega Millions during the fiscal year end 2010.

7. GAMES

Currently, the Montana Lottery games are scratch ticket games, eight lotto games referred to as Powerball, Montana Ca\$h, Mega Millions, Treasure Play, Lucky for Life, Big Sky Bonus, Lotto America, and Montana Millionaire, a limited-

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edition lottery game. The lottery is facilitating Fantasy Sports Games on behalf of the Board of Horse Racing. Sports Bet Montana which is a sports wagering game.

Scratch ticket games provide players the opportunity to win instantly by scratching latex covering to reveal a prize.

The Powerball game allows players the chance to win a minimum pari-mutuel jackpot of approximately \$20 million. A player must match all 6 numbers to win the jackpot. Players win prizes ranging from \$8 to \$2,000,000 for matching fewer than all 6 numbers. Drawings are held three times weekly on Monday, Wednesday and Saturday nights. For any drawing, if no ticket matches 6 out of 6 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot. In March 2001, the Lottery added Power Play to the Powerball game. For an additional \$1 per play, the Power Play doubles the Match 5 prize from \$1 million to \$2 million and increases other prizes as well. Each Powerball prize (except for the jackpot and the Match 5 prize) increases by 2x, 3x, 4x, 5x, or 10x with Power Play. Power Play became part of the base game in July 2022. At the same time, the Lottery added Double Play®. This optional add-on uses the same numbers in a separate drawing with separate prize levels up to \$10 million.

The Montana Ca\$h game allows players the chance to win a minimum pari-mutuel jackpot of \$40,000. Players select 5 numbers from a field of 45 and must match at least 2 out of 5 to win a prize. Matching 2 of 5 wins \$1, 3 of 5 wins \$5, and 4 of 5 wins \$200. The Lottery also implemented an add-on jackpot where for an extra \$1 a player is entered into a second jackpot called Max Cash. This second jackpot, which is progressive, can only be won if the ticket wins the original jackpot first and the extra \$1 was paid. The drawing is conducted twice weekly on Wednesday and Saturday nights. If no ticket matches all 5 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot.

Lotto America allows players in the 13 participating lotteries a chance to win an all-cash pari-mutuel jackpot with a guaranteed minimum of \$2 million. Each time the jackpot is not won, it grows, thus creating a progressive jackpot. Players choose five numbers from 1 to 52, and one Bonus number from 1 to 10. To win the pari-mutuel jackpot, a player must match all six numbers. A multiplier called the All Star Bonus can be added to win 2X, 3X, 4X, or 5X to any prize except the jackpot for bigger prizes. Drawings are held every Monday, Wednesday and Saturday.

Mega Millions is a multi-state game that allows players to win a minimum pari-mutuel jackpot starting at \$20 million. Mega Millions went on sale March 1, 2010 in Montana. To win the jackpot, players must match all six numbers drawn; other prizes range from \$2 to \$1,000,000. Drawings are held each Tuesday and Friday. Mega Millions has a Megaplier option which multiplies non-jackpot prizes by two, three, or four. The Megaplier options costs \$1 extra per play.

Lucky for Life debuted January 2015. Lucky for Life is a multi-state game that allows players to win a top prize of \$1,000 a day for life. The second prize is \$25,000 a year for life. This pari-mutuel game has a set top prize and tickets cost \$2 each. Players select five numbers from a field of 48 and must match at least the Lucky Ball to win a prize. The drawings are conducted every night.

The Treasure Play games are offered on self-serve terminals in taverns and casinos that are licensed to sell Montana Lottery products. Introduced in November 2011, they are a suite of games with a pre-determined prize structure like a scratch game. Players can tell instantly if they have won a prize. The tickets sell for \$1, \$2, \$3, \$5, \$10, \$20, and \$30.

Big Sky Bonus is a Montana-only game that allows players to win a progressive jackpot. Players select 4 numbers from a field of 28 and must match at least 2 out of 4 to win a prize unless you hit the bonus number which is a 5th number picked out of a field of 17. Matching the bonus number at any time wins \$10. Matching 2 of 4 wins \$2, 3 of 4 wins \$20, and 4 of 4 wins the jackpot. The drawing is held every day at 7:30 pm. If no ticket matches all 4 numbers, the jackpot rolls over to the next day to create a progressive jackpot.

Montana Millionaire is a seasonal raffle-type game offering multiple \$1 million top prizes. The first offering went on sale October 1, 2007. The Lottery has sold the game every winter since. The game is refreshed yearly. The 2024 game offered 500,000 tickets, which sold for \$20 each, 4,500 \$100 instant win prizes and 2,300 \$500 instant win prizes, an early drawing for a \$250,000 prize and four \$1,000,000 prizes after Christmas. Available tickets for the game sold out prior to the expected end of the season, selling out on November 1, 2024. The drawing occurred on December 26, 2024, with four \$1 million prizes awarded.

Sports Bet Montana is the newest of games implemented. In the 2019 legislature, HB725 was passed and set into law sports wagering in the State of Montana. The Lottery implemented the game in March 2020 with ability to bet at a kiosk installed in an authorized location, or wager on a phone application which also has to be done in an authorized location. Players can make plays either on the kiosks or with an account the player has set up. The minimum bet is \$2, the

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maximum bet is \$1,000, and the maximum prize of \$100,000. These bets can be for any sports event available through the Lottery and can vary in many types of wagers.

8. COMMITMENTS - GAMING SUPPLIER CONTRACTS

Scratch Tickets. On July 30, 2015, the Montana Lottery Commission approved the award of a five-year contract with Scientific Games International (SGI) for the provision of scratch tickets. The contract is for five years with the option for two additional one-year renewals. The contract contains specifications regarding ticket design, printing, game ownership, inspection, and prize structure.

SGI, as the vendor, provided a performance bond covering the contract term and an errors and omissions policy covering an ultimate net loss of \$5,000,000. The Lottery may terminate this contract by providing proper notification to Scientific Games.

Online Services. On February 13, 2015, the Lottery signed a seven-year contract with Intralot, Inc. of Duluth, GA to provide an online gaming system and the associated services beginning March 31, 2016. The contract has been amended and extended till March 31, 2026. The contract required Intralot to provide new terminals to all retailers with the associated software and communications. Payment under the contract is based on 8.00% of net weekly Lottery sales of lotto and scratch games. Intralot receives 40% of the gross gaming revenue for the Sports Bet Montana product.

9. LOTTO*AMERICA/POWERBALL/TRI-WEST JACKPOT PRIZES

Jackpot prizes awarded in the Lotto*America/POWERBALL and TRI-WEST LOTTO games are funded through the purchase of U.S. Treasury Zero-Coupon Bonds purchased in the name of the Montana Lottery by MUSL. MUSL will cash the bonds each year as they mature and will wire the funds to the Lottery for payment to winners on the Anniversary date of the win.

On January 13, 1990, the Montana Lottery awarded its first Lotto*America jackpot prize totaling \$1,740,000. The first annual payment of \$87,000 was made on February 1, 1990. On May 9, 1990, the Lottery awarded a second Lotto*America jackpot prize of \$3,000,000. The first annual payment of \$150,000 was made on May 23, 1990. A third jackpot prize was awarded on February 2, 1991, for \$7,360,000. The first annual payment of \$368,000 was made February 15, 1991.

On November 23, 1991, a fourth jackpot prize was awarded totaling \$46,967,738.57. The first annual payment of \$2,355,739 was made December 12, 1991. On April 11, 1992, a fifth jackpot prize was won totaling \$2,000,000. The first annual payment of \$100,000 was made on April 27, 1992.

On July 6, 1994, the Montana Lottery awarded its first Tri-West Lotto jackpot prize totaling \$700,565. The first annual payment of \$35,000 was made on July 26, 1994.

On July 22, 1995, the Montana Lottery awarded its first Powerball jackpot prize totaling \$31,401,656. The first payment of \$1,571,656 was made on August 8, 1995. On April 5, 1997, the Lottery awarded a second Powerball jackpot prize totaling \$11,000,000. The first annual payment of \$550,000 was awarded on April 18, 1997.

On March 27, 1999, the Montana Lottery had a Powerball jackpot winner. The prize was \$35.1 million (\$19.35 million cash option). The winner chose the cash option and was paid a lump sum in June 1999.

On June 23, 2010, the Montana Lottery awarded its fourth Powerball jackpot prize. The total jackpot was \$96,856,406 and was split between another ticket in Ohio. Half of the jackpot, which was again split between two winners in Montana, totaled \$48.5 million (25.08 million cash option). The winners chose the cash option and were paid a lump sum in July 2010.

10. LEASES/INSTALLMENT PURCHASES PAYABLE

Leases are agreements that grant the State use of property in exchange for payments over a period of time. The Lottery has a lease for the use of a building with no option to purchase.

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Rent. The Montana Lottery leases its office, administrative, and warehouse facilities under a lease agreement that is effective January 1, 2017 through August 2027. The monthly lease payment is \$18,068.

11. INVESTMENTS

Effective June 30, 2005, the State of Montana implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. The Lottery participates in two investment pools: the Multi-State Lottery Association (MUSL) reserve accounts and the State of Montana's Short Term Investment Pool (STIP). The applicable investment disclosures are described in the following paragraphs.

Multi-State Lottery Association. The MUSL investment policy for prize reserve and unreserved funds states that permitted investments "include direct obligations of the United States government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States government, and mutual funds of approved investments".

Short-term Investment Pool (STIP). The STIP is an investment program within the State of Montana's Unified Investment Program administered by the Montana Board of Investments. The STIP is managed to preserve principal while providing daily liquidity for agencies, component units, and political subdivisions of the State of Montana. Funds may be invested for one or more days. While STIP participants own STIP shares, they do not own the underlying investments of the pool. Income is distributed monthly on a pro-rata basis. Cash and cash equivalents are reported at cost. STIP shares are purchased and sold in the same manner as individuals investing in mutual funds, where the unit price is computed based on market prices on securities in the pool plus or minus any additional assets or liabilities. STIP participants purchase and sell shares at \$1 per share. The fair value of the pool has been determined using the Net Asset Value (or its equivalent). As of March 31, 2025, the fund traded at \$0.999582 per share.

Credit risk is defined as the risk that an issuer or a counterparty of an investment will not fulfill its obligation.

The STIP pool is managed by the Montana Board of Investments and has credit risk as measured by major credit rating services; however, the pool is not rated. The MUSL prize reserves are invested in the Montana Winners Trust, which primarily invests in government sponsored securities. The Lottery does not have a policy regarding the investment portfolios of the STIP or the Montana Winners Trust.

Custodial credit risk is the risk that the Lottery would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party in the event of the failure of that party.

Pooled cash and investments maintained by the State Treasurer are not deemed to have custodial credit risk with regard to the Lottery. The Lottery does not have a policy concerning the investment portfolios of the STIP or the Montana Winners Trust.

Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Because the MUSL prize reserve and STIP are pooled investments, the Lottery district does not concentrate a risk of loss in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Lottery does not have a policy regarding the investment portfolios of the STIP or the Montana Winners Trust.

The MUSL prize reserves are invested through the Montana Winners Trust with daily liquidity and have low-interest-rate risk. The MUSL board's investment policy limits the individual security and the portfolio's maturity.

According to STIP investment policy, the STIP portfolio minimizes interest rate risk by:

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

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12. FAIR VALUE MEASUREMENT

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Prices 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 – Prices are determined using unobservable inputs.

Investments Measured at Net Asset Value (NAV) – Certain investments that do not have a readily determinable fair value but can be valued by a per-share value outstanding at the close of the period.

	Short Term Investment Pool (STIP) using NAV	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
March 31, 2025	\$ 29,431			
March 31, 2024	25,494			

13. OTHER POST EMPLOYMENT BENEFITS

General. The State of Montana and the Montana Lottery provide 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. Medical, dental, and vision benefits are available through this plan. The State and Montana Lottery offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by State retirement plan.

Plan Description. The State OPEB plans are reported as single employer plans. There are a number of State agencies who are participating employers under this plan. Each participating employer is required to disclose additional information as required per GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75).

The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans. There are no assets or liabilities as only contributions collected, and distributions made are reflected in these funds.

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

Funding Policy. The State of Montana pays for postemployment healthcare benefits on a pay-as-you-go basis. Section 2-18-12, MCA gives authority for establishing and amending the funding policy to the Department of Administration.

As of December 31, 2023, the State OPEB plan's administratively established retiree medical premiums vary between \$484.00 and \$2,362.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$42.34 and \$71.27 per month and vision hardware premiums vary between \$7.64 and \$22.26 per month, depending on the coverage selected. The plan provides different coinsurance

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amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

Actuarial Methods and Assumptions. The total OPEB liability (TOL) measured under GASB 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 20-year 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, meaning 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.

The State's OPEB Plan TOL on December 31, 2023, rolled forward to December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Other Postemployment Benefits	
	State Single Employer Plan	
	Retiree/Surviving	
	Spouse	Spouse
Contributions (weighted average):		
Before Medicare eligibility	\$ 15,372	\$ 7,370
After Medicare eligibility	5,592	5,213
Actuarial valuation date	December 31, 2022	
Experience study period	January 1, 2022, through December 31, 2022	
Actuarial measurement date ⁽¹⁾	December 31, 2023	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	4.12%	
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 MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021. For safety MPERA members, mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.

Mortality - Retired: For MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104.00% for males, or adjusted 103.00% for females, projected generationally using MP-2021. For safety MPERA 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.

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Mortality - Surviving Beneficiaries: For MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021. For safety MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.

Mortality - Disabled: For MPERA retirees, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021. For safety MPERA retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

Changes in actuarial assumptions and methods since last measurement date: The discount rate increased from 3.98% to 4.12%.

Changes in benefit terms since last measurement date: None

Sensitivity of the TOL to changes in discount rate. The following presents the TOL of the Lottery's plan, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (3.12%) or 1-percentage-point higher (5.12%) than the current discount rate:

	1.0% Decrease (3.12%)	Current Discount Rate (4.12%)	1.0% Increase (5.12%)
Lottery OPEB	\$ 110,120	\$ 82,780	\$ 63,090

Sensitivity of the TOL to changes in the healthcare cost trend rates. The following presents the TOL of the Lottery plan, as well as what they would be if calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1.0% Decrease (5.1/6.7%)	Current Discount Rate (6.1/7.7%)	1.0% Increase (7.1/8.7%)
Lottery OPEB	\$ 63,304	\$ 82,780	\$ 110,519

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2024, the Lottery's OPEB expense was \$19,508. The Lottery's proportionate share of the State's total OPEB liability is \$82,780 which is 0.2711% of the total State's OPEB liability at year end.

At June 30, 2024, the Lottery's OPEB plan deferred outflows and inflows of resources are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in Assumptions or other inputs	222,049	\$ 369,550
Actual vs. Expected Investment Earnings	-	-
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	8,145	-
Total	\$ 230,194	\$ 369,550

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount Recognized in OPEB expense as an increase or (decrease) to OPEB expense
2025	\$ (27,871)
2026	(27,871)
2027	(27,871)

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2028	(27,871)
2029	(27,871)
Total	\$ (139,356)

14. EMPLOYEE RETIREMENT PLAN

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. This report provides information for employers who are using a June 30, 2023, measurement date for the 2024 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2024.

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (NPL); Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

General Information about the Pension Plan

Plan Description: The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

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

Service retirement:

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

Early Retirement:

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service
 - Any age, 25 years of membership service
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service

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

Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:

A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).

No service credit for second employment.

Start the same benefit amount the month following termination; and

Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:

A recalculated retirement benefit based on provisions in effect after the initial retirement; and

GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:

The same retirement as prior to the return to service.

A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and

GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

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 a 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 all other adjustments to the member's benefit.

3.0% for members hired **prior to** July 1, 2007

1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013:

1.5% for each year PERS is funded at or above 90%;

1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and

0% whenever the amortization period for PERS is 40 years or more.

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

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

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

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Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired < 07/01/11	Hired > 07/01/11	Employer	Employer	State	Employer	State
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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

The state contributed 0.1% of members' compensation on behalf of local government entities.

The state contributed 0.37% of members' compensation on behalf of school district entities.

The state contributed a Statutory Appropriation from the General Fund of \$34,979,900.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the Total Pension Liability (TPL) as of June 30, 2023, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2023, and 2022, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. 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 employer recorded a liability of \$2,356,640 and the employer's proportionate share was 0.096570 percent.

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As of measurement date	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
MONTANA STATE LOTTERY Proportionate Share	\$ 2,356,640	\$1,841,526	0.096570%	0.092807%	0.003763%

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: There were no changes to the Plan between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense: At June 30, 2023, the employer recognized a Pension Expense of \$209,688 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$58,627 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

As of measurement date	Pension Expense as of 6/30/2023	Pension Expense as of 6/30/2022
Employer's Proportionate Share	\$151,061	\$146,157
State of Montana Proportionate Share associated with the Employer	58,627	66,871
Total	\$209,688	\$213,027

Recognition of Deferred Inflows and Outflows: At June 30, 2023, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$93,861	\$0
Projected Investment Earnings vs. Actual Investment Earnings	5,979	0
Changes in Assumptions	0	84,056
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	0	8,171
Employer Contributions Subsequent to the Measurement Date	176,041	
Total	\$275,881	\$92,227

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Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2024	\$(89,215)
2025	\$(28,220)
2026	\$139,352
2027	\$(14,304)
Thereafter	\$ 0

Actuarial Assumptions: The total pension liability as of June 30, 2023, was determined on the results of an actuarial valuation date of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

Investment Return (net of pension plan investment expense, including inflation)	7.30%
General Wage Growth *	3.50%
*includes Inflation at	2.75%
Merit Increases	0% to 4.80%
Postretirement Benefit Increases	
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 (provided below) each January, inclusive of all other adjustments to the member's benefit.	
Members hired prior to July 1, 2007	3.0%
Members hired between July 1, 2007 & June 30, 2013	1.5%
Members hired on or after July 1, 2013	1.5%
For each year PERS is funded at or above 90%, the 1.5% is reduced by 0.1%. for each 2.0% PERS is funded below 90%	
0% whenever the amortization period for PERS is 40years or more	
Mortality:	
Active Participants	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Disabled Retirees	PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
Contingent Survivors	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.

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Healthy Retirees	PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.
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The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

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 2127. 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 regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, 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	3.0%	(0.33%)
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.0%	

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Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the 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	1.0% Increase (8.30%)
MONTANA STATE LOTTERY's Net Pension Liability	\$3,404,158	\$2,356,640	\$1,477,866

PERS Defined Contribution Plan

Montana State Lottery contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. 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. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP. At the plan level for the measurement period ended June 30, 2023, 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 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Annual Comprehensive Financial Report (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620- 0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.