

Montana

Comprehensive Annual Financial Report



June 30, 1997

MONTANA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
for the fiscal year ended June 30, 1997

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SELECTED STATE OFFICIALS

EXECUTIVE

Marc Racicot

Governor

Judy Martz

Lieutenant Governor

JUDICIAL

J. A. Turnage

Chief Justice

LEGISLATIVE

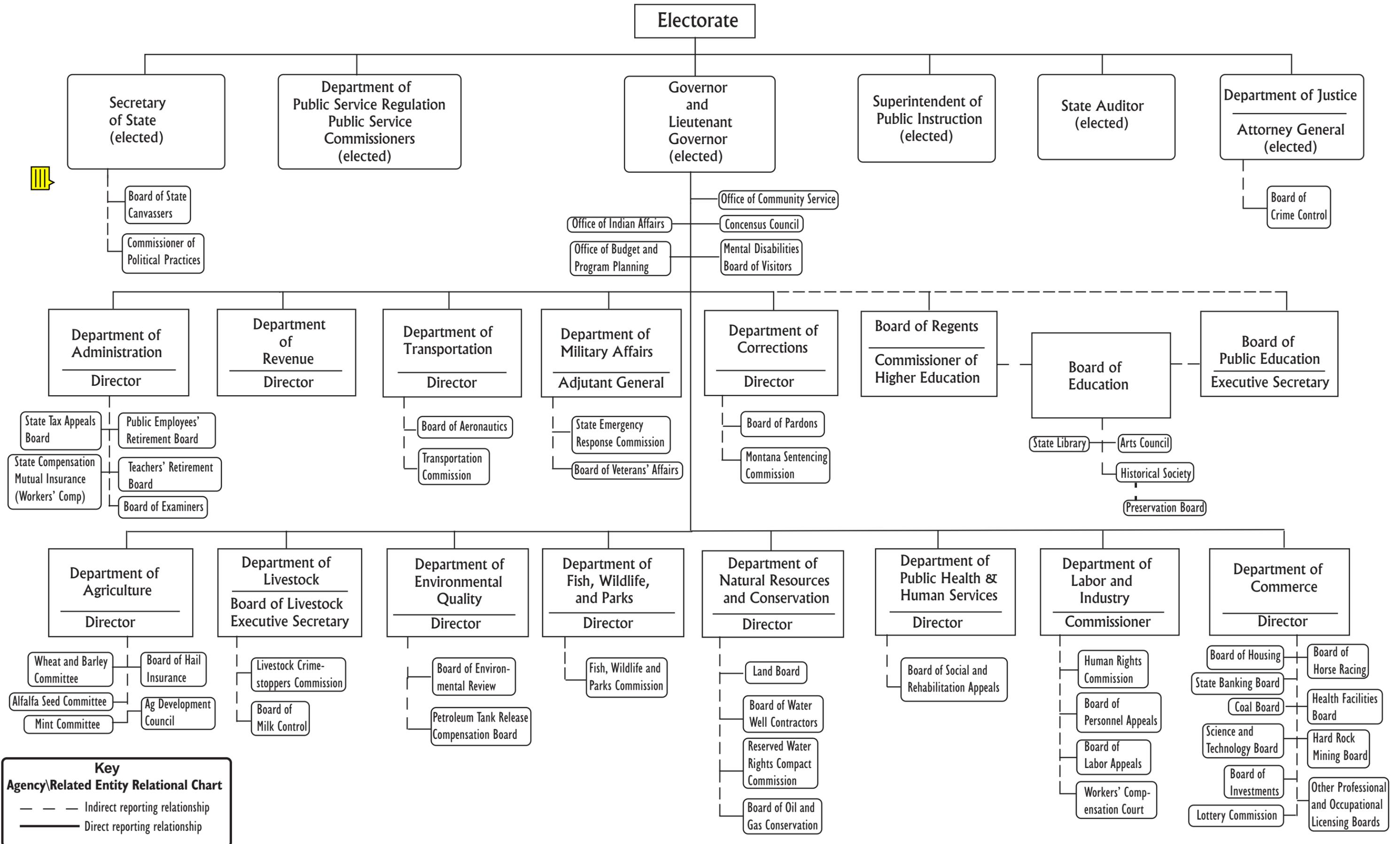
Gary Aklestad

President of the Senate

John Mercer

Speaker of the House

Montana Executive Branch



Key
Agency\Related Entity Relational Chart
 - - - Indirect reporting relationship
 ——— Direct reporting relationship

**STATE OF MONTANA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 1997**



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General Fixed Assets Account Group

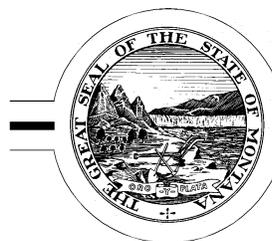
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DEPARTMENT OF ADMINISTRATION

DIRECTOR'S OFFICE



MARC RACICOT, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

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October 30, 1997

To the Citizens, Governor and Members of the Legislature of the State of Montana:

In accordance with Section 17-2-110, Montana Code Annotated (MCA), I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of Montana for the fiscal year ended June 30, 1997. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation rests with the Department of Administration. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the State of Montana. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

Description of the CAFR

This report and the accompanying financial statements and statistical tables were prepared in accordance with standards set forth by the Governmental Accounting Standards Board (GASB).

This CAFR is divided into three main sections: introductory, financial and statistical. The introductory section includes an organization chart for the State, a table of contents and this transmittal letter. The financial section contains the independent auditor's report, the general purpose financial statements, notes to the financial statements, combining statements by fund type, and other schedules. The statistical section includes financial, economic and demographic data.

This report includes all funds and account groups of those entities that comprise the State of Montana (the primary government) and its component units. The component units are entities that are legally separate from the State but for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the State is able to impose its will on that organization or (2) there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. The following component units are included in the State's financial reporting entity: Housing Authority, Health Facilities Authority, State Compensation Insurance Fund (Old and New), Teachers' Retirement System and the Colleges, Universities and Colleges of Technology. These component units are discretely presented in the State's financial statements.

Economic Condition and Outlook

Montana continued to experience an anticipated economic slowdown after undergoing a record economic expansion in the first four years of the 1990's. Montana's non-farm labor income average annual growth rate declined another 0.1 percent to 2.7 percent in 1996, down from 3.7 percent in 1994 and the 4.0 to 5.0 percent growth rates in the early 1990's. As Paul Polzin, director of the University of Montana Bureau of Business and Economic Research, indicated, the slowdown was expected. The rapid growth rate in the early 1990s was due to temporary factors such as a construction boom and would eventually end. Montana is now decelerating toward a sustainable growth rate of about 2 percent per year.

Personal income is projected to increase by 1.8 percent in 1996 with continued growth projected at about 2.2 percent per year from 1997 to 1999. Slower growth in transfer payments and dividends, interest, and rents, as well as the overall economic slowdown, has reduced personal income growth. Montana's non-farm wage and salary jobs increased by 8,300 in 1996. Construction activity was the key factor, differentiating fast and slow growing communities in Montana from 1990 to 1995. However, it is the service sector, primarily the health care industry and government, that provide the majority of non-agricultural jobs. Most new jobs have been and will be in business and personal services. The job market is expected to increase at a more moderate rate of 6,500 jobs per year in the next few years.

Although Montana's population continues to increase, the annual growth rate has begun a projected slow down. The 1996 population, estimated to be 879,000, reflects an increase of 80,000 or 10.01 percent since 1990. The 1.6 percent average annual increase in the 1990's compares to the meager 0.2 percent average annual population growth for the state in the 1980's. Montana's population is projected to exceed 1 million in 2010. The annual rate of growth is expected to average 1.1 percent through the latter years of the decade slowing down to a 1.0 percent annual growth rate in the first decade of the next century.

Agriculture continues to be Montana's largest basic industry. It accounts for over 30 percent of the state's employment, labor income and gross sales. Approximately 64 percent of the state's 93 million acres is used for farming and ranching. Montana agriculture generates about \$2 billion in cash receipts. Although the long-term prospects for agriculture appear strong, there is some significant risk. Livestock prices continued to decline in 1996 and it is expected to be one more year before cattle prices rebound significantly from these low prices. Wheat prices have been very good for the last few years due, in part, to relatively low yields in other parts of the U.S. and other wheat producing regions around the world. As these regions return to more normal production, wheat prices are expected to decline. In addition, the planting flexibility associated with FAIR Act may cause some shifting of production out of wheat to more highly valued crops which will have a modest impact on wheat prices. Government transfer payments will decline over the next six years forcing Montana producers to be more dependent on the market place. If farm profitability remains low, this sector may not reach the long-term statewide growth rate of 2.0 percent.

Most of Montana's traditional manufacturing industries had stable or increasing employment and payrolls during the early 1990's. Manufacturing employment has increased 15 percent in the last decade. The overall outlook for manufacturing is for modest growth. However, further reductions in timber availability could result in corresponding wood products industry decreases, which account for almost half of manufacturing employment and labor income. Market conditions for lumber and plywood in 1997 should be about on a par with 1996, with a slightly weaker U.S. housing industry but improved commercial construction activity and continued improvements in overseas markets. Paper markets should also be somewhat improved. Timber availability remains the major downside risk for the wood products industry. A sustained national forest timber program comparable to 1996 would indicate a stable industry; without timber from the national forests, Montana's wood products industry could decline by 20 to 30 percent.

Montana also has aging industrial plants that may find it increasingly difficult to comply with stringent environmental regulations as well as ruthless international cost competition. Montana's small manufacturers may also find it advantageous to transfer some production offshore, thereby reducing their employment in the state. On the positive side, some new facilities opened in 1996 and there are new plants under construction and under consideration. Manufacturing grew very rapidly in the last decade, in particular in high tech and electronics and sporting goods. Continued growth is expected but at a slower pace than in the last five years.

Major Initiatives

The focus of fiscal year 1997 and the 1997 legislative session was on increasing funding for education, controlling the ever growing prison population, property tax reform, welfare reform and information technology. Because of Montana's stable economy and population growth, the State continued to increase funding for education and public safety. The legislature and the Governor continued the implementation and expansion of the business personal property tax reduction, dramatically reduced the immediate impact of reappraisal of real property and reduced other taxes in an effort to improve Montana's economic competitiveness.

The legislature approved state school support increases of \$47.1 million in the general fund with funding for entitlement increases, expansion of school facility aid, initiation of a technology funding program and an appropriation for a one-time influx of new money to be used at each school's discretion for textbooks, technology, building maintenance, or library materials. In addition, the legislature approved funding for an effort to improve and measure the productivity and accountability of schools. Increases in district property tax obligations of over \$15 million for Guaranteed Tax Base (GTB) payments which would have resulted from cyclical reappraisal were shifted to the State.

The budget includes funding to reimburse schools and local governments for reducing the Montana business personal tax to its lowest level this century. Montana had the highest business taxes in the nation, and the continuation of this reduction allows the State to compete for new investments, jobs and economic opportunity. The reduction of this tax by one-third, as adopted by the 1995 Legislature, will cost an additional \$22 million in the 1999 biennium. In addition, the legislature chose to phase in the reappraisal of real property in classes 3,4, and 10. This phase-in allows property taxpayers to avoid an increase of nearly \$80 million in taxes during the 1999 biennium.

The legislature provided \$40 million in new general funds above the 1997 biennium funding levels to strengthen corrections programs at the state and local level. Construction of nearly \$31 million in new facilities was approved. The legislature continued to fund an expansion of the number of prison beds purchased privately from other states and authorized a request for proposal (RFP) to develop private prisons in Montana. Although this is a large investment, the projected increase in the number of offenders who are not eligible for placement in a non-prison setting requires the expansion of prison space in order to ensure the safety of law-abiding Montanans.

A number of executive initiatives which received the support of previous legislatures have contributed to the ability of the State to begin to control the rate of growth in major benefit programs such as Medicaid and welfare. The State implemented its Mental Health Managed Care initiative. The initiative will establish Medicaid eligibility for mental health benefits for families and persons with incomes at or below 200 percent of the federal poverty level; determine eligibility by income only (no resource limits will be imposed); charge families with higher incomes for services based on a sliding fee scale; and include services to adults and children. In addition, Montana expanded the physical health managed care program entering into a contract with an outside provider to administer HMO and the Passport managed care programs.

The 1997 legislature approved the use of bonding to fund information technology projects for the first time in the state's history. Authorization was granted to five executive branch agencies and the university system to move forward with major information technology initiatives that will cost nearly \$43.0 million, all of which are to be funded by the issuance of general obligation debt. Montana state government will use this funding to replace many of the state's primary legacy systems currently used to manage information regarding state personnel, accounting, budgeting, revenue collection and tax administration. In addition, projects funded will be used to address much of the state's "Year 2000" problem.

Financial Information

Montana's Statewide Budgeting and Accounting System (SBAS) is a centrally maintained, fully computerized, double-entry accounting system. SBAS records are computer-edited.

Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles.

In developing and evaluating the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that the above objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary restrictions are imposed via appropriations approved by the legislature or established administratively as provided for by state law. Appropriations are required by state law for the General, Special Revenue, and Capital Projects Funds. The level of budgetary control is generally established by program and fund. SBAS is designed to provide budgetary control by preventing spending in excess of legislative and administrative authority and/or available cash. SBAS also provides for encumbrance accounting as a technique for accomplishing budgetary control.

General Governmental Functions

Revenue sources for general governmental functions, which include the General, Special Revenue, Debt Service, and Capital Projects Funds, increased 2.5 percent from fiscal year 1996 to fiscal year 1997. Revenues from various sources for fiscal year 1997, and the amount and percentage of increases and decreases in relation to prior year revenues, are shown in the following table:

<u>Revenue Source</u>	<u>Amount (in thousands)</u>	<u>1997 Percent of Total</u>	<u>Increase (Decrease) from 1996</u>	<u>Percent Increase (Decrease)</u>
Licenses/Permits	\$ 112,761	5.2%	\$ 2,718	2.5%
Taxes	1,041,840	48.2	43,966	4.4
Charges for Services/Fines/Forfeits	93,629	4.3	27,262	41.1
Investment Earnings	28,741	1.4	147	0.5
Securities Lending Income	8,346	0.4	8,346	100.0
Sale of Documents/Etc.	5,828	0.2	(948)	(14.0)
Rentals/Leases/Royalties	212	-	(8)	(3.6)
Contributions/Premiums	4,211	0.2	46	1.1
Grants/Contracts/Donations	7,759	0.4	(1,473)	(16.0)
Federal	853,051	39.5	(27,249)	(3.1)
Federal Indirect Cost Recoveries	1,937	0.1	252	15.0
Other Revenues	<u>972</u>	<u>0.1</u>	<u>(580)</u>	<u>(37.4)</u>
Total Revenues	<u>\$2,159,287</u>	<u>100.0</u>	<u>\$ 52,479</u>	

An explanation of significant changes by revenue source follows:

Licenses/Permits - The increase in revenue was primarily due to 1) a \$2.3 million increase in vehicle licenses and permits; 2) a \$0.8 million increase in investment licenses and permits; and 3) a \$0.5 million increase in drivers' licenses offset by 4) a \$1.3 million decrease in nonresident wildlife hunting licenses and permits.

Taxes - The increase in revenues was primarily due to 1) a \$24.1 million increase in individual income tax receipts; 2) a \$5.6 million increase in property tax collections due to reassessment; 3) a \$5.2 million increase in corporate income tax collections; 4) a \$4.6 million increase in oil production tax collections offset by a \$1.1 million decrease in resource indemnity trust tax collections; 5) a \$2.7 million increase in gasoline license tax collections; 6) a \$0.9 million increase in the accommodations tax; and 7) smaller increases in the insurance premium tax, cigarette/tobacco taxes, public contractors' tax and electrical energy tax amounting to a total of \$1.7 million.

Charges for Services/Fines/Forfeits - The increase in revenues was primarily due to 1) a \$19.1 million increase costs recovered from the Montana Pole EPA clean-up in Butte, Montana; 2) a \$4.2 million increase in county billing reimbursements; 3) a \$3.6 million increase in institutional care cost recoveries; 4) a \$2.0 million in foster care cost recovery payments from the counties; and 5) a \$1.5 million increase in repayments of funds loaned to local governments by the Montana Department of Transportation for road repair and maintenance offset by 6) a \$1.6 million decrease in district court fees.

Securities Lending Income - The reporting of securities lending income separate from other investment earnings is a result of implementation of GASB Statement No. 28.

Sale of Documents/Mdse./Property - The decrease in revenue was primarily due to a decrease in sales of the Montana Code Annotated (MCA); sales of the MCA occur biennially in even years following legislative sessions which occur in odd-numbered years.

Grants/Contracts/Donations - The decrease in revenue was primarily due to a \$1.1 million decrease in environmental impact study contract work done by the Department of Environmental Quality related to the decrease in federal money received by the State for abandoned mine reclamation work along with a \$0.4 million decrease in job training contract work.

Federal - The decrease in revenue was primarily due to 1) a \$10.1 million decrease in highway trust fund money distributed to the State; 2) a \$5.8 million decrease in U. S. mineral leasing royalties received by the State; 3) a \$4.3 million decrease in abandoned mine reclamation monies; 4) a \$2.9 million decrease in AFDC/TANF money received by the State; 5) a \$1.7 million decrease in benefits paid through the weatherization program; 6) a \$1.0 million decrease in federal funding received for the Montana Pole Superfund Project; and 7) smaller decreases amounting to a total of \$1.9 million in JTPA funding, HUD-Low Income Housing money and funding for the Juvenile Justice Council.

Total expenditures for all general governmental functions increased 3.1 percent from fiscal year 1996 to fiscal year 1997. Expenditures by function for fiscal year 1997, and the amount and percentage of increases or decreases in relation to the prior year amounts, are shown in the following table:

Expenditure Function	Amount (in thousands)	1997 Percent of Total	Increase (Decrease) from 1996	Percent Increase (Decrease)
General Government	\$ 81,646	3.7%	\$ 9,947	13.9 %
Public Safety/Corrections	128,247	5.8	9,026	7.6
Transportation	325,182	14.8	3,040	0.9
Health/Social Services	788,429	35.9	17,923	2.3
Education/Cultural	555,610	25.3	4,006	0.7
Resource Development/Recreation	92,972	4.3	23,708	34.2
Economic Development/Assistance	105,752	4.8	(1,040)	(1.0)
Securities Lending	7,887	.4	7,887	100.0
Debt Service	39,037	1.8	(21,923)	(36.0)
Capital Outlay	70,182	3.2	13,162	23.1
Total Expenditures	<u>\$2,194,944</u>	<u>100.0</u>	<u>\$ 65,736</u>	

An explanation of significant changes by expenditure function follows:

General Government - The expenditure increase was primarily due to increases in operating costs for the legislative branch and the Office of Budget and Program Planning as well as the Governor's Office as a result of the legislature being in session in the first four months of calendar year 1997. In addition there were increases in the general operation of the Judiciary Branch, the 9-1-1 Program and the Accounting and Management Support Division of the Department of Administration and the director's office in the Department of Revenue.

Public Safety/Corrections - The expenditure increase was primarily due to 1) a \$6.6 million increase in secure facilities costs incurred by the Department of Corrections in order to pay for incarcerating the excess prison population in a private prison in Texas; 2) a \$1.0 million increase in grants to local governments for disaster recovery work as a result of flooding, train derailments and other disasters; and 3) increases in crime control program costs and highway patrol operating costs for a total of \$1.6 million.

Transportation - Expenditure increases were primarily due to an increase in transportation planning costs, maintenance program costs (state funds) and general operating costs of the Montana Department of Transportation offset by a decrease in highway construction costs as a result of the receipt of fewer federal highway construction funds.

Health/Social Services - The expenditure increase was primarily due to 1) an \$18.2 million increase in the Addictive and Mental Health Services as a result of implementing the mental health managed care initiative; 2) a \$7.2 million increase in remediation costs incurred by the Department of Environmental Quality; 3) a \$5.0 million increase in benefits and claims paid by the Child Support Enforcement program; 4) a \$2.9 million increase in the benefits and claims costs paid by the Petroleum Tank Release program; and 5) a \$2.0 million increase in program costs for the Disability Services Division programs offset by 6) a \$13.4 million decrease in Medicaid benefit payments paid to

general welfare recipients and 8) a \$4.1 million decrease in AFDC and foster care benefit and grant payments made by Child and Family Services.

Education - The expenditure increase was primarily due to increases in distributions to public schools as a result of increased enrollment offset by slight decreases created by the elimination of the vocational education council operations and reductions in student assistance payments and Carl Perkins program costs.

Resource Development/Recreation - The expenditure increase was primarily due to 1) a \$13.8 million increase in water resources program costs; 2) a \$4.9 million increase in forestry program costs; and 3) a \$3.7 million increase in the conservation/resource development program costs; all three programs are operated by the Department of Natural Resources and Conservation. In addition, the general program costs of the Department of Fish, Wildlife and Parks increased \$2.2 million.

Economic Development/Assistance - The expenditure decrease was primarily due to a reorganization and streamlining of job service division operations in the Department of Labor and Industry.

Debt Service - The expenditure decrease was primarily due to 1) the refunding of three Coal Severance Tax Renewable Resource Program bonds in fiscal year 1996 resulting in \$14.2 million in additional debt service cost in fiscal year 1996 compared to fiscal year 1997, and 2) the structuring of debt payments for both the long-range building program and special revenue bonds backed by the coal severance trust fund that provides for higher initial principal payments the first few years of the bonds and significantly reduced principal payments the remaining years beginning in fiscal year 1997.

Capital Outlay - The expenditure increase was primarily due to 1) a \$6.5 million increase in the Historical Society for the purchase of historic Virginia City/Nevada City and associated artifacts; 2) a \$4.9 million increase in construction projects related to fish hatchery and state park/fishing access sites; and 3) a \$2.2 million increase in highway construction projects by the Montana Department of Transportation.

General Fund Balance

The unreserved fund balance of the General Fund remained relatively unchanged increasing from \$30.145 million at June 30, 1996, to \$30.315 million at June 30, 1997. This represents an increase of \$0.170 million, or 0.056 percent.

Enterprise Operations

The State of Montana provides numerous goods and services to the public on a user charge basis, similar to a private business. Profits from two of these operations, the State Liquor Stores and the State Lottery, are used to fund other services provided by the State. Following is a summary of the operating results of these two entities in fiscal year 1997:

State Liquor Stores - The State regulates the sale, importation, distribution and manufacturing of alcoholic beverages in Montana. A portion of the liquor sales and excise and license taxes collected through this function along with any profits generated through the administration of this regulatory function, including those from the operation of the liquor stores, are transferred to the General Fund. In fiscal year 1997, \$13.493 million was transferred to the General Fund, compared to \$15.073 million in fiscal year 1996.

State Lottery - The Montana State Lottery was created by the electorate through the passage of Referendum 100 during the 1986 general election. Profits generated by this operation are transferred to the General Fund and appropriated to the Office of Public Instruction (OPI) for distribution to local school districts and the Board of Crime Control (BCC) for grants to counties for youth detention services. Profits for fiscal year 1997 were \$6.6 million with OPI receiving 90.9 percent and BCC 9.1 percent of the net revenue.

Pension Trust Fund Operations

The State contributes to eight retirement systems and is the administrator of one additional system. The two largest systems in terms of dollars contributed and employees covered are the Public Employees' Retirement System and the Teachers' Retirement System. Montana implemented GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and note Disclosures for Defined contribution Plans and GASB Statement 27 - Accounting for Pensions by State and Local Governmental Employers in fiscal year 1996. The funded actuarial accrued liability ratio for all systems continued to improve with the exception of the Judges' Retirement System.

The 1997 legislature enacted legislation that establishes a guaranteed annual benefit adjustment (GABA) for enrolled members or surviving beneficiaries under each of the statewide public employee retirement systems. The annual minimum adjustment of 1.5 percent will begin 36 months after a beneficiary's initiation date. The benefit adjustment, when combined with other benefit adjustments already in law, must equal at least 1.5 percent per year. Beneficiaries in the retirement systems for public employees, sheriffs and game wardens are automatically covered by the GABA. Beneficiaries in the retirement systems for highway patrol officers municipal police officers, firefighters unified and judges may choose to be covered by GABA or by benefits adjustment mechanisms already in place. The legislation establishing the GABA also provides a mechanism to actuarially fund the Judges' Retirement System.

Debt Administration

Montana receives excellent bond ratings from both Moody's Investors Service (Aa) and Standard & Poor's Corporation (AA-). State debt may be authorized either by a two-thirds vote of the members of each house of the legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue. General obligation debt increased from \$69.62 million at June 30, 1996, to \$96.62 million at June 30, 1997.

The ratio of general obligation debt to assessed valuation and the amount of general obligation debt per capita are:

	<u>Amount (in thousands)</u>	<u>Ratio of Debt to 1996 Assessed Value</u>	<u>State Debt Per Capita*</u>
General Obligation Debt	\$96,620	0.26%	\$109.92

* Based on 1996 estimated Montana population.

Cash Management

The uniform investment program established by the 1972 Montana Constitution directs that the Board of Investments has sole authority to invest State funds. The Board operates under the "prudent person principle" which requires the Board to 1) discharge its duties in the same manner as that of a prudent person acting in a like capacity with the same resources and aims; 2) diversify the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharge duties solely in the interest of and for the benefit of the funds managed. Permissible investments include bonds, notes, debentures, equipment obligations, common stock (pension trust and higher education funds only), commercial paper, bankers' acceptances, interest bearing deposits in Montana financial institutions, real estate and any other investment in a Montana business that continues existing jobs or creates new jobs. These investments are subject to statutory restrictions for quality and size of holdings.

Unless otherwise provided by law, treasury cash is pooled for investment regardless of the fund from which it is deposited and the pool's investment earnings are credited to the General Fund. The Board reported total investment income from investments under its management of \$368.6 million, an increase of 3.6 percent from the \$355.7 million earned last year. The book value of Board-managed investments increased by \$0.16 million or less than 1.0 percent to \$4.91 billion at fiscal year-end 1997. The Board publishes an annual audited report of all its investment activity. That report may be referenced for more in-depth investment information.

In order to provide cash to support expenditures from the General Fund, pending the receipt of taxes and revenues, the Board of Examiners, upon the recommendation of the Department of Administration, issued \$110.7 million in Tax and Revenue Anticipation Notes in September 1997. These notes will be redeemed by the State in June 1998.

Risk Management

The State of Montana provides benefit coverage for injured state employees through participation in the State Compensation Insurance Fund (State Fund). The State Fund is a nonprofit, independent public corporation which is managed and controlled by a five-member board of directors. The board members are appointed by the Governor for four-year terms. Funding is primarily derived from the premiums paid by policyholders.

The 1991 Legislature passed legislation authorizing the Board of Investments to issue up to \$220 million in bonds to provide further funding for the State Fund - Old and to utilize the employer payroll tax to redeem the bonds issued. The employer payroll tax, which provides funding for bond payments, has been increased and extended to employees and the self-employed. On July 15, 1991, \$142.095 million in bonds were issued payable from and secured by the employer payroll tax revenues. On October 27, 1993, the Board issued its second series of payroll tax bonds in the principal amount of \$32.5 million.

On July 24, 1995, and March 26, 1996, the State Fund applied \$21,495,949 and \$13,211,766, respectively, of Old Fund Liability Tax (OFLT) collections to defease \$33,955,000 of the Series 1991 Payroll Tax Bonds. On September 24, 1996, the Board of Directors of the State fund declared a dividend payable to the Old fund not to exceed \$109 million from excess surplus funds. On October 3, 1996, the State fund applied \$80,061,243 of the \$109 million dividend plus \$11,322,812 of Debt Service Reserve funds and \$8,000,000 of excess OFLT collections not required to pay claims to defease the remaining portion of the Series 1991 Payroll Tax Bonds. The State Fund - Old recognized an extraordinary loss on extinguishment of debt of \$3,208,210. On January 2, 1997, the State Fund - Old paid the final principal and interest payments from cash available from a cash dividend, the bond reserve fund and funds in excess of the amount needed to pay Old Fund claims and the balance of Variable-Rate Payroll Tax Bonds was removed from the Old Fund's financial statements. The early payment of this debt resulted in an extraordinary loss on extinguishment of debt of \$326,990.

At June 30, 1997, liabilities for the State Fund - Old exceeded assets by \$183.2 million. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, decreased to \$205.7 million

undiscounted. This represents a decrease of \$43.1 million in estimated claims liability from fiscal year 1996. The percentage of this liability belonging to the state as a participant is unknown. For the State Fund - New, assets exceeded liabilities by \$159.5 million at June 30, 1997. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, was \$344,632,133 presented at their net present value of \$315,107,230. These claims are discounted at an annual rate of 4.0 percent.

The State maintains self-insurance plans for employee comprehensive medical and dental coverage and state property. Under the State Employee Group Benefits Plan the State assumes all the risk for claims incurred by plan members including State employees, elected officials, retirees and their dependents. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement System and self-payment. For the period ending June 30, 1997, the plan reported retained earnings of \$25.45 million, an increase of \$0.73 million over June 30, 1996.

The Montana University System Group Benefits Plan offers medical, dental, and vision insurance coverage to employees of the Montana University System, the Montana Higher Education Student Assistance Corporation (MHESAC), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured. Blue Cross/Blue Shield is the claims administrator for the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. For the period ending June 30, 1997, the plan reported retained earnings of \$0.50 million, a decrease of \$3.72 million over June 30, 1996.

The State's property insurance plan provides coverage for general liability, automobile liability, automobile physical damage, and state-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for most property insurance as well as various deductible amounts for other state property. The state also self-insures against losses of equipment below \$150,000 of value, with state agencies paying the first \$1,000. Commercial property insurance protects over \$1.8 billion of state-owned buildings and contents. The flood and earthquake liability limit is \$100 million per occurrence with a \$1.0 million deductible for earthquakes and a \$0.5 million deductible for floods. Premiums for the plan are collected from all State agencies, including component units. Based on the most recent actuarial report prepared by Tillinghast and issued for the period July 1, 1988 through June 30, 1997, a liability of \$12.8 million, discounted at 11.1 percent, is recorded in the accompanying financial statements for estimated claims including those incurred but not reported. This represents a decrease of \$2.2 million in estimated claims liability from fiscal year 1997.

Independent Audit

The financial statements contained in Montana's Comprehensive Annual Financial Report were audited in accordance with generally accepted auditing standards by the Legislative Audit Division. The Legislative Auditor is appointed by and reports to the Legislative Audit Committee. The Deputy Legislative Auditor issued an unqualified opinion on the State's financial statements for fiscal year 1997.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Montana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1996. This was the tenth consecutive year that the State received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements; we are submitting it to GFOA to determine its eligibility for another Certificate.

Acknowledgments

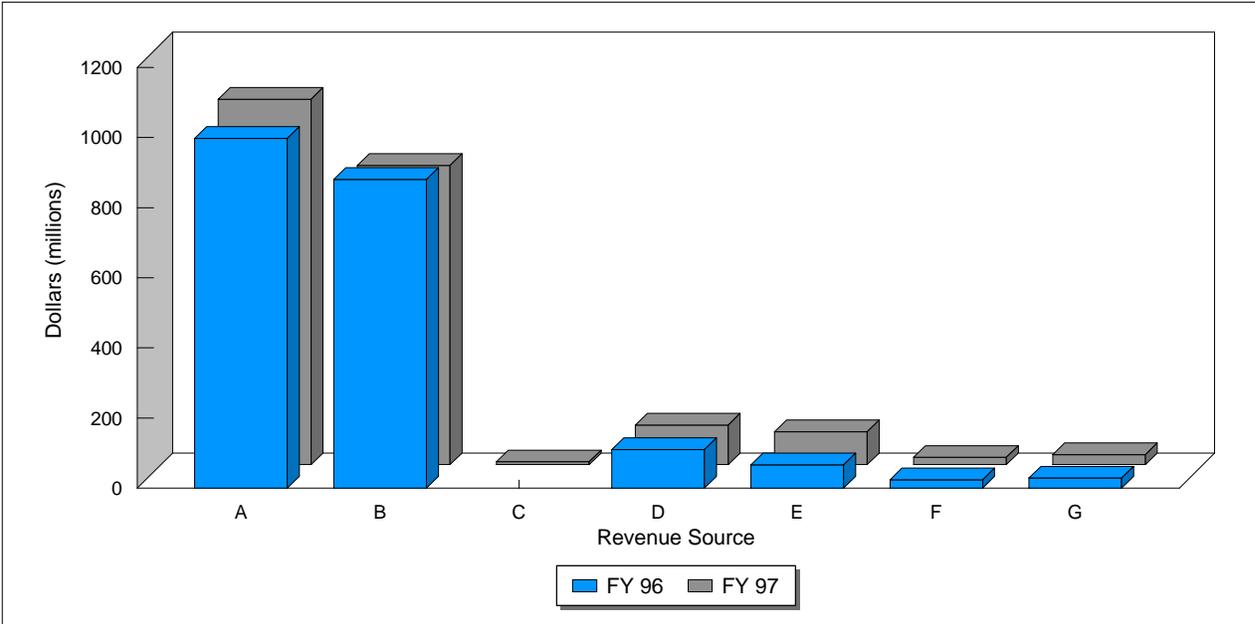
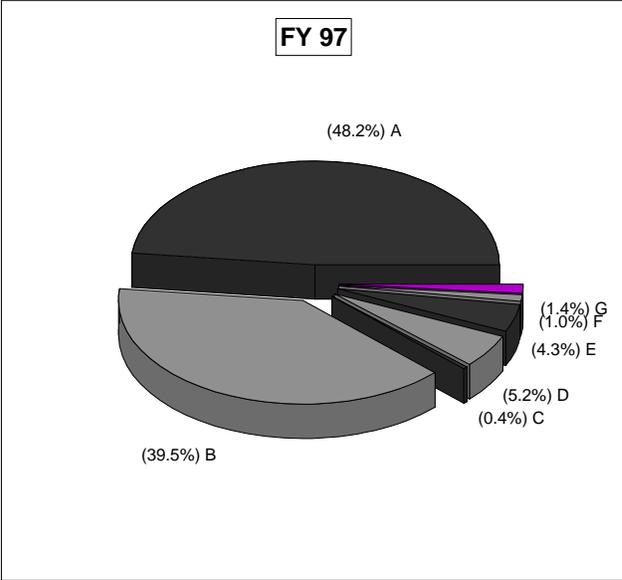
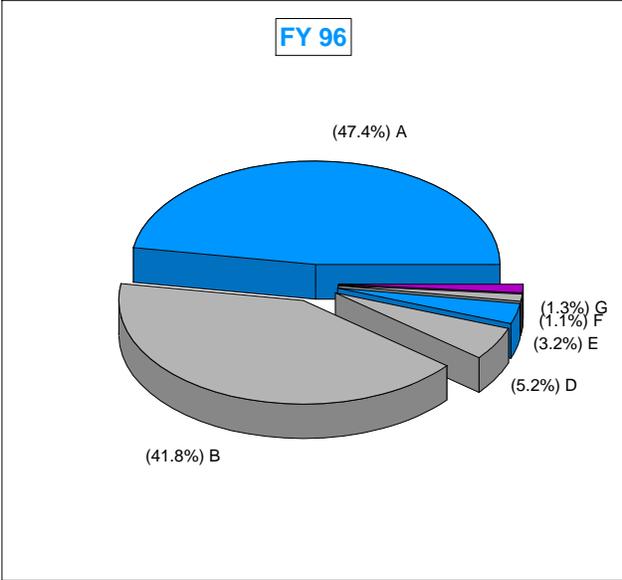
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Accounting Bureau and the cooperation of accounting personnel at the individual State agencies. I would like to express my appreciation to Accounting Bureau and other agency personnel who participated in the preparation of this document. I would also like to thank the legislature and all State agencies for their interest and support in planning and conducting the financial operations of Montana in a professionally responsible and progressive manner.

Respectfully submitted,

(Signature on File)

Lois Menzies, Director
Department of Administration

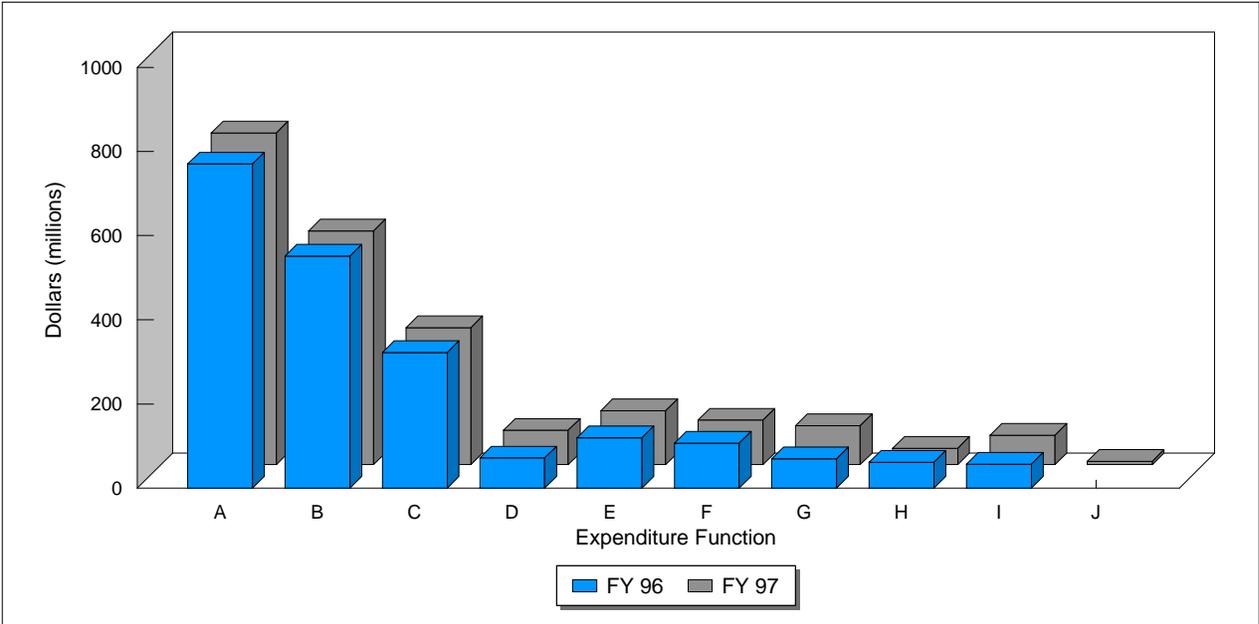
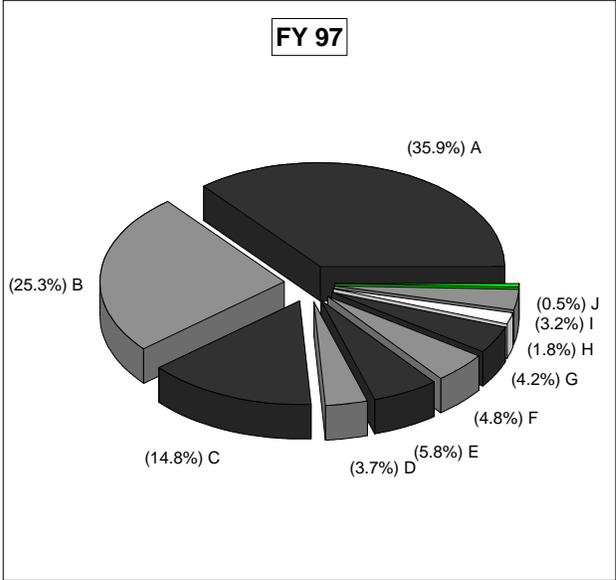
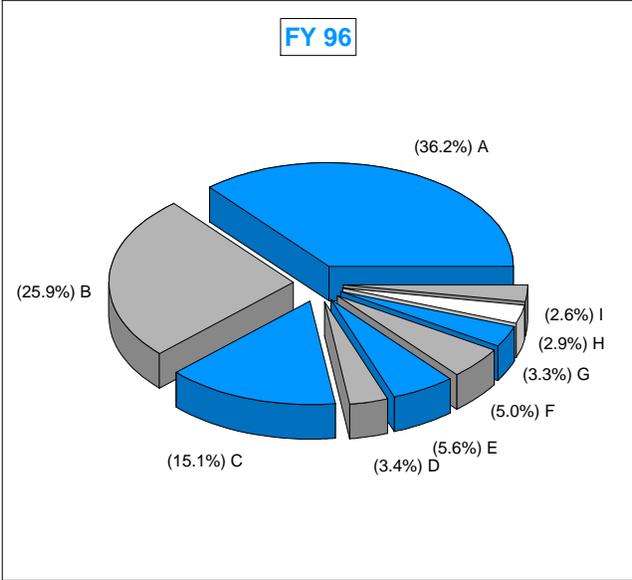
State of Montana Revenues by Source All Governmental Fund Types



Legend:

(A) Taxes	(F) Other Revenues (includes contributions, premiums, rentals, leases, royalties, grants, contracts, donations, federal indirect cost recoveries and sale of documents, merchandise and property)
(B) Federal	(G) Investment Earnings
(C) Securities Lending Income	
(D) Licenses/Permits	
(E) Charges for Services/Fines/Forfeits	

State of Montana Expenditures by Function All Governmental Fund Types



- Legend:**
- | | | |
|----------------------------|-------------------------------------|------------------------|
| (A) Health/Social Services | (E) Public Safety/Corrections | (I) Capital Outlay |
| (B) Educational/Cultural | (F) Economic Development/Assistance | (J) Securities Lending |
| (C) Transportation | (G) Resource Dev/Recreation | |
| (D) General Government | (H) Debt Service | |

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda K. Savitsky
President

Jeffrey L. Esler
Executive Director

Montana

General Purpose Financial Statements

The following financial statements present the financial position of all fund types and account groups and the operating results of all fund types.





LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Combined Balance Sheet All Fund Types, Account Groups and Discretely Presented Component Units, Combining Balance Sheet Component Units-Proprietary Fund Types, Statement of Plan Net Assets Component Unit- Pension Trust Fund, and Combining Balance Sheet Component Units-All Higher Education Funds of the state of Montana as of June 30, 1997, and the related Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds, Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis-Unreserved Fund Balance General and Special Revenue Fund Types, Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units, Combining Statement of Revenues, Expenses and Changes in Retained Earnings Component Units-Proprietary Fund Types, Combining Statement of Changes in Plan Net Assets Pension Trust Funds and Discretely Presented Component Unit, Statement of Changes in Fund Balance Component Units-All Higher Education Funds, Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes Component Units-Higher Education Fund Type and the related Combined Statement of Cash Flows All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units and Combining Statement of Cash Flows Component Units-Proprietary Fund Types for the year then ended. These general purpose financial statements are the responsibility of the state of Montana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Montana State Lottery, which statements reflect total assets of 5.36 percent, liabilities of 7.32 percent, and net operating revenues and expenditures/transfers-out of 28.86 and 29.83 percent, respectively, in the Enterprise Fund. This financial activity was audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montana State Lottery, is based solely upon the report of the other auditor.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana as of June 30, 1997, and the results of its operations, the cash flows of its proprietary and nonexpendable trust fund types and discretely presented component units, the changes in plan net assets of its pension trust funds and discretely presented component unit, and the changes in fund balance and current funds revenues, expenditures, transfers and other changes of the component unit higher education funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will issue reports dated October 30, 1997 on our consideration of the state of Montana's internal control structure and on its compliance with laws and regulations. Those reports will be included in the state's Single Audit Report.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group statements/schedules-primary government listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the state of Montana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the report of another auditor, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory and statistical sections listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

Respectfully submitted,

(Signature on File)

James H. Gillett, CPA
Deputy Legislative Auditor

October 30, 1997

STATE OF MONTANA
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Units
 June 30, 1997
 (Expressed in Thousands)

ASSETS/OTHER DEBITS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Assets:						
Cash/Cash Equivalents (Note 4)	\$ 39,587	\$ 219,073	\$ 30,478	\$ 22,274	\$ 17,329	\$ 17,991
Receivables (Net of Uncollectibles)	72,373	46,947	3,729	1,187	17,113	938
Interfund Loans Receivable (Note 13)	22,179	43,795	-	-	-	440
Due from Other Governments	5,328	119,284	-	-	-	19
Due from Primary Government (Note 13)	-	-	-	-	-	-
Due from Component Units (Note 13)	293	80	21	-	17	1,095
Due from Other Funds (Note 13)	35,691	10,951	661	335	428	4,009
Inventories	1,792	36,367	-	-	6,092	926
Equity in Pooled Investments (Note 4)	-	9,500	-	-	-	-
Long-Term Loans/Notes Receivable	-	38,935	37,306	-	33,245	-
Advances to Other Funds (Note 13)	7,330	263	-	-	-	-
Investments (Note 4)	-	19,294	1,666	-	20,271	34,810
Securities Lending Collateral (Note 4)	-	15,593	1,850	567	6,162	20,627
Land	-	-	-	-	800	236
Buildings/Improvements	-	-	-	-	5,491	9
Equipment	-	-	-	-	4,106	132,577
Other Fixed Assets	-	-	-	-	1,398	2
Construction in Progress	-	-	-	-	-	1,672
Accumulated Depreciation	-	-	-	-	(6,129)	(77,226)
Intangible Assets	-	-	-	-	67	31
Deferred Charges	-	-	-	-	1,086	-
Other Assets	3,289	1,343	-	4	1,923	148
Other Debits:						
Amount Available - Debt Service Funds	-	-	-	-	-	-
Resources to be Provided in Future Years	-	-	-	-	-	-
TOTAL ASSETS/OTHER DEBITS	\$ 187,862	\$ 561,425	\$ 75,711	\$ 24,367	\$ 109,399	\$ 138,304

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		COMPONENT UNITS		
	GENERAL	GENERAL	PROPRIETARY	PENSION	HIGHER
	FIXED ASSETS	LONG-TERM OBLIGATIONS	FUND TYPES	TRUST FUND	EDUCATION FUNDS
\$ 824,955	\$ -	\$ -	\$ 53,103	\$ 51,661	\$ 153,027
117,150	-	-	28,256	17,189	42,856
-	-	-	-	-	4,065
2	-	-	-	-	3,914
-	-	-	185	-	1,334
1,357	-	-	-	-	-
38,214	-	-	1,884	850	19,150
-	-	-	49	-	4,097
3,407,594	-	-	-	1,547,023	2,530
4,624	-	-	413,359	-	234
31	-	-	-	-	677
349,645	-	-	620,195	125,159	3,709
409,924	-	-	101,515	193,936	1,331
49,423	62,645	-	-	35	13,310
277	306,556	-	-	158	351,141
145	111,692	-	4,153	231	140,438
2	48,679	-	-	-	79,068
-	14,281	-	-	-	96,298
(211)	-	-	(2,237)	(242)	-
1	-	-	6,420	80	3,301
-	-	-	5,977	-	2,225
9,045	-	-	538	-	5,799
-	-	29,534	-	-	-
-	-	287,283	-	-	-
<u>\$ 5,212,178</u>	<u>\$ 543,853</u>	<u>\$ 316,817</u>	<u>\$ 1,233,397</u>	<u>\$ 1,936,080</u>	<u>\$ 928,504</u>

(Continued on Next Page)

STATE OF MONTANA
 Combined Balance Sheet - Continued
 All Fund Types, Account Groups and Discretely Presented Component Units
 June 30, 1997
 (Expressed in Thousands)

LIABILITIES/EQUITY/OTHER CREDITS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Liabilities:						
Accounts Payable	\$ 80,252	\$ 102,913	\$ 4,422	\$ 1,000	\$ 7,056	\$ 2,482
Lottery Prizes Payable	-	-	-	-	3,052	-
Interfund Loans Payable (Note 13)	-	58,586	-	203	-	85
Advances from Other Funds (Note 13)	-	7,603	-	-	-	-
Due to Other Governments	30,356	3,597	-	-	18	-
Due to Primary Government (Note 13)	-	-	-	-	-	-
Due to Component Units (Note 13)	217	928	15	14	5	46
Due to Other Funds (Note 13)	15,060	44,354	1,812	354	6,360	1,901
Deferred Revenue	19,252	35,127	772	-	3,150	837
Lease/Installment Purchase Payable (Note 11)	-	-	-	-	2	2,597
Bonds/Notes Payable (Net) (Note 12)	-	-	-	-	48,090	2,314
Property Held in Trust	975	1,382	-	2	213	23
Securities Lending Liability (Note 4)	-	15,593	1,850	567	6,162	20,627
Compensated Absences Payable (Note 1)	-	-	-	-	704	2,864
Net Pension Obligation Payable (Note 12)	-	-	-	-	-	-
Estimated Insurance Claims (Note 9)	-	-	-	-	1,659	23,681
Arbitrage Rebate Tax Payable	-	-	-	-	420	-
Other Liabilities	1	19	-	-	-	-
Total Liabilities	146,113	270,102	8,871	2,140	76,891	57,457
Equity/Other Credits:						
Investment in General Fixed/Plant Assets	-	-	-	-	-	-
Contributed Capital (Note 17)	-	-	-	-	5,014	5,769
Retained Earnings:						
Reserved for Debt Service	-	-	-	-	-	-
Unreserved	-	-	-	-	27,494	75,078
Fund Balances:						
Reserved for Encumbrances	2,312	37,231	-	-	-	-
Reserved for Inventories	1,792	23,369	-	-	-	-
Reserved for Advances to Other Funds (Note 13)	7,330	-	-	-	-	-
Reserved for Long-Term Loans	-	38,935	37,306	-	-	-
Reserved for Long-Term Advances	-	263	-	-	-	-
Reserved for Debt Service	-	-	29,534	-	-	-
Reserved for Trusts/Endowments (Note 15)	-	14,801	-	-	-	-
Reserved for Construction	-	-	-	-	-	-
Reserved for Retirement Systems	-	-	-	-	-	-
Unreserved, Undesignated	30,315	176,724	-	22,227	-	-
Total Equity/Other Credits	41,749	291,323	66,840	22,227	32,508	80,847
TOTAL LIABILITIES/EQUITY/OTHER CREDITS	\$ 187,862	\$ 561,425	\$ 75,711	\$ 24,367	\$ 109,399	\$ 138,304

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		COMPONENT UNITS		
	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	PROPRIETARY FUND TYPES	PENSION TRUST FUND
\$ 60,026	\$ -	\$ -	\$ 6,785	\$ 176	\$ 24,428
-	-	-	-	-	-
1,040	-	-	-	6,500	4,065
20	-	-	-	-	678
323,077	-	-	-	3	338
-	-	-	675	40	2,148
294	-	-	-	-	-
22,171	-	-	1,818	-	18,343
1,544	-	-	16,689	-	11,842
-	-	1,667	-	10	1,590
-	-	264,693	516,645	-	201,564
692,560	-	-	696	10	6,320
409,924	-	-	101,515	193,936	1,331
107	-	47,310	773	35	29,452
-	-	3,074	-	-	-
-	-	-	520,785	-	-
-	-	73	242	-	-
3,097	-	-	-	-	-
1,513,860	-	316,817	1,166,623	200,710	302,099
-	543,853	-	-	-	537,817
-	-	-	90,668	-	-
-	-	-	89,097	-	-
-	-	-	(112,991)	-	-
-	-	-	-	-	690
-	-	-	-	-	-
-	-	-	-	-	-
3,001	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,083,276	-	-	-	-	30,679
-	-	-	-	-	14,636
2,488,015	-	-	-	1,735,370	-
124,026	-	-	-	-	42,583
3,698,318	543,853	-	66,774	1,735,370	626,405
\$ 5,212,178	\$ 543,853	\$ 316,817	\$ 1,233,397	\$ 1,936,080	\$ 928,504

STATE OF MONTANA
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
REVENUES:					
Licenses/Permits	\$ 33,312	\$ 79,449	\$ -	-	\$ 1,745
Taxes:					
Natural Resource	26,685	8,205	362	4,577	33,174
Individual Income	371,254	8	34,994	-	-
Corporate Income	64,079	-	7,212	-	10,709
Property	208,407	7,964	-	-	-
Fuel	-	174,934	-	-	-
Payroll	-	483	-	-	-
Other (Note 1)	69,628	49,811	10,901	2,336	23,737
Charges for Services/Fines/Forfeits	24,669	67,409	1,280	271	186
Investment Earnings	14,532	8,959	4,204	1,046	8,652
Securities Lending Income	7,188	900	171	87	26
Sale of Documents/Mdse./Property	294	3,437	2,097	-	-
Rentals/Leases/Royalties	106	106	-	-	5
Contributions/Premiums	-	4,211	-	-	58,601
Grants/Contracts/Donations	-	7,759	-	-	1,568
Federal	18,796	834,111	144	-	4,727
Federal Indirect Cost Recoveries	122	1,815	-	-	-
Other Revenues	157	813	-	2	-
Total Revenues	839,229	1,250,374	61,365	8,319	143,130
Intrafund Revenues	(107)	(2,576)	-	-	-
Net Revenues	839,122	1,247,798	61,365	8,319	143,130
EXPENDITURES:					
Current:					
General Government	69,300	12,291	55	-	45,545
Public Safety/Corrections	81,040	47,207	-	-	23,908
Transportation	427	324,755	-	-	39
Health/Social Services	226,196	562,233	-	-	-
Education/Cultural	481,233	74,377	-	-	379
Resource Development/Recreation	19,848	72,971	127	26	-
Economic Development/Assistance	3,243	102,447	62	-	66,131
Debt Service:					
Principal Retirement	570	901	22,556	-	20
Interest/Fiscal Charges	1,916	534	12,476	84	6
Capital Outlay	4,040	38,384	-	27,758	8
Securities Lending	6,788	856	161	82	25
Total Expenditures	894,601	1,236,956	35,437	27,950	136,061
Intrafund Expenditures	(107)	(2,576)	-	-	-
Net Expenditures	894,494	1,234,380	35,437	27,950	136,061
Excess of Rev. Over (Under) Expend.	(55,372)	13,418	25,928	(19,631)	7,069
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	5,130	-	2,162	-
Bond Proceeds	295	9,699	-	30,075	-
Inception of Lease/Installment Contract	174	74	-	102	-
General Fixed Asset Sale Proceeds	156	82	-	-	-
Operating Transfers In (Note 13)	154,726	33,129	27,487	4,112	55
Operating Transfers Out (Note 13)	(6,426)	(39,869)	(55,745)	(2,258)	(1,331)
Operating Transfers to Component Units (Note 13)	(100,784)	(13,849)	-	-	-
Total Other Financing Sources (Uses)	48,141	(5,604)	(28,258)	34,193	(1,276)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	(7,231)	7,814	(2,330)	14,562	5,793
FUND BALANCES - JULY 1 - as Previously Reported	41,637	280,934	64,643	7,665	121,234
Prior Period Adjustments (Note 3)	2,096	8,247	51	-	-
FUND BALANCES - July 1 - As Restated	43,733	289,181	64,694	7,665	121,234
Increase (Decrease) in Inventories	(247)	(856)	-	-	-
Residual Equity Transfers (Note 13)	5,494	(4,816)	4,476	-	-
FUND BALANCES - JUNE 30	\$ 41,749	\$ 291,323	\$ 66,840	\$ 22,227	\$ 127,027

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and
Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance
General and Special Revenue Fund Types
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:						
Licenses/Permits	\$ 30,343	\$ 33,312	\$ 2,969	\$ 81,522	\$ 79,448	\$ (2,074)
Taxes:						
Natural Resource	25,396	26,685	1,289	8,928	8,205	(723)
Individual Income	368,953	371,254	2,301	13	8	(5)
Corporate Income	65,889	64,079	(1,810)	-	-	-
Property	207,900	208,407	507	6,696	7,964	1,268
Fuel	-	-	-	178,864	174,934	(3,930)
Payroll	-	-	-	483	483	-
Other	67,044	69,628	2,584	49,400	49,811	411
Charges for Services/Fines/Forfeits	23,676	24,669	993	65,826	67,409	1,583
Investment Earnings	15,268	14,532	(736)	7,304	8,959	1,655
Securities Lending Income	7,188	7,188	-	900	900	-
Sale of Documents/Merchandise/Property	225	294	69	3,381	3,437	56
Rentals/Leases/Royalties	74	106	32	122	106	(16)
Contributions/Premiums	-	-	-	4,644	4,211	(433)
Grants/Contracts/Donations	-	-	-	10,271	7,759	(2,512)
Federal	23,584	18,797	(4,787)	992,852	834,111	(158,741)
Federal Indirect Cost Recoveries	53	122	69	1,846	1,815	(31)
Other Revenues	123	157	34	1,074	813	(261)
Total Revenues	835,716	839,230	3,514	1,414,126	1,250,373	(163,753)
EXPENDITURES:						
Current:						
General Government	77,857	66,384	11,473	45,440	10,978	34,462
Public Safety/Corrections	82,880	82,157	723	75,738	47,124	28,614
Transportation	378	319	59	424,163	322,549	101,614
Health/Social Services	233,185	221,566	11,619	567,917	497,605	70,312
Education/Cultural	489,381	481,224	8,157	85,930	74,285	11,645
Resource Development/Recreation	19,850	19,769	81	124,488	74,070	50,418
Economic Development/Assistance	3,296	3,225	71	126,237	103,724	22,513
Debt Service:						
Principal Retirement	520	520	-	904	904	-
Interest/Fiscal Charges	1,912	1,912	-	538	538	-
Capital Outlay	3,637	3,637	-	36,790	36,790	-
Securities Lending	6,788	6,788	-	856	856	-
Total Expenditures	919,684	887,501	32,183	1,489,001	1,169,423	319,578
Excess of Rev. Over (Under) Expend.	(83,968)	(48,271)	35,697	(74,875)	80,950	155,825
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	-	-	-	13,552	5,129	(8,423)
Bond Proceeds	-	296	296	10,865	9,698	(1,167)
General Fixed Asset Sale Proceeds	100	156	56	25	82	57
Operating Transfers In	159,702	152,811	(6,891)	29,206	23,576	(5,630)
Operating Transfers Out	(6,493)	(5,092)	1,401	(12,479)	(11,189)	1,290
Transfers to Component Units	(100,784)	(100,784)	-	(13,849)	(13,849)	-
Total Other Financing Sources (Uses)	52,525	47,387	(5,138)	27,320	13,447	(13,873)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(31,443)	(884)	30,559	(47,555)	94,397	141,952
RECONCILIATION OF BUDGETARY/GAAP REPORTING:						
1. Adjust expenditures for encumbrances	-	335	335	-	7,072	7,072
2. Adjustments for appropriated loans/other nonbudgeted activity	-	1,319	1,319	-	(82,215)	(82,215)
3. Intrafund elimination - Transfers In	-	(107)	(107)	-	(2,576)	(2,576)
4. Intrafund elimination - Transfers Out	-	107	107	-	2,576	2,576
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(31,443)	770	32,213	(47,555)	19,254	66,809
UNRESERVED FUND BALANCES - JULY 1	30,145	30,145	-	172,800	170,564	(2,236)
Residual Equity Transfers (Note 13)	5,494	5,494	-	(2,371)	(4,816)	(2,445)
Prior Period Adjustments (Note 3)	-	2,096	2,096	-	8,247	8,247
Decrease (Increase):						
Encumbrances Reserve	-	(3,390)	(3,390)	-	(5,443)	(5,443)
Advances to Other Funds Reserve	-	(4,800)	(4,800)	-	(40)	(40)
Long-Term Loans Reserve	-	-	-	-	(10,465)	(10,465)
Trusts/Endowments Reserve (Note 15)	-	-	-	-	(577)	(577)
UNRESERVED FUND BALANCES - JUNE 30	\$ 4,196	\$ 30,315	\$ 26,119	\$ 122,874	\$ 176,724	\$ 53,850

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances
All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	COMPONENT UNITS
	ENTERPRISE	INTERNAL	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
		SERVICE		
OPERATING REVENUES:				
Charges for Services	\$ 73,525	\$ 64,881	\$ 7,321	\$ 503
Investment Earnings	1,506	3,016	77,450	44,736
Securities Lending Income	215	1,303	10,113	7,639
Financing Income	2,364	-	-	29,521
Contributions/Premiums	4,822	70,019	-	87,834
Grants/Contracts/Donations	21	-	-	-
Taxes	10,130	-	21,253	49,208
Rentals/Leases/Royalties	-	-	26,821	-
Other Operating Revenues	6,206	539	46	381
Total Operating Revenues	98,789	139,758	143,004	219,822
Intrafund Revenues	-	(240)	-	-
Net Operating Revenues	98,789	139,518	143,004	219,822
OPERATING EXPENSES:				
Personal Services	6,755	21,788	-	8,342
Contractual Services	5,638	10,902	-	4,504
Supplies/Materials	30,716	14,576	-	233
Benefits/Claims (Note 3)	5,128	66,957	-	52,195
Depreciation	596	10,584	-	578
Amortization	7	23	-	81
Utilities/Rent	419	5,052	-	171
Communications	1,069	10,488	-	527
Travel	166	289	-	158
Repair/Maintenance	360	5,181	-	328
Local Assistance	1,343	-	-	-
Grants	-	-	13	-
Lottery Prize Payments	14,333	-	-	-
Interest Expense	2,234	345	-	35,108
Securities Lending Expense	204	1,235	9,714	7,231
Arbitrage Rebate Tax	244	-	-	64
Other Operating Expenses	4,543	1,876	5	2,004
Total Operating Expenses	73,755	149,296	9,732	111,524
Intrafund Expenses	-	(240)	-	-
Net Operating Expenses	73,755	149,056	9,732	111,524
Operating Income (Loss)	25,034	(9,538)	133,272	108,298
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) Sale of Fixed Assets	(111)	162	-	3
Increase (Decrease) Value of Livestock	521	-	-	-
Federal Indirect Cost Recoveries	-	2,317	-	-
Total Nonoperating Revenues (Expenses)	410	2,479	-	3
Income (Loss) Before Operating Transfers	25,444	(7,059)	133,272	108,301
Operating Transfers In (Note 13)	85	1,129	1,268	-
Operating Transfers Out (Note 13)	(21,815)	(113)	(95,867)	-
Operating Transfers to Component Units (Note 13)	-	-	(1,740)	-
Net Income Before Extraordinary Items	3,714	(6,043)	36,933	108,301
Loss on Debt Extinguishment (Note 12)	-	-	-	(3,535)
Net Income (Loss)	3,714	(6,043)	36,933	104,766
RETAINED EARNINGS/FUND BALANCES - July 1				
As Previously Reported	24,209	80,989	1,049,706	(49,569)
Prior Period Adjustments (Note 3)	71	132	(1)	-
RETAINED EARNINGS/FUND BALANCES - July 1 As Restated	24,280	81,121	1,049,705	(49,569)
Residual Equity Transfers (Note 13)	(500)	-	(3,362)	(79,091)
RETAINED EARNINGS/FUND BALANCES - JUNE 30	\$ 27,494	\$ 75,078	\$ 1,083,276	(23,894)

The notes to the financial statements are an integral part of this statement.



STATE OF MONTANA
Combined Statement of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PROPRIETARY FUND TYPES			COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Sales and Services	\$ 83,897	\$ 136,206	\$ 7,590	\$ 86,794
Collections of Principal and Interest on Loans	-	-	-	72,841
Cash Payments for Loans	-	-	-	(101,672)
Payments to Suppliers for Goods and Services	(42,826)	(48,546)	-	(8,034)
Payments to Employees	(6,577)	(21,459)	-	(8,201)
Grant Receipts	-	2,405	-	-
Grant Payments	-	-	(13)	-
Cash Payments for Claims	(5,078)	(68,355)	-	(74,677)
Cash Payments for Local Assistance	(1,454)	-	-	-
Collections of Notes Receivable	-	-	-	29
Collections of Payroll Taxes	-	-	-	49,229
Cash Payments for Prizes	(14,228)	-	-	-
Transfers from Other Funds	-	420	-	-
Scholarship/Fellowship Payments	-	-	(6)	-
Other Operating Revenues	5,838	282	56	381
Net Cash Provided by (Used for)				
Operating Activities	19,572	953	7,627	16,690
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	(5,330)	-	-	(244,462)
Proceeds from Issuance of Bonds and Notes	10,825	2,292	-	158,047
Payment of Bond Issuance Costs	(207)	-	-	(1,760)
Collection of Taxes	10,130	-	20,891	-
Transfers to Other Funds	(24,705)	(114)	(100,220)	-
Transfers to Component Units	-	-	(1,740)	-
Transfers from Other Funds	172	1,096	1,268	-
Proceeds from Interfund Loans	-	195	14,589	-
Payment of Interfund Loans	(35)	(665)	(14,038)	-
Residual Equity Transfers to Other Funds	(500)	(77)	(3,913)	(90,690)
Residual Equity Transfers from Other Funds	-	-	551	11,600
Contributed Capital Transfers to Other Funds	-	(2,292)	-	(11,577)
Contributed Capital Transfers from Other Funds	21	960	-	90,668
Net Cash Provided by (Used for)				
Noncapital Financing Activities	(9,629)	1,395	(82,612)	(88,174)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Fixed Assets	(570)	(10,310)	(2)	(3,632)
Proceeds from Sale of Fixed Assets	35	1,054	-	15
Principal and Interest Payments on Bonds and Notes	(12)	(1,465)	-	-
Net Cash Used for Capital and Related Financing Activities	(547)	(10,721)	(2)	(3,617)
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Investments	(14,852)	(14,312)	(43,751)	(769,614)
Proceeds from Sales or Maturities of Investments	8,552	13,592	18,421	801,581
Proceeds from Securities Lending Transactions	190	1,208	10,089	7,175
Interest and Dividends on Investments	1,276	3,131	74,466	45,776
Payment of Securities Lending Costs	(180)	(1,140)	(9,691)	(6,768)
Collections of Principal and Interest on Loans	6,627	-	-	88
Cash Payments for Loans	(12,586)	-	-	-
Arbitrage Rebate Tax	(85)	-	-	-
Collection of Rents/Leases/Royalties	-	-	27,552	-
Net Cash Provided by (Used for)				
Investing Activities	(11,058)	2,479	77,086	78,238
Net Increase (Decrease) in Cash and Cash Equivalents	(1,662)	(5,894)	2,099	3,137
Cash and Cash Equivalents, July 1	18,991	23,885	51,857	49,966
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 17,329	\$ 17,991	\$ 53,956	\$ 53,103

The notes to the financial statements are an integral part of this statement.

	PROPRIETARY FUND TYPES			COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 25,034	\$ (9,538)	133,272	\$ 108,298
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation	596	10,584	-	578
Amortization	7	23	-	81
Taxes	(10,130)	-	(21,253)	-
Interest Expense	2,234	345	-	35,108
Securities Lending Expense	204	1,235	9,714	7,231
Interest on Investments	(1,506)	(3,016)	(77,450)	(44,736)
Securities Lending Income	(215)	(1,303)	(10,113)	(7,639)
Federal Indirect Cost Recoveries	-	2,317	-	-
Arbitrage Rebate Tax	244	-	-	64
Operating Transfers in	-	96	-	-
Rentals/Leases/Royalties	-	-	(26,811)	-
Change in Assets and Liabilities:				
Decr (Incr) in Accounts Receivable	3,121	(127)	-	(524)
Decr (Incr) in Due From Other Governments	-	(7)	-	-
Decr (Incr) in Due From Other Funds	(232)	(5)	264	(77)
Decr (Incr) in Due From Primary Government	-	-	-	139
Decr (Incr) in Due From Component Units	116	(229)	-	-
Decr (Incr) in Inventories	(703)	41	-	9
Decr (Incr) in Long-term Loans/Notes Receivable	-	1,272	-	(58,116)
Incr (Decr) in Deferred Charges	-	-	-	30
Decr (Incr) in Other Assets	4,279	129	-	(51)
Incr (Decr) in Accounts Payable	759	(405)	(1)	490
Incr (Decr) in Lottery Prizes Payable	192	-	-	-
Incr (Decr) in Due to Other Funds	(49)	113	5	65
Incr (Decr) in Due to Other Governments	13	-	-	-
Incr (Decr) in Due to Primary Government	-	-	-	(287)
Incr (Decr) in Due to Component Units	(7)	25	-	-
Incr (Decr) in Deferred Revenue	(153)	673	-	(1,216)
Incr (Decr) in Property Held in Trust	(4,324)	(126)	-	(331)
Incr (Decr) in Compensated Absences Payable	73	214	-	68
Incr (Decr) in Estimated Insurance Claims	19	(1,358)	-	(22,494)
Net Cash Provided by (Used For)				
Operating Activities	<u>\$ 19,572</u>	<u>\$ 953</u>	<u>7,627</u>	<u>\$ 16,690</u>
SCHEDULE OF NONCASH TRANSACTIONS:				
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ 1,536	-	\$ -
Asset Acquisitions from Contributed				
Capital Transfers from Other Funds	2,244	940	-	-
Asset Disposals from Contributed Capital	-	(70)	-	-
Total Noncash Transactions	<u>\$ 2,244</u>	<u>\$ 2,406</u>	<u>-</u>	<u>\$ -</u>
RECONCILIATION FOR NONEXPENDABLE TRUST:				
Cash and Cash Equivalents, June 30		\$	53,956	
Cash and Cash Equivalents, Expendable Trust, Pension Trust and Agency			770,999	
Cash and Cash Equivalents per Combined Balance Sheet, Trust and Agency		<u>\$</u>	<u>824,955</u>	

STATE OF MONTANA
Combining Balance Sheet
Component Units - Proprietary Fund Types
June 30, 1997
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 3,166	\$ 460	\$ 28,189	\$ 21,288	\$ 53,103
Receivables (Net)	5,094	112	19,728	3,322	28,256
Due from Primary Government (Note 13)	1	-	13	171	185
Due from Other Funds (Note 13)	-	-	1,845	39	1,884
Inventories	-	-	49	-	49
Long-Term Loans/Notes Receivable	413,241	118	-	-	413,359
Investments (Note 4)	184,101	697	435,397	-	620,195
Securities Lending Collateral (Note 4)	41	418	100,496	560	101,515
Equipment	273	16	3,864	-	4,153
Accumulated Depreciation	(176)	(8)	(2,053)	-	(2,237)
Intangible Assets	20	-	6,400	-	6,420
Deferred Charges	5,977	-	-	-	5,977
Other Assets	38	-	500	-	538
TOTAL ASSETS	\$ 611,776	\$ 1,813	\$ 594,428	\$ 25,380	\$ 1,233,397
LIABILITIES/FUND EQUITY:					
Liabilities:					
Accounts Payable	\$ 5,824	\$ 3	\$ 943	\$ 15	\$ 6,785
Due to Primary Government (Note 13)	41	8	620	6	675
Due to Other Funds (Note 13)	-	-	-	1,818	1,818
Deferred Revenue	-	1	16,388	300	16,689
Bonds/Notes Payable (Net) (Note 12)	516,645	-	-	-	516,645
Property Held In Trust	1	-	695	-	696
Securities Lending Liability (Note 4)	41	418	100,496	560	101,515
Compensated Absences Payable	41	23	680	29	773
Estimated Insurance Claims (Note 9)	-	-	315,107	205,678	520,785
Arbitrage Rebate Tax Payable	86	-	-	156	242
Total Liabilities	522,679	453	434,929	208,562	1,166,623
Fund Equity:					
Contributed Capital (Note 17)	-	-	-	90,668	90,668
Retained Earnings:					
Reserved for Debt Service (Note 15)	89,097	-	-	-	89,097
Unreserved	-	1,360	159,499	(273,850)	(112,991)
Total Fund Equity	89,097	1,360	159,499	(183,182)	66,774
TOTAL LIABILITIES/FUND EQUITY	\$ 611,776	\$ 1,813	\$ 594,428	\$ 25,380	\$ 1,233,397

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
OPERATING REVENUES:					
Charges for Services	\$ 166	\$ 294	\$ 43	\$ -	503
Investment Earnings	10,058	69	31,874	2,735	44,736
Securities Lending Income	7	42	7,402	188	7,639
Financing Income	29,521	-	-	-	29,521
Contributions/Premiums	-	-	88,227	(393)	87,834
Payroll Taxes	-	-	-	49,208	49,208
Other Operating Revenues	174	-	207	-	381
Total Operating Revenues	39,926	405	127,753	51,738	219,822
OPERATING EXPENSES:					
Personal Services	441	70	6,814	1,017	8,342
Contractual Services	1,920	47	2,302	235	4,504
Supplies/Materials	19	2	184	28	233
Benefits/Claims (Note 3)	-	-	79,006	(26,811)	52,195
Depreciation	25	1	552	-	578
Amortization	5	-	76	-	81
Utilities/Rent	35	-	118	18	171
Communications	29	3	442	53	527
Travel	39	23	87	9	158
Repair/Maintenance	41	-	250	37	328
Interest Expense	32,766	-	-	2,342	35,108
Securities Lending Expense	6	32	7,023	170	7,231
Arbitrage Rebate Tax	48	-	-	16	64
Other Operating Expenses	42	14	548	1,400	2,004
Total Operating Expenses	35,416	192	97,402	(21,486)	111,524
Operating Income (Loss)	4,510	213	30,351	73,224	108,298
NONOPERATING REVENUES (EXPENSES):					
Gain (Loss) Sale of Fixed Assets	-	(1)	4	-	3
Total Nonoperating Revenues (Expenses)	-	(1)	4	-	3
Income (Loss) Before Extraordinary Items	4,510	212	30,355	73,224	108,301
Loss on Debt Extinguishment (Note 12)	-	-	-	(3,535)	(3,535)
Net Income (Loss)	4,510	212	30,355	69,689	104,766
RETAINED EARNINGS - JULY 1 -	84,587	1,148	219,834	(355,138)	(49,569)
Residual Equity Transfers	-	-	(90,690)	11,599	(79,091)
RETAINED EARNINGS - JUNE 30	\$ 89,097	\$ 1,360	\$ 159,499	\$ (273,850)	\$ (23,894)

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Statement of Cash Flows
Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Sales and Services	\$ 83	\$ 292	\$ 86,807	\$ (388)	\$ 86,794
Collections of Principal and Interest on Loans	72,841	-	-	-	72,841
Cash Payments for Loans	(101,672)	-	-	-	(101,672)
Payments to Suppliers for Goods and Services	(2,125)	(98)	(4,128)	(1,683)	(8,034)
Payments to Employees	(409)	(63)	(6,676)	(1,053)	(8,201)
Cash Payments for Claims	-	-	(58,345)	(16,332)	(74,677)
Collection of Notes Receivable	-	-	-	29	29
Collection of Payroll Taxes	-	-	-	49,229	49,229
Other Operating Revenues	174	-	207	-	381
Net Cash Provided by (Used for) Operating Activities	(31,108)	131	17,865	29,802	16,690
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payment of Principal and Interest on Bonds and Notes	(111,918)	-	-	(132,544)	(244,462)
Proceeds from Issuance of Bonds and Notes	158,047	-	-	-	158,047
Payment of Bond Issuance Costs	(1,760)	-	-	-	(1,760)
Residual Equity Transfers to Other Funds	-	-	(90,690)	-	(90,690)
Residual Equity Transfers from Other Funds	-	-	-	11,600	11,600
Contributed Capital Transfers to Other Funds	-	-	(11,577)	-	(11,577)
Contributed Capital Transfers from Other Funds	-	-	-	90,668	90,668
Net Cash Provided by (Used for) Noncapital Financing Activities	44,369	-	(102,267)	(30,276)	(88,174)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Fixed Assets	(34)	-	(3,598)	-	(3,632)
Proceeds from Sale of Fixed Assets	-	-	15	-	15
Net Cash Used for Capital and Related Financing Activities	(34)	-	(3,583)	-	(3,617)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(583,379)	(696)	(185,539)	-	(769,614)
Proceeds from Sales or Maturities of Investments	559,172	603	230,706	11,100	801,581
Proceeds from Securities Lending Transactions	6	39	6,942	188	7,175
Interest and Dividends on Investments	9,631	85	33,150	2,910	45,776
Payment of Securities Lending Costs	(6)	(29)	(6,562)	(171)	(6,768)
Collections of Principal and Interest on Loans	-	88	-	-	88
Net Cash Provided by (Used for) Investing Activities	(14,576)	90	78,697	14,027	78,238
Net Increase (Decrease) in Cash and Cash Equivalents	(1,349)	221	(9,288)	13,553	3,137
Cash and Cash Equivalents, July 1	4,515	239	37,477	7,735	49,966
Cash and Cash Equivalents, June 30	\$ 3,166	\$ 460	\$ 28,189	\$ 21,288	\$ 53,103

The notes to the financial statements are an integral part of this statement.

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 4,510	\$ 213	\$ 30,351	\$ 73,224	\$ 108,298
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	25	1	552	-	578
Amortization	5	-	76	-	81
Interest Expense	32,766	-	-	2,342	35,108
Securities Lending Expense	6	32	7,023	170	7,231
Interest on Investments	(10,058)	(69)	(31,874)	(2,735)	(44,736)
Securities Lending Income	(7)	(42)	(7,402)	(188)	(7,639)
Arbitrage Rebate Tax	48	-	-	16	64
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	1	(8)	(350)	(167)	(524)
Decr (Incr) in Due From Other Funds	-	-	(75)	(2)	(77)
Decr (Incr) in Due From Primary Government	-	-	23	116	139
Decr (Incr) in Inventories	-	-	9	-	9
Decr (Incr) in Long-Term Loans/Notes Receivable	(58,116)	-	-	-	(58,116)
Incr (Decr) in Deferred Charges	30	-	-	-	30
Decr (Incr) in Other Assets	(361)	-	310	-	(51)
Incr (Decr) in Accounts Payable	32	4	440	14	490
Incr (Decr) in Due to Other Funds	(2)	-	(7)	74	65
Incr (Decr) in Due to Primary Government	6	(4)	(293)	4	(287)
Incr (Decr) in Deferred Revenue	-	-	(1,287)	71	(1,216)
Incr (Decr) in Property Held in Trust	2	-	(333)	-	(331)
Incr (Decr) in Compensated Absences Payable	5	4	72	(13)	68
Incr (Decr) in Estimated Insurance Claims	-	-	20,630	(43,124)	(22,494)
Net Cash Provided by (Used for)					
Operating Activities	\$ (31,108)	\$ 131	\$ 17,865	\$ 29,802	\$ 16,690

STATE OF MONTANA
Statement of Plan Net Assets
Component Unit - Pension Trust Fund
June 30, 1997
(Expressed in Thousands)

	<u>TRS</u>
ASSETS:	
Cash/Cash Equivalents (Note 4)	\$ 51,661
Receivables (Net):	
Employer Contributions	4,410
Employee Contributions	4,132
Interest	8,638
Other Receivables	9
Due from Other Funds (Note 13)	850
Investments, at Fair Value:	
Equity in Pooled Investments (Note 4)	1,547,023
Other Investments (Note 4)	125,159
Securities Lending Collateral (Note 4)	193,936
Land	35
Buildings/Improvements	158
Equipment	231
Accumulated Depreciation	(242)
Intangible Assets	80
TOTAL ASSETS	<u>\$ 1,936,080</u>
LIABILITIES/FUND BALANCES:	
Accounts Payable	\$ 176
Interfund Loans Payable	6,500
Due to Primary Government (Note 13)	40
Due to Other Governments	3
Lease/Installment Purch. Payable (Note 11)	10
Property Held in Trust	10
Securities Lending Liability (Note 4)	193,936
Compensated Absences Payable (Note 1)	35
Total Liabilities	<u>200,710</u>
Fund Balances Reserved for Employees' Pension Benefits	1,735,370
Total Fund Balance	<u>1,735,370</u>
TOTAL LIABILITIES/FUND BALANCES	<u>\$ 1,936,080</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds and Discretely Presented Component Unit
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PERS	MUNICIPAL POLICE	FIRE- FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE- FIGHTERS	TOTAL PRIMARY GOVT	COMP UNIT TRS
ADDITIONS:										
Charges for Services	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2	\$ -
Contributions/Premiums:										
Employer	45,303	2,421	2,077	1,683	1,641	177	250	-	53,552	41,640
Employee	52,634	1,693	1,146	1,800	586	207	244	-	58,310	40,348
Other Contributions	123	6,879	4,774	27	932	951	-	911	14,597	101
Net Investment Earnings:										
Investment Earnings	342,591	13,808	12,962	13,860	9,457	5,011	3,655	1,562	402,906	283,850
Administrative Investment Expense	(1,397)	(43)	(36)	(43)	(31)	(19)	(11)	(9)	(1,589)	(1,149)
Securities Lending Income	14,566	666	630	671	460	243	177	107	17,520	12,108
Securities Lending Expense	(13,773)	(631)	(597)	(635)	(435)	(229)	(168)	(102)	(16,570)	(11,448)
Other Additions	103	-	-	-	-	-	-	-	103	16
Intrafund Revenues	(103)	-	-	-	-	-	-	-	(103)	-
Total Additions	440,049	24,793	20,956	17,363	12,610	6,341	4,147	2,469	528,728	365,466
DEDUCTIONS:										
Benefits	82,291	7,211	5,955	1,502	3,580	1,203	1,099	756	103,597	88,631
Refunds	10,450	228	22	345	99	-	-	-	11,144	3,840
Administrative Expenses:										
Personal Services	581	-	-	-	-	-	-	-	581	348
Contractual Services	291	-	-	-	-	-	-	-	291	128
Supplies/Materials	13	-	-	-	-	-	-	-	13	16
Depreciation	25	-	-	-	-	-	-	-	25	27
Amortization	2	-	-	-	-	-	-	-	2	55
Utilities/Rent	101	-	-	-	-	-	-	-	101	24
Communications	59	-	-	-	-	-	-	-	59	34
Travel	20	-	-	-	-	-	-	-	20	12
Repair/Maintenance	3	-	-	-	-	-	-	-	3	19
Interest Expense	-	-	-	-	-	-	-	-	-	2
Other Operating Expenses	29	28	22	20	12	350	4	19	484	10
Local Assistance	-	-	-	-	-	-	-	12	12	-
Intrafund Expenses	(103)	-	-	-	-	-	-	-	(103)	-
Total Deductions	93,762	7,467	5,999	1,867	3,691	1,553	1,103	787	116,229	93,146
Net Increase (Decrease)	346,287	17,326	14,957	15,496	8,919	4,788	3,044	1,682	412,499	272,320
FUND BALANCES - JULY 1 -										
As Previously Reported	1,749,676	74,060	71,384	72,746	50,209	26,571	19,366	11,504	2,075,516	1,463,050
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-
FUND BALANCES - JULY 1 -										
As Restated	1,749,676	74,060	71,384	72,746	50,209	26,571	19,366	11,504	2,075,516	1,463,050
FUND BALANCES - JUNE 30	\$ 2,095,963	\$ 91,386	\$ 86,341	\$ 88,242	\$ 59,128	\$ 31,359	\$ 22,410	\$ 13,186	\$ 2,488,015	\$ 1,735,370

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
Combining Balance Sheet
Component Units - All Higher Education Funds
June 30, 1997
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
ASSETS:				
Cash/Cash Equivalents	\$ 11,651	\$ 16,460	\$ 11,811	\$ 4,052
Receivables (Net)	3,462	490	735	11,353
Interfund Loans Receivable (Note 13)	800	3,265	-	-
Due from Other Governments	2	2	-	3,876
Due from Primary Government (Note 13)	12	123	37	872
Due from Other Funds (Note 13)	5,061	6,342	636	307
Inventories	91	1,701	2,305	-
Equity in Pooled Investments (Note 4)	-	-	-	-
Long-Term Notes/Loans Receivable	-	-	-	-
Advances to Other Funds	-	10	9	-
Investments (Note 4)	-	-	-	25
Securities Lending Collateral (Note 4)	-	26	118	36
Land	-	-	-	-
Buildings/Improvements	-	-	-	-
Equipment	-	-	-	-
Other Fixed Assets	-	-	-	-
Construction in Progress	-	-	-	-
Intangible Assets	-	-	-	-
Deferred Charges	-	-	-	-
Other Assets	2,698	1,838	810	156
TOTAL ASSETS	\$ 23,777	\$ 30,257	\$ 16,461	\$ 20,677
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 10,394	\$ 4,482	\$ 1,888	\$ 3,805
Interfund Loans Payable (Note 13)	-	-	-	3,800
Advances from Other Funds	-	29	225	9
Due to Other Governments	110	13	-	13
Due to Primary Government (Note 13)	450	1,330	19	33
Due to Other Funds (Note 13)	5,973	2,458	1,236	5,483
Deferred Revenue	6,133	824	753	3,886
Lease/Installment Purchase Payable (Note 11)	-	-	-	-
Bonds/Notes Payable (Note 12)	66	8	9	-
Property Held in Trust	231	52	393	-
Securities Lending Liability (Note 4)	-	26	118	36
Compensated Absences Payable (Note 1)	22,655	4,848	1,801	148
Total Liabilities	46,012	14,070	6,442	17,213
Fund Balances:				
Net Investment in Plant	-	-	-	-
Reserved For:				
Encumbrances	592	82	1	15
Student Loans/Endowments	-	-	-	-
Construction	-	-	-	-
Unreserved	(22,827)	16,105	10,018	3,449
Total Fund Balances	(22,235)	16,187	10,019	3,464
TOTAL LIABILITIES/FUND BALANCES	\$ 23,777	\$ 30,257	\$ 16,461	\$ 20,677

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS				PLANT FUNDS				
STUDENT LOANS	ENDOWMENTS	AGENCY	UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTALS	
\$ 2,126	\$ 2,409	\$ 3,874	\$ 80,789	\$ 17,048	\$ 2,807	-	\$ 153,027	
26,147	11	103	370	108	77	-	42,856	
-	-	-	-	-	-	-	4,065	
-	-	-	34	-	-	-	3,914	
4	-	39	110	4	133	-	1,334	
38	17	4,277	930	568	974	-	19,150	
-	-	-	-	-	-	-	4,097	
-	2,489	41	-	-	-	-	2,530	
215	-	-	19	-	-	-	234	
-	-	-	-	253	405	-	677	
-	762	-	-	2,922	-	-	3,709	
28	334	558	26	171	34	-	1,331	
-	-	-	-	-	-	13,310	13,310	
-	-	-	-	-	-	351,141	351,141	
-	-	-	-	-	-	140,438	140,438	
-	-	-	-	-	-	79,068	79,068	
-	-	-	50,559	2,828	-	42,911	96,298	
-	-	-	-	-	-	3,301	3,301	
-	-	-	-	-	2,225	-	2,225	
-	-	251	43	3	-	-	5,799	
<u>\$ 28,558</u>	<u>\$ 6,022</u>	<u>\$ 9,143</u>	<u>\$ 132,880</u>	<u>\$ 23,905</u>	<u>\$ 6,655</u>	<u>\$ 630,169</u>	<u>\$ 928,504</u>	
\$ 1	\$ -	\$ 616	\$ 1,174	\$ 436	\$ 1,632	-	\$ 24,428	
-	-	-	265	-	-	-	4,065	
-	-	-	75	205	-	135	678	
-	-	202	-	-	-	-	338	
-	-	306	6	4	-	-	2,148	
169	38	1,817	395	481	293	-	18,343	
-	-	-	78	107	61	-	11,842	
-	-	-	-	-	-	1,590	1,590	
-	-	-	102,814	5,535	2,505	90,627	201,564	
-	-	5,644	-	-	-	-	6,320	
28	334	558	26	171	34	-	1,331	
-	-	-	-	-	-	-	29,452	
<u>198</u>	<u>372</u>	<u>9,143</u>	<u>104,833</u>	<u>6,939</u>	<u>4,525</u>	<u>92,352</u>	<u>302,099</u>	
-	-	-	-	-	-	537,817	537,817	
-	-	-	-	-	-	-	690	
26,034	4,645	-	-	-	-	-	30,679	
-	-	-	13,118	1,518	-	-	14,636	
2,326	1,005	-	14,929	15,448	2,130	-	42,583	
<u>28,360</u>	<u>5,650</u>	<u>-</u>	<u>28,047</u>	<u>16,966</u>	<u>2,130</u>	<u>537,817</u>	<u>626,405</u>	
<u>\$ 28,558</u>	<u>\$ 6,022</u>	<u>\$ 9,143</u>	<u>\$ 132,880</u>	<u>\$ 23,905</u>	<u>\$ 6,655</u>	<u>\$ 630,169</u>	<u>\$ 928,504</u>	

STATE OF MONTANA
Statement of Changes in Fund Balance
Component Units - All Higher Education Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES/OTHER ADDITIONS:				
Tuition/Fees	\$ 88,912	\$ 9,734	\$ 9,009	\$ -
Federal Grants/Contracts	4,478	31	9	96,432
State Grants/Contracts	-	433	-	8,982
Local Grants/Contracts	-	-	-	2,095
Private Gifts/Grants/Donations	-	835	-	15,793
Endowment Income	-	-	-	173
Sales/Services-Educational Activities	662	2,170	1	116
Sales/Services-Designated/Auxiliary Enterprises	3	21,017	48,849	84
Indirect Costs Recovered	40	9,433	-	-
Investment Earnings	112	133	964	184
Securities Lending Income	-	4	33	6
Acquisition of Long-Lived Assets	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Other Revenues/Additions	355	2,743	715	386
Total Revenues/Other Additions	94,562	46,533	59,580	124,251
Intrafund Revenues/Other Additions	-	-	-	(2,270)
Net Revenues/Other Additions	94,562	46,533	59,580	121,981
EXPENDITURES/OTHER DEDUCTIONS:				
Instruction	104,234	5,294	-	4,918
Research	11,889	7,408	-	38,965
Public Service	6,610	5,231	-	13,232
Academic Support	18,300	7,721	-	2,111
Student Services	16,172	11,969	-	3,655
Institutional Support	17,593	1,533	-	1,493
Independent Operations	1,915	140	-	-
Scholarships/Fellowships	7,458	380	-	53,430
Auxiliary Enterprises	-	30	49,234	104
Operation/Maintenance of Plant	22,566	732	-	33
Expended for Plant	-	-	-	-
Debt Services	181	226	98	69
Capital Outlay	6,665	3,536	285	5,017
Securities Lending	-	4	31	6
Disposal of Long-Lived Assets	-	-	-	-
Debt Incurred	-	-	-	-
Other Expenditures/Deductions	890	267	68	27
Total Expenditures/Other Deductions	214,473	44,471	49,716	123,060
Intrafund Expenditures/Other Deductions	-	-	-	(2,270)
Net Expenditures/Other Deductions	214,473	44,471	49,716	120,790
TRANSFERS IN (OUT)/OTHER ADDITIONS (DEDUCTIONS):				
Transfers from State General Fund	100,745	-	-	-
Millage Transfers	13,840	-	-	-
Mandatory Transfers	623	(502)	(8,040)	2
Nonmandatory Transfers	(244)	164	(1,161)	10
Transfers from Primary Government	-	-	214	-
Gain on Advance Refunding	-	-	-	-
Total Transfers In (Out) (Note 13)	114,964	(338)	(8,987)	12
Move Equity to Investment in Plant	-	-	-	-
Loan Proceeds	-	-	1	-
Bond Proceeds	-	-	-	-
Total Transfers In (Out)/Other Additions (Deductions)	114,964	(338)	(8,986)	12
Net Increase (Decrease) in Fund Balances	(4,947)	1,724	878	1,203
FUND BALANCES - July 1 - As Previously Reported	(17,289)	14,437	9,089	2,266
Prior Period Adjustments (Note 3)	1	21	-	-
FUND BALANCES - July 1 - As Restated	(17,288)	14,458	9,089	2,266
Residual Equity Transfers (Note 13)	-	5	52	(5)
FUND BALANCES - June 30	\$ (22,235)	\$ 16,187	\$ 10,019	\$ 3,464

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

PLANT FUNDS

	STUDENT LOANS	ENDOWMENTS	UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
\$	1	\$ -	\$ 2,117	\$ 1,211	\$ 3,076	\$ -
	523	-	164	-	23	-
	90	-	-	-	-	-
	43	4	1,938	42	-	-
	-	56	-	-	-	-
	2	-	49	165	100	-
	363	8	4,096	659	979	-
	4	-	5	11	27	-
	-	-	-	-	-	105,282
	-	-	-	-	-	31,765
	413	-	2,455	1,172	487	-
	1,439	68	10,824	3,260	4,692	137,047
	-	-	-	-	-	-
	1,439	68	10,824	3,260	4,692	137,047
	-	-	48	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	4	-	-	-	-	-
	-	-	-	-	-	-
	-	1	-	-	-	-
	-	-	-	-	-	-
	-	-	3,534	4,544	25	-
	-	-	534	150	43,272	-
	-	-	2,577	3,523	-	-
	4	-	5	11	27	-
	-	-	-	-	-	19,104
	-	-	-	-	-	50,981
	426	-	-	-	-	-
	434	1	6,698	8,228	43,324	70,085
	-	-	-	-	-	-
	434	1	6,698	8,228	43,324	70,085
	-	-	21	18	-	-
	-	-	-	-	-	-
	-	-	(2,735)	47	11,512	-
	(11)	188	677	5,999	(5,094)	-
	-	-	702	9	824	-
	-	-	-	-	19	-
	(11)	188	(1,335)	6,073	7,261	-
	-	-	(2,458)	(1,155)	751	(3,582)
	-	-	311	-	-	-
	-	-	-	-	28,948	-
	(11)	188	(3,482)	4,918	36,960	(3,582)
	994	255	644	(50)	(1,672)	63,380
	27,366	5,395	25,721	16,830	3,839	474,437
	-	-	1,701	186	(4)	-
	27,366	5,395	27,422	17,016	3,835	474,437
	-	-	(19)	-	(33)	-
\$	28,360	\$ 5,650	\$ 28,047	\$ 16,966	\$ 2,130	\$ 537,817

STATE OF MONTANA
Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes
Component Units - Higher Education Fund Type
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES:				
Tuition/Fees	\$ 88,912	\$ 9,734	\$ 9,009	\$ -
Federal Grants/Contracts	4,478	31	9	96,432
State Grants/Contracts	-	433	-	8,982
Local Grants/Contracts	-	-	-	2,095
Private Gifts/Grants/Donations	-	835	-	15,793
Endowment Income	-	-	-	173
Sales/Services-Educational Activities	662	2,170	1	116
Sales/Services-Designated/Auxiliary Enterprises	3	21,017	48,849	84
Indirect Costs Recovered	40	9,433	-	-
Investment Earnings	112	133	964	184
Securities Lending Income	-	4	33	6
Other Revenues	355	2,743	715	386
Total Revenues	94,562	46,533	59,580	124,251
Intrafund Revenues	-	-	-	(2,270)
Net Revenues	94,562	46,533	59,580	121,981
EXPENDITURES:				
Educational and General:				
Instruction	104,234	5,294	-	4,918
Research	11,889	7,408	-	38,965
Public Service	6,610	5,231	-	13,232
Academic Support	18,300	7,721	-	2,111
Student Services	16,172	11,969	-	3,655
Institutional Support	17,593	1,533	-	1,493
Scholarships/Fellowships	7,458	380	-	53,430
Operation/Maintenance of Plant	22,566	732	-	33
Other Expenditures	890	267	68	27
Total Educational and General Expenditures	205,712	40,535	68	117,864
Intrafund Expenditures	-	-	-	(2,270)
Net Educational and General Expenditures	205,712	40,535	68	115,594
Auxiliary Enterprises	-	30	49,234	104
Independent Operations	1,915	140	-	-
Debt Services	181	226	98	69
Capital Outlay	6,665	3,536	285	5,017
Securities Lending	-	4	31	6
Total Expenditures	214,473	44,471	49,716	120,790
TRANSFERS IN (OUT):				
Transfers from State General Fund	100,745	-	-	-
Millage Transfers	13,840	-	-	-
Mandatory Transfers	623	(502)	(8,040)	2
Nonmandatory Transfers	(244)	164	(1,162)	10
Transfers from Primary Government	-	-	214	-
Total Transfers In (Out) (Note 13)	114,964	(338)	(8,988)	12
Net Increase (Decrease) in Fund Balances	\$ (4,947)	\$ 1,724	\$ 876	\$ 1,203

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the Higher Education Funds have been prepared in conformity with GAAP for colleges and universities as prescribed by the American Institute of Certified Public Accountants.

A. Reporting Entity - For financial reporting purposes, the State of Montana has included all funds and account groups which comprise the State of Montana (the primary government) and its component units. The component units are entities for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The Component Units columns of the combined financial statements include the financial data of these entities:

Housing Authority (Proprietary Fund Type) - This Authority is a quasi-judicial board, consisting of seven members appointed by the Governor, created in 1975 to facilitate the availability of decent, safe and sanitary housing to persons and families of lower income. The Board issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975,000,000. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. The Authority is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 836 Front Street, Helena, MT 59601.

Health Facilities Authority (Proprietary Fund Type) - This Authority is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. Its purpose is to contain future health care costs by offering debt financing or refinancing at reduced rates to Montana non-profit private and public health care institutions for purchases of capital equipment and buildings. The Board issues revenue bonds to fulfill its purposes. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. The Authority is audited by the Legislative Auditor every two years. Its report is issued under separate cover and available at 555 Fuller Avenue, Helena, MT 59601.

State Compensation Insurance Fund (New and Old) (Proprietary Fund Type) - The Fund is a quasi-governmental corporation governed by a five member board appointed by the Governor. The Fund provides workers' compensation insurance. The New Fund covers claims incurred after June 30, 1990, and is financed by member (employer) premiums. The Old Fund covers claims incurred before July 1, 1990, and is financed by a .5 percent tax on each employer as well as a .2 percent tax on employee wages and distributive income of sole proprietors and subchapter S shareholders. Administrative operations and budgets are reviewed by the Governor and the Legislature. The Fund is audited annually by the Legislative Auditor. Its report is issued under separate cover and available at 5 South Last Chance Gulch, Helena, MT 59601

Teachers' Retirement System (Pension Trust Fund) - This retirement system is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump sum payments to members of Montana's public teaching profession. The administrative costs of the Teachers' Retirement Division are paid from interest earnings of the fund. The system is funded from employer and employee contributions and interest earnings. The system is audited annually by the Legislative Auditor. Its report is issued under separate cover and is available at 1500 East 6th Avenue, Helena, MT 59620.

Universities and Colleges (Higher Education Funds) - The State Board of Regents has responsibility for the following institutions: University of Montana-Missoula and the units under it including Montana Tech of the University of Montana, Western Montana College of the University of Montana and the Helena College of Technology; and Montana State University-Bozeman and the units under it including Montana State University-Billings and Montana State University-Northern. All units are funded through State appropriations, tuition, federal grants, and private donations and grants. The units are audited by the Legislative Auditor every two years and their reports are issued under separate cover. The reports are available at the President's Office on each of the campuses or by contacting the Commissioner of Higher Education, 2500 Broadway, Helena, MT 59601.

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private non-profit corporation, and (3) private foundations supporting public education, over which the State exercises neither financial nor administrative control (see Note 19).

Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The State's support of local public education systems is reported in the General Fund.

B. Fund Structure - The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Montana are classified into fund categories and account groups as described below:

GOVERNMENTAL FUNDS

General Fund - To account for all governmental financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes (other than expendable trusts or major capital projects).

Debt Service Funds - To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds - To account for resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

PROPRIETARY FUNDS

Enterprise Funds - To account for operations (1) financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs primarily through user charges; or (2) where the legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Internal Service Funds - To account for the financing of goods and services provided by one department or agency to other departments, agencies or other governmental entities on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Pension Trust Funds; and (4) Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - To account for all fixed assets of the State, except those accounted for in the Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

General Long-Term Obligations Account Group - To account for all long-term obligations of the State, except those accounted for in Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

HIGHER EDUCATION (UNIVERSITY AND COLLEGE) FUNDS

Current Funds

Unrestricted

General Operating - To account for the portion of financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

Designated - To account for those resources associated with general operations which are separately classified in order to accumulate costs recharged to other funds and to identify special activities of educational departments which are supported by supplemental assessments and the receipt and disposition of special supply and facility fees which are approved for collection beyond normal course fees.

Auxiliary - To account for those financial resources devoted to providing essential on-campus services primarily to students, faculty or staff where a fee relating to the service is charged.

Restricted - To account for the portion of financial resources that can be expended only for purposes imposed by sources external to the Board of Regents and the legislature.

Fiduciary Funds

Student Loans - To account for monies which may be loaned to students, faculty or staff for purposes related to education, organized research or public services by the higher education units.

Endowments - To account for monies where the principal is available for investment. Investment earnings are to be transferred to (or recorded directly in) appropriate operating funds pursuant to prevailing administrative requirements.

Agency - To account for monies where the State acts in the capacity of a custodian or fiscal agent for individual students, faculty, staff or qualified organizations.

Plant Funds

Unexpended - To account for unexpended resources derived from various sources which are used to finance the acquisition/construction of plant assets and the associated liabilities.

Renewal and Replacement - To account for resources used to provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements.

Retirement of Indebtedness - To account for resources accumulated for interest and principal payments and other debt service charges, including contributions to reserves, relating to plant fund indebtedness.

Investment in Plant - To account for all long-lived assets in the service of the higher education unit as well as all associated liabilities.

C. Basis of Accounting - The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed in the Governmental Funds, Expendable Trust Funds and in the Agency Funds for the purpose of asset and liability recognition. Under the modified accrual basis, revenues are susceptible to accrual and recognized when they are measurable and available to pay current period liabilities. Intergovernmental revenues received as reimbursements are recognized based upon the expenditures incurred. Intergovernmental revenues received but not earned are recorded as deferred revenues. All other revenue including taxes on coal sales, gas and oil production, individual income and other self-assessed taxes is considered available if due within 60 days of fiscal year-end. Based on historical analysis, a liability has been recognized for collected withholding taxes to be refunded in fiscal year 1998. Expenditures are recognized when the related fund liability is incurred, with the following exceptions:

- (1) principal and interest on long-term debt is recognized when due;
- (2) prepayments are accounted for as expenditures in the period of acquisition; and
- (3) inventory items are considered expenditures when purchased.

All Proprietary, Pension Trust and Nonexpendable Trust Funds are accounted for on an economic resources measurement focus. This means all assets and liabilities associated with these activities are included on their balance sheets. Operating statements for these funds present increases (revenues) and decreases (expenses) in net total assets.

Proprietary, Pension Trust, Nonexpendable Trust and Higher Education Funds are maintained and reported on 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. In Higher Education Funds, depreciation expense related to plant fund assets is not recorded; summer session student tuition and fee revenues and expenditures are deferred at June 30 and recorded as revenue and expenditures in the succeeding fiscal year. Unbilled receivables of Proprietary and Higher Education Funds are recognized as revenue.

Significant intrafund transactions and balances have been eliminated.

D. Proprietary Activity Accounting and Financial Reporting - Activities accounted for in the state's proprietary, non-expendable trust and pension trust funds and proprietary type component units follow GAAP prescribed by the GASB and all Financial Accounting Standards Board's standards issued on or before November 30, 1989. Subsequent to this date, the State accounts for these activities as prescribed by the GASB.

E. Cash/Cash Equivalents - For all funds, except the Housing Authority in the Component Unit Proprietary Funds, cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the state treasurer, other cash deposits, and mortgage payments in transit (See Note 4).

F. Receivables - This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. The allowance for uncollectible taxes at June 30, 1997, is \$16.39 million.

G. Inventories - Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method should be appropriate for most agencies.

Governmental and Expendable Trust Funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, significant amounts of inventory are shown as a reserve of fund balance, indicating they do not constitute "available spendable resources." An exception is the food stamp inventory balance in the special revenue fund which is offset by deferred revenue per GASB Statement 24.

Proprietary, Pension Trust, Nonexpendable Trust and Higher Education Funds report using the "consumption method," meaning inventories are expensed as used.

H. Investments - In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Principle", the State of Montana invests in various types of securities for each portfolio it manages. Certain securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. All investments, except the deferred compensation plan investments and pension plan investments are reported at cost or amortized cost in the balance sheet. The deferred compensation plan investments and pension plan investments are carried at market value. Investments are reported by type in the disclosure of custodial credit risk for each investment portfolio (See Note 4 on Cash/Cash Equivalents and Investments).

I. Deferred Charges - Unamortized bond issuance costs are reported in this category.

J. Deferred Revenue - Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

K. Long-Term Obligations - Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term debt account group. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Capital Leases - A capital lease is generally defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" as one which transfers benefits and risks of ownership to the lessee. Leases meeting the criteria of a capital lease as defined are recorded at inception as expenditures and other financial sources in governmental fund types and as assets and liabilities in the General Fixed Assets and General Long-Term Debt Account Groups, respectively, at the present value of the future minimum lease payments, using the interest rates stated in the leases.

M. Compensated Absences - Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 40 hours of sick leave to a nonrefundable sick leave pool. For fiscal year 1997, 959 hours were contributed to the sick leave pool and 1,272 hours were withdrawn leaving a balance of 4,754 hours in the pool. No liability is reported in the accompanying financial statements because these hours are nonrefundable to participants except by grants approved through an application process.

Vested or accumulated leave of Proprietary and Pension Trust Funds is recorded as an expense and liability of those funds; for higher education the expense and liability is recorded in the current unrestricted funds as the benefits accrue to employees. The liability amount recorded in the General Long-Term Obligations Account Group is not expected to be liquidated with expendable financial resources, thus no expenditure or liability is reported in the governmental funds. Upon retirement or termination, an employee is paid for 100 per cent of unused vacation leave and 25 per cent of unused sick leave.

As of June 30, 1997, the State's liability for unused vacation and sick leave for Higher Education Funds was \$29,452,000. The leave liabilities for the remaining agencies at June 30, 1997, were \$51,793,000, an increase of \$3,722,000 over the June 30, 1996, leave liability of \$48,071,000. The following table reflects the change (in thousands):

	<u>Balance July 1, 1996</u>	<u>Leave Earned</u>	<u>Leave Used</u>	<u>Balance June 30, 1997</u>
PRIMARY GOVERNMENT				
Governmental Fund Types and Similar Trust Funds	\$ 43,942	\$ 27,924	\$ 24,556	\$ 47,310
Proprietary Fund Types and Similar Trust Funds	<u>3,387</u>	<u>2,158</u>	<u>1,870</u>	<u>3,675</u>
Total	<u>\$ 47,329</u>	<u>\$ 30,082</u>	<u>\$ 26,426</u>	<u>\$ 50,985</u>
COMPONENT UNITS				
Proprietary Fund Types and Similar Trust Funds	<u>742</u>	<u>589</u>	<u>523</u>	<u>808</u>
Total Non-Higher Education Funds	<u>\$ 48,071</u>	<u>\$ 30,671</u>	<u>\$ 26,949</u>	<u>\$ 51,793</u>

N. Encumbrances - The State utilizes encumbrance accounting to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year end represent the estimated amount of expenditures likely to result if orders for goods and services are completed. In governmental funds, encumbrances outstanding at year end are reported as reservations of fund balances since they do not represent expenditures or liabilities.

O. Advances to Other Funds - Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources. The transaction is recognized by the other fund in the balance sheet account "Advance From Other Funds."

P. Fund Equity - Contributed capital is recorded in proprietary funds that have received capital from other funds. Reserves represent those portions of fund equity or retained earnings not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for the future use of financial resources. Undesignated fund balances indicate that portion of fund equity that is available for budgeting in future years subject to working capital requirements.

Q. Property Taxes - Real property taxes are levied in October and are payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due. The State recognizes property tax revenues as available if they are collectible within 60 days after fiscal year-end. Material delinquent and total uncollected current year property taxes receivable are recorded in Receivables (Net of Uncollectibles).

Personal property tax levies are set each August and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Personal property taxes attach as an enforceable lien immediately if not paid when due.

Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

R. Other Taxes - On the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for All Governmental Fund Types and Expendable Trust Funds, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Exp. Trust Fund
Video Gaming	\$11,074	\$ 1	\$ -	\$ -	\$22,247
Insurance Premium	22,489	11,007	-	-	-
University System Millage	830	14,719	-	-	-
Cigarette/Tobacco	-	1,752	10,901	2,336	-
Inheritance/Estate	14,562	-	-	-	-
Accommodations	105	9,405	-	-	-
Alcoholic Beverage	2,203	2,412	-	-	1,490
Electrical Energy	3,849	-	-	-	-
Freight Line	6,309	-	-	-	-
Telephone License	6,045	-	-	-	-
Miscellaneous	<u>2,162</u>	<u>10,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER TAXES	<u>\$69,628</u>	<u>\$49,811</u>	<u>\$10,901</u>	<u>\$2,336</u>	<u>\$23,737</u>

2. BUDGETARY REPORTING

A. State Budget Process - Montana prepares two annual budgets biennially in the odd-numbered years when the legislature meets. The constitution requires that legislative appropriations not exceed available revenues. The legislature only utilizes revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budgeted appropriations. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the General, Special Revenue and Capital Projects Funds, except for those State Special Revenue Funds which receive donations. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor and the legislative fiscal division. The Governor and budget director establish priorities and balance the budget. The Governor's budget is submitted to the legislative fiscal division which prepares recommendations. A comparison of those recommendations with the Governor's budget is submitted to the legislature. Joint appropriations subcommittee hearings are held and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The legislature generally enacts one bill making all appropriations for the next two fiscal years. The Office of Budget and Program Planning establishes appropriations for each program by accounting entity (fund) within an agency. The legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the legislature may authorize supplemental appropriations. During the 1997 legislative session, the legislature appropriated \$14.2 million

general fund and \$0.93 million in special revenue supplemental appropriations for fiscal year 1997. The Governor, or his designee, may approve budget amendments for non-general fund monies not available for consideration by the legislature and for emergencies. In the accompanying financial statements, reported budget amounts are as amended. Budget amendments authorized for fiscal year 1997 were not material. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the legislature or the governor's office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued/encumbered. Fund balances/retained earnings are not reserved for reverted appropriations. For fiscal year 1997, reverted appropriations for all funds were \$357.2 million of which \$20.7 million were for the General Fund and \$189.8 million were for the Special Revenue Fund. Agencies are able to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of the budget office.

Appropriations for Capital Projects Funds are not made on an annual basis, but are adopted on a "project-length" basis. Because these non-operating budgets primarily serve a management control purpose and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided in this CAFR.

B. Budget Basis - The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in Proprietary Funds; compensated absences and inventories purchased in Higher Education Funds; certain loans from Governmental Funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.). The General and Special Revenue Fund Type budgetary statement includes a reconciliation of unreserved fund balance between "Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses" on the budgetary basis and the GAAP basis.

3. OTHER ACCOUNTING ISSUES

A. Accounting and Reporting Changes - The State made changes in its accounting and reporting practices to enhance conformance with GAAP. Except for the changes highlighted below, all changes reported in the accompanying financial statements that resulted in the restatement of beginning fund equity were made to correct errors of prior periods.

The State implemented GASB Statement 28 - Accounting and Financial Reporting for Securities Lending Transactions. The implementation of GASB 28 resulted in the recording of an asset for cash collateral from securities lending transactions and an offsetting liability. Also, the income and related expense resulting from securities lending transactions have been separately displayed rather than included as a component of investment income.

B. Other - The Benefits/Claims expenditure amount of \$52.195 million reported in the Component Units column in the combined proprietary fund operating statement consists of the amount of benefits paid and the actuarially determined change in estimated claims liability for the State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). The amounts for each fund are broken down as follows:

	<u>STATE COMPENSATION INSURANCE NEW FUND</u>	<u>OLD FUND</u>
Benefit and Loss Adjustment Exp.	\$ 58,376	\$ 16,313
Incr (Decr) in Actuarially Estimated Claims	<u>20,630</u>	<u>(43,124)</u>
Total Benefits/Claims	<u>\$ 79,006</u>	<u>\$(26,811)</u>

4. CASH/CASH EQUIVALENTS AND INVESTMENTS

This footnote details the following balance sheet classifications (in thousands):

Cash/Cash Equivalents	\$ 1,429,478
Equity in Pooled Investments	\$ 4,966,647
Investments	\$ 1,174,749

Carrying amounts and market values (Bank Balance for Cash Deposits) for the State's cash/cash equivalents and investments are presented in Tables 1 through 4. Information in Tables 3 and 4 does not tie directly to the amounts reported in the GPFS since certain funds' investments and equity in pooled investments are reported at market value in the GPFS while other funds' investment amounts are reported at book value.

A. General

(1) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by the Montana Board of Investments (BOI) in short term securities and other investments. Because these funds are immediately available to the individual funds,

their investment in the pooled cash account is reported as a cash equivalent. In addition to the State Treasurer's pooled cash account there is a short term investment pool (STIP) maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. Because these pooled funds are invested in short term, highly liquid investments, the individual funds' investment in the STIP are reported as a cash equivalent.

Deposits with financial institutions are categorized to indicate the level of risk assumed by the State. **Category 1** consists of deposits that are insured or collateralized with securities held by the state or by its agent in the state's name. **Category 2** consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the state's name. **Category 3** deposits are uncollateralized. The State's Cash Deposits are categorized in Table 1.

The State's cash equivalents and investments are categorized to indicate the risk level assumed by the State in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments and Table 4 - Investments to disclose the level of risk assumed by the State at fiscal year-end.

Category 1 includes investments that are insured or registered securities held by the State or its agent in the State's name. **Category 2** includes uninsured and unregistered investments in which the securities are held by the counter party's trust department or agent in the State's name. **Category 3** includes uninsured and unregistered investments in which the securities are held by the counter party, or by its trust department or agent, but not in the State's name. None of the State's cash equivalents or investments are classified in Category 3 at fiscal year-end. **Not Categorized** includes investments held by broker-dealers under securities loans with cash collateral.

(2) The State invests in certain types of securities including asset-backed securities, variable-rate instruments, zero coupon bonds, preferred stocks (convertible equity securities), and mortgage-backed securities in addition to other long term investment securities to provide a diversified investment portfolio and an overall competitive rate of return. All securities are reported by investment portfolio and type in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments, and Table 4 - Investments.

Asset-backed securities represent debt securities collateralized by a pool of non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc.. These securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar non asset-backed securities.

Variable-rate instruments pay a variable rate of interest until maturity. The variable rate floats with the 91 day treasury bill or the London Interbank Offered Rate (LIBOR). Variable-rate instruments have credit risk identical to similar fixed-rate securities; however, their market risk (income) is more sensitive to interest rate changes. Their market risk (value/price) may be less volatile than fixed-rate securities because their value will usually remain near par as a result of interest rates being periodically reset to maintain a current market yield.

Zero Coupon Bonds and Preferred Stocks include securities whose structure differs from the basic convertible security structure. These include PENs (Participating Equity Notes), PERCs (Preferred Equity Redemption Coupons), DECS (Dividend Enhanced Common Stock) and ACES (Automatically Convertible Equity Securities). PENs are corporate bonds offering the investor a choice at maturity of receiving the greater of the bond's par value or the value of a preset ratio of an established index. PERCs reflect an investor's acceptance of a cap in a security's price appreciation in exchange for a higher income yield. DECS and ACES are issued, and traded, at a premium to the underlying common stock in exchange for a higher dividend yield. The State's investment policy requires convertible debt and zero coupon bonds to be rated at a specific level at time of purchase as a credit risk control measure. These securities carry market risk and the potential for change in market value. Market value changes may occur due to interest rate changes, declines in the value of underlying common stock, or the triggering of a call feature and other factors.

Mortgage-backed securities reflect participation in a pool of residential mortgages. These securities include structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). Some REMICs are principal-only strips (POS) and interest-only strips (IOS). These securities are based on the cash flows from the principal and interest payments on underlying mortgages, respectively. These securities have credit risk as measured by major credit rating services. The State's investment policy requires these investments to be rated "investment grade" at the time of purchase. Market risk for these securities is caused by changes in the price or principal value of the securities due to changes in interest rates.

There are no legal risks, as of June 30, 1997, that the State is aware of regarding any investments.

(3) Under the provisions of state statutes, the State has, via a Securities Lending Authorization Agreement, authorized the State's agent to lend the State's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the State receives a fee and the agent must initially receive collateral equal to 102% of the market value of the securities on loan and maintain collateral equal to not less than 100% of the market value of the loaned security. During fiscal year 1997, the State's agent loaned, on behalf of the State, certain securities held by the agent, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. The State's agent does not have the ability to pledge or sell collateral securities unless the borrower defaults. The State retains all rights and risks of ownership for the loaned securities. On June 30, 1997, the State had no credit risk exposure to borrowers.

B. Cash/Cash Equivalents

(1) Cash Deposits - The State requires collateralization based on the average daily bank balance in the depository bank holding the main State bank account. For other depository banks, State statutes require collateralization at 50% of the bank balance. The Cash Deposit amounts include both Primary Government and Component Unit deposits.

TABLE 1 - CASH DEPOSITS (In Thousands)

<u>Risk Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
1 Insured (FDIC)	\$ 1,169	\$ 1,169	Various
Collateral held by State/State's agent	12,614	12,614	Various
2	9,746	9,746	Various
3	4,296	4,296	Various
Uncategorized:			
Undeposited Cash	681		
Cash in U.S. Treasury	115,837		
Less: Outstanding Warrants	<u>(39,233)</u>		
TOTAL CASH DEPOSITS	<u>\$105,110</u>		

As of June 30, 1997, the carrying amount of deposits for component units was \$39,800,359 and the bank balance was \$39,559,191. Of the bank balance, \$39,511,466 was fully insured or collateralized with securities held by the component units or their agent's in the unit's name and \$47,725 was collateralized with securities held by the pledging institution's trust department or its agent in the respective component unit's name.

(2) Cash Equivalents - consists of cash in the State Treasury invested by individual funds in the Short Term Investment Pool (STIP) and the Treasurer's Cash Pool in identifiable securities and investments considered to be cash equivalents. Cash equivalents, except for the Housing Authority in the Component Unit Proprietary Fund, generally are short-term, highly liquid investments with original maturities of three months or less. The Housing Authority considers cash and cash equivalents to be cash held by the state treasurer, other cash deposits, and mortgage payments in transit. Cash equivalents may be under the control of the Board of Investments (the Board) or other agencies, as allowed by law.

TABLE 2 - CASH EQUIVALENTS (In Thousands)

	<u>Risk Category 1</u>			<u>Carrying Amount</u>	<u>Market Value</u>	<u>Fund</u>
	<u>Securities Not on Loan</u>	<u>On Loan for Securities Collateral*</u>	<u>Not Categorized*</u>			
Asset-Backed Securities	\$ 349,343	\$ -	\$ -	\$ 349,343	\$ 349,280	Various
Bankers' Acceptances	47,720	-	-	47,720	47,618	Various
Commercial Paper	29,878	-	-	29,878	29,716	Various
Corporate Obligations	60,006	-	-	60,006	60,016	Various
Government Securities	120,607	31,537	101,521	253,665	253,716	Various
Repurchase Agreements	135,000	-	-	135,000	135,000	Various
Variable-Rate	354,788	-	2,199	356,987	357,015	Various
Direct Investments:						
Money Markets				12,199	12,199	Various
Guaranteed Investment Contracts				79,562	79,562	Various
Other				<u>8</u>	<u>8</u>	Various
TOTAL CASH EQUIVALENTS				<u>\$1,324,368</u>	<u>\$1,324,130</u>	
Securities Lending Collateral Investment Pool				<u>\$ 29,195</u>	<u>\$ 29,195</u>	<u>\$ 29,195</u>

* At June 30, 1997, the underlying securities, with market values of \$31,558,694 and \$103,740,764, respectively, were loaned for securities and cash collateral under a security lending agreement with the State's agent.

As of June 30, 1997 local governments invested \$321,093,643 in the STIP.

As of June 30, 1997, component units of the State of Montana had investments in cash equivalents with a book value and market value of \$256,631,787.

C. Equity in Pooled Investments - Consists of investments held by pooled investment funds. The Montana Stock Pool (MONTCOMP), Trust Fund Bond Pool (TFBP), Retirement Funds Bond Pool (RFBP), and Montana International Pool (MTIP) were created to allow qualifying funds to participate in diversified investment pools. Participation is restricted to expendable trust, nonexpendable trust, pension trust, higher education endowment and trust funds and the Deferred Compensation Plan. Purchases are subject to statutory restrictions for quality and size of holdings.

TABLE 3 - EQUITY IN POOLED INVESTMENTS (In Thousands)

	Risk Category 1			Carrying Amount	Market Value
	Securities Not on Loan	On Loan for Securities Collateral*	Not Categorized*		
MONTCOMP:					
Corporate Stocks	\$ 986,286	\$ 38	\$ 91,629	\$ 1,077,953	\$ 1,739,164
Preferred Stocks	1,000	-	-	1,000	1,185
TFBP:					
Corporate Asset Backed	19,548	-	-	19,548	19,792
Corporate Stocks	518,165	-	7,304	525,469	539,825
US Govt. Mortgage Backed	51,345	-	-	51,345	51,368
US Govt. Direct	92,677	9,051	107,065	208,793	214,189
Yankee Bonds	51,467	-	1,987	53,454	55,758
State and Local Government	21,934	-	-	21,934	21,890
RFBP:					
Corporate Asset Backed	54,844	-	-	54,844	55,350
Corporate Stocks	955,822	-	18,801	974,623	996,683
US Govt. Mortgage Backed	107,595	-	-	107,595	109,042
US Govt. Direct	176,470	19,475	263,412	459,357	469,123
Yankee Bonds	104,002	-	-	104,002	107,920
MTIP:					
BOI Internal International	41,690	-	9,072	50,762	54,509
Schroder Capital Management	33,480	472	1,203	35,155	38,470
Yamaichi Capital Management	<u>30,784</u>	<u>261</u>	<u>3,135</u>	<u>34,180</u>	<u>36,916</u>
TOTAL EQUITY IN POOLED INVESTMENTS	<u>\$3,247,109</u>	<u>\$29,297</u>	<u>\$ 503,608</u>	<u>\$3,780,014</u>	<u>\$4,511,184</u>
Securities Lending Collateral Investment Pool			<u>\$ 589,703</u>	<u>\$ 589,703</u>	<u>\$ 589,703</u>

* At June 30, 1997, these underlying securities, with market values of \$29,127,687 and \$566,785,759, respectively, were loaned for securities and cash under a security lending agreement with the State's agent.

As of June 30, 1997, component units of the State of Montana had equity in pooled investments with a book value of \$1,048,832,559 and a market value of \$1,550,017,827.

D. Investments - Long-term investments are primarily administered by three state agencies. Article 8 of Montana's Constitution, with supporting statutes, authorizes the Board of Investments to manage the State's unified investment program. State law specifies which agencies may hold investments outside the administration of the Board. The Board, as the State's primary administrator of long-term investments, actively manages 77% of those investments; the Board of Housing, 16%; and the Department of Administration's Personnel Division, 6% for the State's Deferred Compensation Plan. Additionally, the Higher Education Units manage 1% of total investments for bond related activities.

The Board must employ the "Prudent Expert Rule" in managing the State's investment portfolio. The funds carry equity securities at cost and debt securities at amortized cost. Deferred compensation plan and pension plan investments are carried at market.

The Board of Investments continued to invest in leveraged buyouts and venture capital in fiscal year 1997. The Board's total leveraged buyout commitment, administered by Kohlberg, Kravis, Roberts and Companies, amounts to \$150,000,000. The leveraged buyout invested balance for the pension funds amounted to \$53,577,492 on June 30, 1997.

For the purpose of portfolio diversification, the Board has committed \$57,618,000 for venture capital investments administered by Brinson Partners. The June 30, 1997, venture capital invested balance totaled \$8,083,179 for the Teachers' Retirement and \$9,879,318 for the Public Employees' Retirement systems.

In September 1991, the board committed \$5,000,000 per year for the next five years to invest in mortgage servicing rights. As of June 30, 1997, the invested balance in America's Mortgage Servicing, Inc., for both the Teacher's Retirement and the Public Employees' Retirement Systems was zero. The mortgage servicing rights were sold on June 30, 1997 with the Public Employees' Retirement and Teachers' Retirement Systems realizing gains of \$1,559,349 and \$1,275,831, respectively.

TABLE 4 - INVESTMENTS (RISK CATEGORIES) (In Thousands)

	<u>Risk Category 1</u>					
	<u>Securities</u>	<u>On Loan for</u>				
	<u>Not On</u>	<u>Securities</u>	<u>Risk</u>	<u>Not</u>	<u>Carrying</u>	<u>Market</u>
	<u>Loan</u>	<u>Collateral*</u>	<u>Category 2</u>	<u>Categorized*</u>	<u>Amount</u>	<u>Value</u>
PRIMARY GOVERNMENT						
Corporate Bonds	\$ 19,263	\$ -	\$ -	\$ 1,233	\$ 20,496	\$ 20,565
Corporate Asset-Backed	3,082	-	-	-	3,082	3,072
Government Securities	18,411	9	-	42,153	60,573	60,809
Government Mortgage-Backed	-	-	-	-	-	-
Other	697	-	-	-	697	727
Total	<u>\$ 41,453</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 43,386</u>	<u>\$ 84,848</u>	<u>\$ 85,173</u>
COMPONENT UNITS						
Corporate Bonds	\$ 172,904	\$ -	\$ -	\$ 4,293	\$ 177,197	\$ 179,731
Corporate Asset-Backed	65,591	-	-	-	65,591	65,605
Government Securities	64,887	-	104,592	90,544	260,023	262,691
Government Mortgage-Backed	35,802	-	-	-	35,802	35,949
Other	4,995	-	79,509	-	84,504	84,771
Total	<u>344,179</u>	<u>-</u>	<u>184,101</u>	<u>94,837</u>	<u>623,117</u>	<u>628,747</u>
TOTAL	<u>\$ 385,632</u>	<u>\$ 9</u>	<u>\$ 184,101</u>	<u>\$ 138,223</u>	<u>\$ 707,965</u>	<u>\$ 713,920</u>

Direct Investments:

PRIMARY GOVERNMENT				
Real Estate			\$ 2,446	\$ 2,531
Commercial Loans			118,415	118,363
Mortgages			92,198	92,614
Other			41,533	54,741
Deferred Compensation			72,282	72,588
Total			<u>\$ 326,874</u>	<u>\$ 340,837</u>
COMPONENT UNITS				
Real Estate			\$ 2,446	\$ 2,531
Commercial Loans			4,545	4,501
Mortgages			78,509	78,864
Other			30,837	40,051
Total			<u>116,337</u>	<u>125,947</u>
TOTAL INVESTMENTS			<u>\$ 1,151,176</u>	<u>\$ 1,180,704</u>

Securities Lending Collateral				
Investment Pool			<u>\$ 284,724</u>	<u>\$ 284,724</u>

At June 30, 1997, the underlying securities, with market values of \$16,176,083 and \$214,900,371, respectively, were loaned for securities and cash collateral under a security lending agreement with the State's agent.

5. FIXED ASSETS

Fixed asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure fixed assets and interest expenditures for general fixed assets are not capitalized. Infrastructure assets of primary government and component unit proprietary activities are capitalized. Interest incurred during the construction of fixed assets for proprietary funds and higher education units is capitalized.

Fixed assets are not depreciated in the General Fixed Assets Account Group. Purchases of such assets are recorded as expenditures in the appropriate governmental fund. Fixed assets in Proprietary, Nonexpendable Trust and Pension Trust Funds are accounted for within their respective funds and are depreciated. Expendable Trust Funds do not report fixed assets within their funds because the assets are purchased by other funds. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 20 years for improvements and 3 to 10 years for equipment. Fixed assets and intangible assets for Higher Education units are accounted for in the Investment in Plant Fund and are not depreciated.

Intrafund transfers of fixed assets have not been eliminated in the table below.

Changes in fixed asset balances for the fiscal year ended June 30, 1997, are reflected in the following table (in thousands):

PRIMARY GOVERNMENT

	<u>Balance July 1, 1996</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 1997</u>
<u>PROPRIETARY FUNDS</u>				
Land	\$ 1,138	\$ 5	\$ 107	\$ 1,036
Buildings/Improvements	5,439	70	9	5,500
Equipment	131,274	11,916	6,507	136,683
Other Fixed Assets	1,397	3	-	1,400
Construction in Progress	353	3,034	1,715	1,672
Subtotal/Total	139,601	<u>\$ 15,028</u>	<u>\$ 8,338</u>	146,291
Accumulated Depreciation	(76,992)			(83,355)
Total	<u>\$ 62,609</u>			<u>\$ 62,936</u>

	<u>Balance July 1, 1996</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 1997</u>
<u>NONEXPENDABLE TRUST FUNDS</u>				
Land	\$ 49,399	\$ -	\$ 1	\$ 49,398
Other Fixed Assets	-	2	-	2
Total	<u>\$ 49,399</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 49,400</u>

<u>PENSION TRUST FUNDS</u>				
Land	\$ 25	\$ -	\$ -	\$ 25
Buildings/Improvements	277	-	-	277
Equipment	133	17	5	145
Subtotal/Total	435	<u>\$ 17</u>	<u>\$ 5</u>	447
Accumulated Depreciation	(191)			(211)
Total	<u>\$ 244</u>			<u>\$ 236</u>

<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>				
Land	\$ 59,073	\$ 3,982	\$ 410	\$ 62,645
Buildings/Improvements	293,362	18,798	5,604	306,556
Equipment	105,995	16,075	10,378	111,692
Other Fixed Assets	44,438	4,293	52	48,679
Construction in Progress	7,783	13,761	7,263	14,281
Total	<u>\$ 510,651</u>	<u>\$ 56,909</u>	<u>\$ 23,707</u>	<u>\$ 543,853</u>

COMPONENT UNITS

<u>PROPRIETARY FUNDS</u>				
Equipment	\$ 3,804	<u>\$ 431</u>	<u>\$ 82</u>	\$ 4,153
Accumulated Depreciation	(1,736)			(2,237)
Total	<u>\$ 2,068</u>			<u>\$ 1,916</u>

<u>PENSION TRUST FUND</u>				
Land	\$ 35	\$ -	\$ -	\$ 35
Buildings/Improvements	158	-	-	158
Equipment	208	23	-	231
Subtotal/Total	401	<u>\$ 23</u>	<u>\$ -</u>	424
Accumulated Depreciation	(214)			(242)
Total	<u>\$ 187</u>			<u>\$ 182</u>

<u>HIGHER EDUCATION FUNDS</u>				
Land	\$ 13,293	\$ 67	\$ 50	\$ 13,310
Buildings/Improvements	303,733	51,501	4,093	351,141
Equipment	127,276	20,352	7,190	140,438
Other Fixed Assets	74,149	5,378	459	79,068
Construction in Progress	80,871	24,861	9,434	96,298
Intangible Assets	2,247	1,239	185	3,301
Total	<u>\$ 601,569</u>	<u>\$ 103,398</u>	<u>\$ 21,411</u>	<u>\$ 683,556</u>

6. RETIREMENT SYSTEMS

DEFINED CONTRIBUTION PLAN

Effective January 1, 1988 through June 30, 1993, eligible employees of the Montana University System (MUS) could elect to participate in the Optional Retirement Program (ORP). The ORP is a defined contribution retirement plan

governed by Title 19, Chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and only faculty and staff with contracts under the authority of the Board of Regents may participate. Those faculty and staff members who did not elect the ORP participate in the Teachers' Retirement System, a defined benefit plan discussed in the next section. Beginning July 1, 1993, membership in the ORP is mandatory for eligible employees new to the MUS. The MUS is the only employer contributing to this plan.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. Higher education units record employee/employer contribution expenditures in the affected higher education subfund when remitting contributions to the Commissioner of Higher Education. These monies are recorded in the Custodial Accounts Agency Fund. The Commissioner's Office then wire transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF. Approximately 1,583 employees are members of the ORP. Required employee contributions are 7.044% of salary and required employer contributions are 4.956% of salary for a total of 12% of salary contributed to the ORP.

	TIAA-CREF <u>(in thousands)</u>
Covered Payroll	\$ 54,780
Total Payroll	198,768
Employer Contributions	\$ 2,714
Percent of Covered Payroll	4.956%
Employee Contributions	\$ 3,820
Percent of Covered Payroll	7.044%

DEFINED BENEFIT PLANS

A. General

The Public Employees' Retirement Division administers eight defined benefit plans - Public Employees' Retirement System (PERS), Highway Patrol Officers' Retirement System (HPORS), Judges' Retirement System (JRS), Game Wardens' Retirement System (GWRS), Sheriffs' Retirement System (SRS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and Volunteer Firefighters' Compensation Act (VFCA). The division prepares a publicly issued financial report that includes financial statements and required supplementary information for PERS, HPORS, JRS, GWRS, SRS, MPORS, FURS, and VFCA. That report may be obtained by writing to the Department of Administration, Public Employees' Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131.

The Teachers' Retirement Division administers one defined benefit plan - Teachers' Retirement System (TRS). The publicly issued financial report that includes financial statements and required supplementary information for TRS may be obtained by writing to the Department of Administration, Teachers' Retirement Division, P.O. Box 200139, Helena, Montana 59620-0139.

PERS, HPORS, JRS, GWRS, SRS, MPORS, FURS and VFCA are considered part of the state of Montana's financial reporting entity and are included in the accompanying financial statements as pension trust funds in the trust and agency fund type.

TRS is considered part of the state of Montana's financial reporting entity and is included in the accompanying financial statements as a discretely presented component unit Pension Trust Fund.

A summary of government employers participating in PERS, SRS, MPORS, FURS and TRS by employer type at June 30, 1997 follows:

Retirement System					
	PERS	SRS	MPORS	FURS	TRS
Employers					
State Agencies	36				6
Counties	55	55			
Cities/Towns	88		19	14	
Colleges/Universities	6				12
School Districts	232				397
Other	79				
Total	496	55	19	14	415

B. Plan Descriptions

The State contributes to and/or administers eight retirement systems and one pension plan in four categories: (1) the State as the single employer; (2) the State as an employer contributor to cost-sharing multiple-employer plans; (3) the State as a nonemployer contributor to cost-sharing multiple employer plans; and (4) the State as a nonemployer contributor.

The number of years required to obtain vested rights varies among the systems. All systems provide early retirement options, death benefits, termination (except VFCA) and disability benefits. All systems (except VFCA) provide post-retirement benefits. Post-retirement benefits for the GWRS, PERS, TRS and SRS are based on investment yield, retirees' total years of service, age and option chosen at the time of retirement. Post-retirement adjustments are made only in years when funding is available and do not increase the unfunded liability of the system. The post-retirement benefits of each of the remaining systems are included in the plan descriptions below. In addition, the 1997 Legislature passed a guaranteed annual benefit adjustment (GABA) to the PERS, MPORS, GWRS, SRS, JRS, HPORS, and FURS that will provide a benefit increase of 1.5% each January, beginning January 1998, if the recipient has been receiving a retirement benefit for at least 36 months.

The funding policies for each system provide for periodic employer and employee contributions (except VFCA) at rates specified by state law; contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirement in a biennial actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. 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 40 years until June 30, 2005, after which the amortization period is not to exceed 30 years.

(1) State as the Single Employer

HPORS - Highway Patrol Officers' Retirement System - This system, established in 1971 and governed by Title 19, chapters 2 & 6 of the Montana Code Annotated (MCA), provides retirement benefits for all uniformed members of the Montana Highway Patrol, including supervisory personnel. Member and State contributions are 9% and 36.28%, respectively, of total salaries of active highway patrol officers. For members hired on or before July 1, 1985, there is no minimum age, but minimum service is 20 years for benefit eligibility. A member hired after July 1, 1985, must be 50 years old and have 20 years of creditable service for benefit eligibility. The service retirement benefit is based on a formula of 2.5% times the number of years of service times the final average salary. Post-retirement benefits are in the form of minimum benefit supplements which ensure the retiree's benefit is no less than 2% of a probationary highway patrol officer's salary for each year of the retiree's service, with the annual increase not to exceed 5% of the benefit. Members retired prior to July 1, 1991, who are at least age 55 and have been retired a minimum of five years, will also receive a lump sum payment. This lump sum payment is funded by a registration fee of 25 cents per vehicle license. Rights are vested after five years of service.

JRS - Judges' Retirement System - This system, established in 1967 and governed by Title 19, chapters 2 & 5 of the MCA, provides retirement benefits for all district court judges, justices of the Supreme Court, and the Chief Water Judge. Members contribute 7% of their salary and the State contributes 6% of active judges' salaries, district court fees equal to 34.71% of members' salaries, and 25% of Supreme Court fees. For benefit eligibility, minimum service is 5 years and minimum age is 65. The monthly retirement benefit formula is 3 1/3% times the number of years of service (to a maximum of 15 years) times 1/12 the current annual salary, plus 1.785% of such salary for each year of service after 15 years. JRS retirees receive increases in benefits at the same rate as salary increases are granted to active members through legislative action. Rights are vested after five years of creditable service. The current actuarial valuation indicates a material increase in retirees which increases the inactive liability resulting in a longer period of time being required to fund that liability. During the year ended June 30, 1996, actual contributions did not cover the year's normal cost.

GWRS - Game Wardens' Retirement System - This system, established in 1963 and governed by Title 19, chapters 2 & 8 of the MCA, provides retirement benefits for all persons employed as a game warden, including all supervisory personnel. The member contributes 7.9% of salary and the State contributes 8.15% of active game wardens' salaries, plus all collections from fines and forfeited bonds related to fish and game law violations. For benefit eligibility, minimum age is 50 and minimum years of service are 20. A member may retire with ten years of service at age 55. The yearly retirement benefit formula is 2% times the number of years of service times the final average salary. Investment earnings in excess of 8%, if any, are used to provide post-retirement increases. Rights are vested after ten years of service.

(2) State as an Employer Contributor to a Cost-Sharing Multiple-Employer

PERS - Public Employees' Retirement System - This mandatory system, established in 1945 and governed by Title 19, chapters 2 & 3 of the MCA, provides retirement services to substantially all public employees not covered by another public system. The contribution rate is 6.70% of gross wages for both employees and employers. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking the greater of: (1) 1/56 times the number of years of service times the final average salary times any early retirement reduction if necessary or (2) a monthly annuity that is the actuarial equivalent of twice the member's accumulated regular contributions. Investment earnings in excess of 8%, if any, are used to provide post-retirement increases based on members' years of service, age and option chosen at the time of retirement. Members' rights are vested after 5 years of service.

TRS - Teachers' Retirement System - This mandatory system, established in 1937 and governed by Title 19, chapter 20 of the MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, or unit of the university system. Member and employer contributions are 7.044% and 7.47%, respectively, of gross salaries. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for annual benefits is 1/60 times creditable service years times the final average compensation. Rights are vested after five years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

SRS - Sheriffs' Retirement System - This system, established in 1974 and governed by Title 19, chapters 2 & 7 of the MCA, covers all sheriffs, as well as all State Department of Justice investigators hired after July 1, 1993. The member contribution is 7.865% of salary; the employer contribution is 8.53% of salary. Minimum years of service for normal service retirement eligibility are 20. The service retirement benefit is calculated at 2.0834% of the final average salary for each year of creditable service plus an additional 1.35% of the final average salary for each year of creditable service in excess of 24 years. Reduced benefits for early retirement may be taken with a minimum of 15 years of service and a minimum age of 50. Investment earnings in excess of 8%, if any, are used to provide post-employment increases. Rights are vested after 5 years of service if involuntarily terminated, and after 15 years if termination is voluntary.

(3) State as a Nonemployer Contributor to a Cost-Sharing Multiple-Employer

MPORS - Municipal Police Officers' Retirement System - The system, established in 1975 and governed by Title 19, chapters 2 & 9 of the MCA, covers all municipal police officers of cities covered by the plan. The member contribution is 7.8% of salary for members employed prior to July 1, 1975; 9% of salary for members employed after June 30, 1975, and prior to July 1, 1979; and 10.5% of salary for members employed after June 30, 1979. City contributions are 14.36% of active police officers' salaries. The State contributes 15.66% of active police officers' salaries. The State's contribution is funded from the premium tax on motor vehicle property and casualty insurance policies. Minimum years of service are 10 for benefit eligibility at age 50, or 20 years of service at any age. The service retirement benefit is 2.5% times the number of years of service times the final average salary. The post-retirement benefit is the amount needed to ensure that the retiree's benefit is no less than 50% of the base salary of a newly confirmed police officer. These post-retirement benefits are paid directly by the insurance premium tax fund and are in addition to the actuarially determined contributions to the system. Rights are vested after ten years of service.

FURS - Firefighters' Unified Retirement System - This system, established in 1981 and governed by Title 19, chapters 2 & 13 of the MCA, provides retirement benefits for all paid firefighters. The member contribution is 7.8% of base compensation, and city contributions are 14.36% of total annual compensation. The State contribution is 24.21% of total annual compensation for all firefighters and is paid out of the insurance premium tax fund. Minimum service is 20 years for benefit eligibility. For members hired prior to July 1, 1981, with at least 20 years of service, the monthly service retirement benefit is equal to ½ of the final monthly compensation received plus an additional 2% for each year in excess of 20 years. Members hired on or after July 1, 1981 receive a service retirement benefit equal to 2% of final average salary for each year of service. Post-retirement benefits require that each retiree receive at least 50% of the salary paid a newly confirmed active firefighter. The cost of this adjustment for members retired prior to July 1, 1973 and for members hired on or after July 1, 1981 is paid from the fire insurance premium tax fund, provided funds are available. Rights are vested after ten years of service.

(4) State as a Nonemployer Contributor

VFCA - Volunteer Firefighters' Compensation Act - This compensation program, established in 1965 and governed by Title 19, chapter 17 of the MCA, provides medical benefits and pension, disability and death benefits for all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas of the state. The State contribution is 5% of fire insurance premium taxes collected. This retirement system is required by law to be fully funded and cannot pay benefits unless money is available. Rights are vested after 10 years of qualified service.

C. Summary of Significant Accounting Policies

The defined benefit plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

D. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments for the retirement systems. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various pricing services. The retirement systems have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the retirement systems' net assets available for benefits.

E. Long-Term Contracts for Contributions

The Public Employees' Retirement System has outstanding contributions for two early retirement programs:

The 1993 Montana Legislature enacted House Bill 517--Retirement Incentive Program (RIP) providing PERS members (eligible for a service retirement) an incentive to terminate between June 25, 1993 and December 31, 1993. Local government employers participated through election on or before June 1, 1993. The employer purchased, on the member's behalf, up to three years of "1-for-5" additional service for any retirement eligible member who terminated employment during the window. A total of 898 members took advantage of the program (630 from 32 state agencies, 95 from 6 universities, and 173 from 48 local government agencies).

The 1995 Montana Legislature provided a new provision of the Employee Protection Act (HB 490) allowing state employees (eligible for a service retirement) whose positions have been eliminated on or before June 30, 1997, to have their employer purchase up to three years of "1-for-5" additional service. As of June 30, 1997, 78 employees have taken advantage of this provision.

The employer has up to 10 years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Total retirement incentive contributions received (including interest) during fiscal year 1997 were \$1,575,365. Fiscal Year 1997 outstanding balances were \$734,088 (HB 517), and \$592,369 (HB 490).

F. Actuarial Data

Actuarial valuations are performed every two years. Hendrickson, Miller & Associates Inc., Helena, MT, prepared the actuarial reports for the retirement systems, excluding TRS. Milliman & Robertson, Inc., of Seattle, WA., performed the actuarial valuation for TRS.

G. Net Pension Obligation

The Judges' Retirement System (JRS) net pension obligation (NPO) for fiscal year 1997 is as follows (in thousands):

Annual required contribution	\$ 1,212
Interest on NPO	219
Adjustment to the annual required contribution	<u>(303)</u>
Annual pension cost	1,128
Contribution made	<u>(780)</u>
Increase in NPO	348
NPO beginning of year	<u>2,738</u>
NPO end of year	<u>\$ 3,086</u>

H. Funding Policy and Annual Pension Cost

The following tables provide information concerning funding policies and annual pension costs (in thousands):

Single Employer Systems			
	HPORS	JRS	GWRS
Annual pension cost	\$ 3,160	\$ 1,128	\$ 494
Contributions			
Employer	\$ 1,641	\$ 177	\$ 250
Employee	586	207	244
License and Registration fees	932	-	-
Court fee	-	603	-
Actuarial valuation date	7/01/97	7/01/97	7/01/97
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	20.5	30.00	3.48
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial Assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases (includes inflation factor)	6.00%	6.00%	6.00%
Postretirement benefit increases	None	None	None

Single Employer Systems			
Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
HPORS			
06/30/96	\$ 3,163	100%	NONE
06/30/97	\$ 3,160	100%	NONE
JRS			
06/30/96	\$ 1,092	90.75%	\$2,738
06/30/97	\$ 1,128	87.50%	\$3,086
GWRS			
06/30/96	\$ 457	100%	NONE
06/30/97	\$ 494	100%	NONE

Multiple Employer Systems			
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
PERS			
06/30/95	\$ 40,348	100%	NONE
06/30/96	40,776	100%	NONE
06/30/97	43,182	100%	NONE
MPORS			
06/30/95	\$ 4,318	100%	NONE
06/30/96	4,770	100%	NONE
06/30/97	7,355	100%	NONE
FURS			
06/30/95	\$ 4,158	100%	NONE
06/30/96	4,433	100%	NONE
06/30/97	6,811	100%	NONE
SRS			
06/30/95	\$ 1,222	100%	NONE
06/30/96	1,527	100%	NONE
06/30/97	1,618	100%	NONE
TRS			
06/30/95	\$ 39,073	100%	NONE
06/30/96	40,627	100%	NONE
06/30/97	41,640	100%	NONE

I. Schedules of Funding Progress

Single Employer Systems						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
HPORS						
07/01/94	\$40,466	\$63,327	\$22,861	63.90%	\$5,650	404.60%
07/01/96	47,325	67,709	20,384	69.90%	6,242	326.57%
07/01/97	50,136	67,838	17,702	73.91%	6,292	281.34%
JRS						
07/01/94	\$21,281	\$23,171	\$ 1,890	91.84%	\$2,777	68.06%
07/01/96	24,944	27,723	2,779	89.98%	2,907	95.61%
07/01/97	26,392	27,723	1,331	95.20%	2,953	45.07%
GWRS						
07/01/94	\$16,297	\$16,389	\$ 92	99.44%	\$2,494	3.70%
07/01/96	18,160	17,325	(835)	104.82%	2,762	(30.23)%
07/01/97	19,343	17,918	(1,425)	107.95%	2,974	(47.92)%

Multiple Employer Systems						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
PERS						
07/01/94	\$1,366,864	\$1,625,720	\$258,856	84.08%	\$572,974	45.18%
07/01/96	1,629,706	1,826,207	196,500	89.24%	608,592	32.29%
07/01/97	1,742,525	1,961,469	218,944	88.84%	644,509	33.97%
MPORS						
07/01/94	\$ 56,209	\$ 90,507	\$ 34,298	62.10%	\$ 13,395	256.05%
07/01/96	70,068	105,664	35,596	66.31%	15,828	224.90%
07/01/97	71,983	110,098	33,810	68.04%	16,819	201.02%
FURS						
07/01/94	\$ 54,647	\$ 113,153	\$ 58,506	48.29%	\$ 12,424	470.90%
07/01/96	67,745	131,111	63,366	51.67%	13,783	459.75%
07/01/97	67,846	134,479	66,633	50.45%	14,501	459.51%
SRS						
07/01/94	\$ 55,220	\$ 42,978	\$ (12,242)	128.48%	\$ 15,869	(77.14)%
07/01/96	68,647	52,751	(15,895)	130.13%	17,890	(88.85)%
07/01/97	73,240	52,792	(20,448)	138.73%	18,952	(107.89)%
TRS						
07/01/92	\$ 954,542	\$1,533,883	\$579,341	62.2%	\$465,063	124.5%
07/01/94	1,157,512	1,712,933	555,421	67.6%	472,860	117.4%
07/01/96	1,376,716	1,939,569	562,853	71.0%	501,516	112.2%

Nonemployer Contributor						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
VFCA						
07/01/93	\$ 8,760	\$15,211	\$6,451	57.59%	N/A	N/A
07/01/96	11,504	16,636	5,132	69.15%	N/A	N/A

7. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, Retirement Systems, the following postemployment benefits are provided:

The State provides 18 to 36 months optional postemployment health care benefits in accordance with Public Law 99-272, known as the Federal Consolidated Omnibus Reconciliation Act (COBRA) to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who are receiving employee health care benefits at the time they discontinue State employment and (2) dependents who lose dependent eligibility. At June 30, 1997, 101 individuals were receiving these benefits.

In accordance with section 2-18-704, MCA, the State also provides optional postemployment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement system (See Note 6). Administratively established premiums vary between \$102 and \$320 per month depending on the medical plan selected, family coverage and Medicare eligibility. The State acts as secondary payor for Medicare-eligible claimants. As of June 30, 1997, 2,843 retirees were receiving health care benefits.

The State reimburses all validated medical claims less member obligations (annual deductibles and co-payments of the members' selected medical plan). Dental claims are reimbursed at 50% to 100% depending on the services provided. The State funds claims on a pay-as-you-go basis. During the fiscal year, expenditures of \$9,754,257 were

recognized for postemployment health care benefits. Premium contributions received from former employees amounted to \$7,287,468 leaving \$2,466,789 of claims in excess of premium revenue that was paid by the State.

In accordance with 2-18-702, MCA, the Montana University System (MUS) provides postretirement health insurance benefits to eligible employees who receive a retirement benefit from the Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS), or an annuity under the Optional Retirement Plan (ORP). Spouses, unmarried dependent children, and surviving spouses are also eligible. Administratively established premiums vary between \$120 and \$338 per month and are revised annually. Medicare eligible plan members are assumed to be Medicare-insured. After an annual \$250 deductible, MUS reimburses 80% of the first \$3,000 in medical claims and 100% thereafter. The plan automatically reduces claim reimbursements for members eligible for Medicare even if the member is not enrolled in Medicare. As of June 30, 1997, 1,248 retirees are enrolled in the MUS plan. Funding for the retiree health plan is on a pay-as-you-go basis. Based on amounts recorded through June 1997, estimated expenditures of \$2,815,617 were recognized for postemployment health care benefits. Of this amount, \$2,423,738, was covered by premiums paid by retirees and \$391,879 was paid by the MUS.

8. DEFERRED COMPENSATION PLAN

Since 1976, the State of Montana has offered a deferred compensation plan which allows employees to set aside a portion of their salary toward retirement while deferring the State and Federal income taxes until future years. The compensation deferred is not available to employees until separation from State service, retirement, death or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance is required by January 1, 1999.

All employees of the State, including the Montana University System and contracted employees, are eligible to participate. Participating employees are able to invest their deferrals in two primary options: 1) a "fixed" or stable value option which guarantees both principal (the payroll deferral) and a quarterly rate of earnings; and 2) a "variable" option which currently consists of twenty-three (23) mutual funds. Participating employees are allowed to utilize both options and, under the variable option, as many of the offered mutual funds as they choose. As of June 30, 1997, the net assets of the Plan were \$139.131 million.

9. RISK MANAGEMENT

There are two Primary Government public entity risk pools and two Component Unit public entity risk pools that are reported within the Enterprise Fund Type: Primary Government pools include Hail Insurance and Subsequent Injury Funds; Component Unit pools include State Compensation Insurance (New Fund) and State Compensation Insurance (Old Fund). Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. There are three Primary Government Other Than Public Entity Risk Pools reported within the Internal Service Fund Type: Group Employees Comprehensive Medical and Dental Plan, Montana University System (MUS) Group Benefits Plan and Property and Casualty Insurance Plans. In all of these funds there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage. None of these funds have acquisition costs; therefore, no cost is amortized for the period. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at amortized cost. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance - Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the hail insurance program. The Hail Insurance program issued 2,282 policies during the 1997 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a refund. Anticipated investment income is considered in computing a premium deficiency of which there is none.

A claim must be submitted to the State Board of Hail Insurance within fourteen days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain which exceeds 5% destruction by hail.

The fund recorded a liability of \$504,723 based on estimated claims through June 30, 1997. Any crop insurance liability is paid to producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance, reinsurance, or annuity contracts.

(2) Subsequent Injury - This fund provides benefits to workers certified as vocationally handicapped who are injured on the job and entitled to benefits under the Workers' Compensation or Occupational Disease Act at the time of injury. The liability of the insurer for payment of compensation benefits is limited to 104 weeks of benefits actually paid. This fund will reimburse the insurer for all benefits paid after this 104 week time period. In Montana, there are 2,127 individuals certified as vocationally handicapped.

Workers' compensation insurance premium experience modification factors are influenced by the 2 year limitation and employers may experience an insurance premium reduction. Therefore, this fund provides employers with a potential incentive for hiring the certified vocationally handicapped.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed an amount of up to 5% of each insurer's compensation payments for the previous fiscal year. An estimated liability is recorded based on a projected cost (case-by-case) analysis of each injured, certified, vocationally handicapped worker. As of June 30, 1997, the amount of this liability is estimated to be \$1,153,735.

(3) State Compensation Insurance (New Fund) - Liability coverage to employers for injured employees who are insured under the Workers' Compensation and Occupational Disease Acts of Montana and workers' compensation claims occurring on or after July 1, 1990, are reported in the New Fund. The New Fund must insure any employer who desires coverage. At fiscal year-end, approximately 24,823 employers were insured with the New Fund. Montana state governmental agencies must obtain their workers' compensation coverage through the New Fund. Anticipated investment income is considered for computing a premium deficiency and employers must pay premiums to the New Fund within specified time frames.

An actuarial study prepared by Tillinghast, a Towers Perrin company, as of June 30, 1997, has estimated liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. At June 30, 1997, \$344,632,133 of unpaid claims and claim adjustment expenses are presented at their net present value of \$315,107,230. These claims are discounted at an annual rate of 4.0%.

The New Fund uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the fund as direct insurer. The New Fund did not deduct any claim liabilities related to potential reinsurance recoverable. When the New Fund purchases annuity contracts, the claim is settled in full and on a final basis; all liability of the New Fund is terminated.

Statute requires the New Fund set premiums at least annually at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. Statute also requires the New Fund to establish a minimum surplus balance of 25% of annual premium revenue.

(4) State Compensation Insurance (Old Fund) - The liability and payment of workers' compensation claims for incidents occurring before July 1, 1990, are reported in the Old Fund. Funding for claim payments is provided by old fund liability taxes (OFLT) imposed on employers' payroll (0.5%), employees' wages (0.2%) and sole proprietors and subchapter S shareholders' distributive income (0.2%). The OFLT will provide funding for old fund claims. An actuarial study prepared by Tillinghast, a Towers Perrin company, as of June 30, 1997, was used to estimate liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 1997, \$205,678,392 of unpaid claims and claim adjustment expenses are presented at face value. This fund generates little interest earnings, does not discount estimated claims liabilities, and does not compute a premium deficiency (See Note 14).

(5) Changes in Claims Liabilities For the Past Two Years - As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

<u>Primary Government</u>	<u>HAIL INSURANCE</u>		<u>SUBSEQUENT INJURY</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 618	\$ 643	\$ 1,022	\$1,039
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	3,064	3,116	-	-
Increase (Decrease) in provision for insured events of prior years	(31)	4	402	333
Total incurred claims and claim adjustment expenses	<u>3,033</u>	<u>3,120</u>	<u>402</u>	<u>333</u>

<u>Primary Government</u>	<u>HAIL INSURANCE</u>		<u>SUBSEQUENT INJURY</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(2,498)	(2,498)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(648)</u>	<u>(647)</u>	<u>(270)</u>	<u>(350)</u>
Total payment	<u>(3,146)</u>	<u>(3,145)</u>	<u>(270)</u>	<u>(350)</u>
Total unpaid claims and claim adjust. exp. at end of the year	<u>\$ 505</u>	<u>\$ 618</u>	<u>\$ 1,154</u>	<u>\$ 1,022</u>

<u>Component Units</u>	<u>STATE COMPENSATION INSURANCE (NEW FUND)</u>		<u>STATE COMPENSATION INSURANCE (OLD FUND)</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$402,714</u>	<u>\$541,374</u>	<u>\$248,802</u>	<u>\$295,749</u>
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	81,046	102,102	-	-
Increase (Decrease) in provision for insured events of prior years	<u>(80,752)</u>	<u>(169,235)</u>	<u>(26,812)</u>	<u>(24,688)</u>
Total incurred claims and claim adjustment expenses	<u>294</u>	<u>(67,133)</u>	<u>(26,812)</u>	<u>(24,688)</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(12,590)	(15,818)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(45,786)</u>	<u>(55,709)</u>	<u>(16,312)</u>	<u>(22,259)</u>
Total payment	<u>(58,376)</u>	<u>(71,527)</u>	<u>(16,312)</u>	<u>(22,259)</u>
Total unpaid claims and claim adjust. exp. at end of the year	<u>\$344,632</u>	<u>\$402,714</u>	<u>\$205,678</u>	<u>\$248,802</u>

(6) Risk Management Trend Information

The following table only presents risk management trend information for the State Compensation Insurance (New Fund). Only the New Fund has a three to five year development cycle contemplated by GASB Statement 10. The State Compensation Insurance (Old Fund) does not charge a premium for its services; its funding source is the old fund liability tax. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no three to five year development cycle. State statute limits the payment of claims and the collection of premiums (and penalties) for the Subsequent Injury Fund from any developmental cycle.

The table below illustrates how the earned revenues (net of reinsurance) of the New Fund and its investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of the fiscal year (in thousands). Section 3 shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 5 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 6 compares the latest reestimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be expanded and revised as data for successive policy years develops.

	STATE COMPENSATION INSURANCE (NEW FUND)						
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
1. Net earned required contribution and investment revenues	\$115,656	\$151,256	\$195,216	\$208,736	\$174,015	\$121,646	\$88,014
2. Unallocated expenses including overhead	6,048	8,232	9,325	9,090	11,303	16,114	11,374
3. Estimated incurred claims and expenses, end of policy year	137,237	183,425	186,480	199,890	173,327	102,102	81,046
4. Paid (cumulative) as of:							
End of policy year	17,618	20,244	18,347	18,693	18,137	15,818	12,589
One year later	44,335	50,576	46,343	45,947	40,473	32,890	
Two years later	64,079	68,837	62,717	60,971	52,073		
Three years later	74,901	77,950	71,666	67,576			
Four years later	81,747	83,173	76,280				
Five years later	85,924	86,461					
Six years later	88,532						
5. Reestimated incurred claims and expense:							
End of policy year	137,237	183,425	186,480	199,890	173,327	102,102	81,046
One year later	166,980	184,968	184,030	184,920	124,123	88,923	
Two years later	160,272	175,218	167,052	135,472	107,074		
Three years later	151,554	161,184	133,017	116,756			
Four years later	141,389	135,775	120,583				
Five years later	130,250	125,084					
Six years later	121,568						
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(15,669)	(58,341)	(65,897)	(83,134)	(66,253)	(13,179)	

B. Other Than Public Entity Risk Pools

(1) Group Employee Comprehensive Medical and Dental Plan - This plan is fully self-insured, with the State assuming all the risk for claims incurred by employees of the State, elected officials, retirees and their dependents. There is no third party coverage. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement Division and self-payment and are recorded as revenue in the Employees' Group Benefits Internal Service Fund. At June 30, 1997, estimates for claims liabilities, which include incurred but not reported claims, are \$7,155,542 and are based on a formula provided by The Segal Company, a consulting actuarial firm. A liability is reported in the accompanying financial statements for these estimated claims.

(2) Montana University System (MUS) Group Benefits Plan - This plan was authorized by the Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System, the Montana Higher Education Student Assistance Corporation (MHESAC), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured. Blue Cross/Blue Shield is the claims administrator on the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Internal Service Fund. The claims liability is estimated to be \$3,700,000 as of June 30, 1997, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Property & Casualty Insurance Plans - This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage and State-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for most property insurance as well as various deductible amounts for other state property. The State also self-insures against losses of equipment below \$150,000 of value, with State agencies paying the first \$1,000. Commercial property insurance protects approximately \$1.8 billion of State-owned buildings and contents. The State property insurance includes earthquake and flood protection to \$100 million annually with deductibles of \$1 million for earthquake and \$500,000 for flood per occurrence. Premiums are collected from all State agencies including Component Units and recorded as revenue in the Administration Insurance Internal Service Fund.

A biennial actuarial study, prepared by Tillinghast, a Towers Perrin Company, and issued for the accident period 7/1/88 through 6/30/97, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. The June 30, 1997, estimated claims liability of \$12,825,397, discounted at 11.1%, includes those claims incurred but not reported and is reported in the accompanying financial statements (See Note 14).

(4) Changes in Claims Liabilities For the Past Two Years - These funds establish liabilities for both reported and incurred but not reported claims. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands):

	Group Employees Medical & Dental		MUS Group Benefits		Prop. & Casualty Insurance	
	1997	1996	1997	1996	1997	1996
Amount of claims liabilities at the beginning of each fiscal year	\$ 6,959	\$ 6,760	\$ 3,100	\$ 3,200	\$14,980	\$19,329
Incurred claims:						
Provision for insured events of the current year	40,157	38,372	20,928	18,264	4,520	5,326
Increases (Decreases) in provision for insured events of prior years	197	199	600	(100)	(2,037)	(5,418)
Total incurred claims	<u>40,354</u>	<u>38,571</u>	<u>21,528</u>	<u>18,164</u>	<u>2,483</u>	<u>(92)</u>
Payments:						
Claims attributable to insured events of the current year	(40,157)	(38,372)	(20,928)	(18,264)	(1,075)	(920)
Claims attributable to insured events of prior years	-	-	-	-	(3,563)	(3,337)
Total Payments	<u>(40,157)</u>	<u>(38,372)</u>	<u>(20,928)</u>	<u>(18,264)</u>	<u>(4,638)</u>	<u>(4,257)</u>
Total claims liability at end of each fiscal year	\$ <u>7,156</u>	\$ <u>6,959</u>	\$ <u>3,700</u>	\$ <u>3,100</u>	\$ <u>12,825</u>	\$ <u>14,980</u>

10. COMMITMENTS

A. Highway Construction - At June 30, 1997, the Department of Transportation had contractual commitments of approximately \$140.3 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matching state special revenue funds.

B. Capital Construction - At June 30, 1997, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$37.5 million for capital projects construction. The Primary Government will fund \$25.4 million of these projects with the remaining \$12.1 million coming from higher education funds.

C. Proprietary Fund Commitments - Budgets are administratively established in the Enterprise and Internal Service Funds, excluding depreciation, compensated absences and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unreserved retained earnings in the accompanying financial statements as follows (in thousands):

PRIMARY GOVERNMENT

Enterprise Funds	AMOUNT
Liquor Stores	\$ 24
Hail Insurance	3
Uninsured Employers	6
Historical Society Publications	10
Local Government Audits	8
Subtotal-Enterprise Funds	<u>\$ 51</u>
Internal Service Funds	
Highway Equipment	\$ 321
ISD	134
Admin. Insurance	9
FWP Equipment	10
Admin. Supply	125
Publications & Graphics	10
Buildings & Grounds	268
Labor Central Services	25
Commerce Central Services	1
DEQ Indirect Cost Pool	72
FWP Warehouse Inventory	20
Mail & Messenger	2
Investment Division	22
OPI Central Services	2
Admin. DP Unit	1
Subtotal-Internal Service Funds	<u>\$ 1,022</u>
Total-Primary Government	\$ 1,073

COMPONENT UNITS

Housing Authority	\$ 1
Health Facilities Authority	2
Worker's Comp - New Fund	<u>372</u>
Subtotal-Component Units	<u>\$ 375</u>
Total-Proprietary Fund Types-Reporting Entity	<u>\$ 1,448</u>

11. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases - Changes in capitalized leases/installment purchases follow (in thousands):

	Balance July 1, 1996	Additions (Deductions)	Balance June 30, 1997
Primary Government			
General Long-Term Obligations	\$ 2,077	\$ (410)*	\$ 1,667
Proprietary Fund Types			
Enterprise Fund	\$ 10	\$ (8)	\$ 2
Internal Service Fund	<u>2,335</u>	<u>262</u>	<u>2,597</u>
Total Proprietary	<u>2,345</u>	<u>254</u>	<u>2,599</u>
Total-Primary Government	<u>\$ 4,422</u>	<u>\$ (156)</u>	<u>\$ 4,266</u>
Component Units			
Pension Trust Fund	\$ 31	\$ (21)	\$ 10
Higher Education Funds	<u>1,802</u>	<u>(212)</u>	<u>1,590</u>
Total-Component Units	<u>\$ 1,833</u>	<u>\$ (233)</u>	<u>\$ 1,600</u>
Total Capitalized Leases/ Installment Purchases	<u>\$ 6,255</u>	<u>\$ (389)</u>	<u>\$ 5,866</u>

*This amount consists of \$248,000 of additions as inceptions; \$125,000 of additions as adjustments; and \$783,000 as deductions.

Future minimum lease payments under capital leases/installment purchases are as follows (in thousands):

Fiscal Year Ending June 30	Primary Government			Component Units		
	General Long-Term Obligations	Proprietary Fund Types Enterprise	Internal Service	Pension Trust	Higher Education Funds	Totals
1998	\$ 857	\$ 1	\$ 1,431	\$ 10	\$ 825	\$ 3,124
1999	636	1	934	-	613	2,184
2000	434	-	363	-	252	1,049
2001	54	-	33	-	61	148
2002	-	-	16	-	19	35
2003+	-	-	-	-	-	-
Total minimum pmts	<u>\$ 1,981</u>	<u>\$ 2</u>	<u>\$ 2,777</u>	<u>\$ 10</u>	<u>\$ 1,770</u>	<u>\$ 6,540</u>
Less: Interest	<u>(314)</u>	<u>-</u>	<u>(180)</u>	<u>-</u>	<u>(180)</u>	<u>(674)</u>
Present value of minimum payments	<u>\$ 1,667</u>	<u>\$ 2</u>	<u>\$ 2,597</u>	<u>\$ 10</u>	<u>\$ 1,590</u>	<u>\$ 5,866</u>

B. Operating Leases - Total rental payments for operating leases in fiscal year 1997 were \$6,359,512. Future rental payments for operating leases are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
1998	\$ 6,174
1999	4,805
2000	3,274
2001	2,416
2002	1,606
2003+	<u>3,635</u>
Total future rental payments	<u>\$ 21,910</u>

12. STATE DEBT

A. General Information - The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. The Board of Examiners (consisting of the Governor, Secretary of State and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-Term Debt - The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. No notes may be issued to refund outstanding notes. The notes must be redeemed by the end of the fiscal year in which issued.

The Board of Investments (BOI) of the State of Montana is authorized to issue Municipal Finance Consolidation Act Bonds which may not aggregate more than \$50 million. The purpose of the bonds is to provide funds for the BOI to make loans to eligible local government units. The bonds are not in any way a debt or liability of the State of Montana. The bonds are limited obligations of the BOI payable solely from repayments of principal and interest on loans made by the BOI to participating local government units, investment income under the indenture and an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the Trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and have been reclassified as short-term debt. The amounts issued and outstanding at June 30, 1997, are as follows (in thousands):

<u>Series</u>	<u>Amount Issued</u>	<u>Balance June 30, 1997</u>
1991	\$ 5,000	\$ 4,805
1992	6,500	6,355
1994	7,500	7,345
1995	7,500	7,405
1997	10,000	<u>10,000</u>
TOTAL		<u>\$35,910</u>

C. Long-Term Debt - The full faith, credit and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue bonds and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees and assets of the State and the various colleges and universities. Long-term debt (excluding bonds/notes of Enterprise Funds and Internal Service Funds discussed elsewhere in this footnote; Leases - Note 11 and Compensated Absences - Note 1) of the State at June 30, 1997, is as follows (in thousands):

<u>General Obligation Debt</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range (%)</u>	<u>Principal Payments</u>		<u>Balance June 30, 1997</u>
				<u>FY 1998</u>	<u>In Year of Maturity (11)</u>	
Long-Range Bldg Program	1985A	\$ 8,550	8.0	\$ 125	\$150 (2001)	\$ 550
Water Development Program (1)	1988	500	9.4	20	50 (2009)	385
Water Development Program (1)	1989B	500	8.55	20	50 (2010)	410
Water Development Program (1)	1991A	750	8.0	40	90 (2007)	605
Wastewater Treatment Works	1991B	2,595	5.6-6.8	80	215 (2014)	2,315
GO Refunding	1992	31,330	4.7-6.2	55	390 (2010)	5,010
Energy Conservation Program (2)	1993A	1,500	4.0-4.75	140	180 (2004)	1,110
Long-Range Bldg Program	1993B	3,185	3.3-4.25	370	310 (2004)	2,145
Renewable Resource Development(1)	1993C	750	4.55-5.65	70	95 (2004)	565
Long-Range Bldg Program	1994A	22,540	4.2-6.0	795	1,725 (2014)	20,330
Wastewater Treatment Works	1994B	2,200	4.4-6.1	65	180 (2016)	2,135

General Obligation Debt	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1997
				FY 1998	In Year of Maturity (11)	
Long-Range Bldg Program	1994C	21,955	5.125-7.0	705	1,790 (2015)	20,630
Energy Conservation Program (2)	1994D	1,600	4.9-6.25	140	200 (2005)	1,340
Renewable Resource Development (1)	1994E	750	7.7-8.5	60	105 (2005)	640
Energy Conservation Program (2)	1996A	1,650	3.6-4.4	140	195 (2006)	1,485
Renewable Resource Development (1)	1996B	1,250	5.35-6.1	100	155 (2006)	1,125
Wastewater Treatment Works	1996C	2,765	3.75-5.75	55	120 (2017)	2,765
Long-Range Bldg Program	1996D	30,075	5.25-6.0	-	-	30,075
Renewable Resource Development (1)	1996E	1,000	6.95-8.0	-	-	1,000
Renewable Resource Development (1)	1997A	<u>2,000</u>	6.8-8.0	<u>-</u>	<u>-</u>	<u>2,000</u>
Total General Obligation Debt		<u>\$ 137,445</u>		<u>\$ 2,980</u>		<u>\$ 96,620</u>

Special Revenue Bonds

Department of Transportation	1987	\$ 37,955	6.25	\$ 9,795	\$9,795 (1998)	\$ 9,795
Water Conservation (3)	-	100	3.463-5.0	3	3 (2016)	64
Water Development Program (4)	1987C	1,215	6.8-7.6	50	120 (2008)	895
Broadwater Power Project (4)(6)	1990A	3,800	9.5	360	505 (2002)	2,155
Broadwater Power Project (4)(5)	1991A	21,735	6.4-6.875	-	2,135 (2018)	21,735
Water Development Program (4)	1992A	11,955	4.75-6.1	805	1,250 (2006)	9,055
Water Development Program (4)	1992B	9,375	4.5-6.0	320	795 (2013)	8,230
Department of Transportation	1993	72,375	4.25-5.05	2,000	3,705 (2004)	65,375
Renewable Resource Program (4)	1996A	14,985	3.85-5.2	910	110 (2017)	14,135
Renewable Resource Program (4)	1997A	1,205	6.0-7.3	30	110 (2017)	1,205
Renewable Resource Program (4)	1997B	2,660	3.75-5.375	80	210 (2017)	2,660
Developmental Center Project (10)	1994	<u>13,100</u>	4.9-6.4	<u>305</u>	1,015 (2019)	<u>12,740</u>
Total Special Revenue Bonds		<u>\$190,460</u>		<u>\$14,658</u>		<u>\$148,044</u>

Middle Creek Dam Project (7)		\$ 2,990	8.125	\$ 32	124 (2034)	\$ 3,171
Treasure State Endowment (8)		4,134	5.85	420	779 (2001)	3,136
Natural Resource Damage Lit. Pgm. (9)		9,816	-	-	-	9,816
Dept. of Justice INTERCAP Loan (12)		500	4.85	50	50 (2007)	500
Public Health and Human Services INTERCAP Loan (12)		<u>2,162</u>	6.60	<u>-</u>	<u>-</u>	<u>2,162</u>

Total Notes Payable \$ 19,602 \$ 502 \$ 18,785

Total Special Revenue Debt \$166,829

- (1) All Water Development Program Bonds and the Renewable Resource Development Bonds are secured additionally by a pledge of and payable from certain coal severance taxes. Series 1988, 1989B, 1991A and 1993C bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.
- (2) Bonds issued for financing the design, construction and installation of energy conservation projects at various State buildings.
- (3) Bonds sold to Farmers Home Administration.
- (4) Issued by the Department of Natural Resources and Conservation (DNRC) and backed by a pledge of coal severance taxes and project revenues.
- (5) First payment of \$795,000 is due in 2003.
- (6) Bonds were sold to the Montana Board of Investments.
- (7) U.S. Bureau of Reclamation loan to Montana Department of Natural Resources & Conservation. The outstanding balance includes \$269,804 of interest owed.
- (8) Board of Investments Treasure State Endowment loan from the Coal Tax Trust Fund to the State of Montana Department of Commerce.
- (9) Board of Investments loan to the Department of Justice for the Natural Resource Damage Litigation Program. Interest accrues at .5% over the yield on the most recent issue of United States Government 30 Year Bonds. Loan repayment is secured by a pledge of amounts to be recovered in the ongoing litigation with Atlantic Richfield Company.
- (10) Montana Health Facility Authority Loan to the Department of Public Health and Human Services for the Montana Developmental Center Project.
- (11) Year of Maturity refers to fiscal year.
- (12) Montana Board of Investments loans to Departments from the INTERCAP loan program.

Board of Regents Issues Higher Education Units - Component Unit	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1997
				FY 1998	In Year of Maturity	
University of Montana-Missoula (U of M)	1993A/1995B/ 1995C/1996D	\$ 94,607	3.4-6.9	\$2,284	\$ 5,632 (2019)	\$ 89,572
Montana State University-Bozeman (MSU)	1987A/1993A/ 1996D/1996B	74,082	3.65-8.0	1,905	15,340 (2022)	71,012
Montana Tech of the U of M	1995C/1996D	13,077	3.8-5.75	350	547 (2018)	12,767
MSU - Billings	1996D	16,680	3.6-5.625	260	1,070 (2026)	16,215
MSU - Northern	1994C	2,890	4.25-6.0	95	100 (2015)	2,640
Western Montana College of the U of M (WMC)	1993A/1995B/ 1995C/1996D	7,378	3.4-6.9	74	536 (2019)	7,158
Helena College of Technology of The University of Montana (HCT)	1995B/1995C	<u>767</u>	4.1-6.4	<u>41</u>	51 (2018)	<u>707</u>
		<u>\$209,481</u>		<u>\$5,009</u>		\$200,071
Add: Unamortized Premium						23
Less: Unamortized Discount						<u>(2,383)</u>
Total Higher Education Bonded Debt						<u>\$197,711</u>

Higher Ed Nonbonded Debt

U of M - Missoula, Bookstore Note	\$ 500	Variable	\$ -	\$ 500 (2005)	\$ 500
U of M - Missoula, INTERCAP Program Note	623	Variable	75	97 (2007)	568
U of M - First Interstate Mortgage	281	8.5	6	28(2017)	281
MSU - Bozeman, Fiber Note	746	5.9	137	98 (2002)	685
MSU - Billings, SD #2 Note	876	N/A	95	95 (1999)	190
MSU - Northern, INTERCAP Program Note	1,269	Variable	172	189(2007)	1,233
WMC - UM, INTERCAP Program Note	98	Variable	34	18 (2000)	67
WMC - UM, Mortgages Payable	70	6.5	3	6 (2009)	61
WMC - UM, Kurtz Property Payable	105	6.45	3	61 (2009)	104
MSU - College of Technology, Great Falls, Note	<u>100</u>	5.38	<u>19</u>	22 (2001)	<u>82</u>
Total Higher Education Nonbonded Debt	<u>\$ 4,668</u>		<u>\$ 544</u>		<u>\$ 3,771</u>

TOTAL HIGHER EDUCATION FUNDS

\$201,482

Debt service requirements (principal and interest) for long-term notes/bonds payable reported in the General Long-Term Obligations Account Group and Higher Education Funds are as follows (in thousands):

Fiscal Year Ending June 30	General Obligation Debt	Special Revenue Bonds	Higher Ed Bonded Debt	Non- Bonded Debt	Total Requirements
1998	\$ 9,189	\$ 22,354	\$ 13,804	\$ 1,391	\$ 46,738
1999	9,564	20,850	14,420	1,331	46,165
2000	9,415	20,809	14,595	12,030	56,849
2001	9,369	20,772	14,619	1,335	46,095
2002	9,187	20,750	14,638	2,321	46,896
2003+	<u>102,083</u>	<u>102,437</u>	<u>261,526</u>	<u>7,046</u>	<u>473,092</u>
Totals	<u>\$ 148,807</u>	<u>\$207,972</u>	<u>\$333,602</u>	<u>\$25,454</u>	<u>\$ 715,835</u>

A summary of changes in long-term liabilities payable reported in the General Long-Term Obligations Account Group for the fiscal year ending June 30, 1997, is as follows (in thousands):

	Balance July 1, 1996	Additions	Reductions	Balance June 30, 1997
Early Retirement Benefits	\$ 520	\$ 813	\$ 89	\$ 1,244
Arbitrage Rebate Tax	28	56	11	73
Net Pension Obligation	2,738	336	-	3,074
General Obligation Debt	\$ 69,620	\$ 33,075	\$ 6,075	\$ 96,620
Special Revenue Debt	<u>173,877</u>	<u>7,280</u>	<u>14,328</u>	<u>166,829</u>
Totals	<u>\$ 246,783</u>	<u>\$ 41,560</u>	<u>\$ 20,503</u>	<u>\$ 267,840</u>

D. Early Retirement Benefits Note

The 1993 Montana State Legislature granted an early retirement incentive. The incentive consisted of an additional three years of employer and employee contributions paid by the employer agency to the State of Montana Public Employees' Retirement System. The payments may be made over a period of time not to exceed nine years at an interest rate of eight percent. Debt Service requirements are as follows (in thousands):

	<u>Principal Payments</u>		<u>Balance June 30, 1997</u>
	<u>FY 1998</u>	<u>In Year of Maturity</u>	
Primary Government:			
General Obligation Debt	\$ 124	\$ 207	\$1,244
Component Unit:			
Higher Education Units	<u>11</u>	<u>16</u>	<u>82</u>
TOTAL	<u>\$ 135</u>	<u>\$ 223</u>	<u>\$1,326</u>

E. Early Bond Redemption

On October 3, 1996, the State Compensation Insurance (Old Fund), a Component Unit of the State of Montana, deposited \$99,384,056 of cash available from a cash dividend, the bond reserve fund and funds in excess of the amount needed to pay Old Fund claims, with an escrow agent to be invested in federal securities to provide for future debt service requirements. The escrow is irrevocable, but the Montana Board of Investments has retained the right to call the bonds prior to maturity if the value of the escrow is sufficient to do so. The transaction met the requirements of a legal defeasance and the balance of \$97,885,000 of Payroll Tax bonds, maturing on June 1, 2020, was removed from the Old Fund's financial statements. The Old Fund recognized an extraordinary loss on extinguishment of debt of \$3,208,210.

On January 2, 1997, the State Compensation Insurance (Old Fund), a Component Unit of the State of Montana, wired \$32,504,037 of cash available from a cash dividend, the bond reserve fund and funds in excess of the amount needed to pay Old Fund claims, to the trustee as final principal and interest payments on the series 1993 Variable-Rate Payroll Tax bonds. The balance of \$32,500,000 of Variable-Rate Payroll Tax Bonds was removed from the Old Fund's financial statements. The early payment of this debt resulted in an extraordinary loss on extinguishment of debt of \$326,990.

F. Refunded Bonds

On June 4, 1997, the Housing Authority, a Component Unit of the State of Montana, issued \$91,360,000 Single Family Program Bonds, Series 1997A. A portion of these proceeds were deposited with an escrow agent to refund the 1977A, 1977B, 1978A, 1987A and 1987B bond issues. These series had a total of \$31,360,000 of bonds outstanding. On July 3, 1997, the escrow agent redeemed all bonds outstanding in the refunded series. The Housing Authority deferred \$17,595 of costs related to the refundings of the 1977A, 1977B, 1978A, 1987A and 1987B bonds. These deferred costs are required to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds. The 1997A refunding resulted in an economic gain of \$1,609,593 and a difference in cash flows of \$(41,909,140).

On August 21, 1996, Montana State University (MSU), a Component Unit of the State of Montana, issued \$16,680,000 of Facilities Improvement and Refunding Bonds, 1996 Series D, for MSU - Billings, with interest rates ranging from 3.6 to 5.625%. MSU - Billings deposited \$8,150,900 of proceeds with an escrow agent to be invested in federal securities to provide for future debt service payments. The transaction met the requirements of a legal defeasance and \$8,170,000 of 1994 Series C Facilities Acquisition and Improvement Revenue Bonds, maturing on November 15th, 2006, were removed from MSU - Billings financial statements. The defeasance resulted in an economic gain of \$64,704 and a difference in cash flows of \$(2,642,488).

On October 1, 1996, MSU - Bozeman, a Component Unit of the State of Montana, issued \$18,995,000 of Facilities Refunding Bonds, 1996 Series B, with interest rates ranging from 5 to 5.5%. MSU - Bozeman deposited the proceeds, along with other pledged revenues, with an escrow agent to be invested in federal securities to provide for future debt service payments. The transaction met the requirements of a legal defeasance and \$18,440,000 of 1986 Series A Facilities Refunding Revenue Bonds, maturing on November 15th, 2007, were removed from MSU - Bozeman's financial statements. The defeasance resulted in an economic gain of \$1,043,736 and a difference in cash flows of \$1,429,473.

In prior years, the State of Montana and the Board of Regents of Higher Education have issued general obligation and revenue refunding bonds, the proceeds of which were used to defease certain bond issues already outstanding. The proceeds of the refunding issues were placed in escrow accounts and invested in U.S. Treasury Obligations that, together with interest earned thereon, will be sufficient for future payment of principal and interest on the refunded issues. Accordingly, the debt is considered defeased for financial reporting purposes and the liability for the defeased bonds is not included in the financial statements. At June 30, 1997, the in-substance defeased bonds outstanding are as follows (in thousands):

General Obligation	\$ 12,910
Special Revenue	118,940
Higher Education Revenue	<u>36,423</u>
Total	<u>\$168,273</u>

G. Enterprise Funds

(1) Economic Development & Municipal Finance Consolidation Act Bonds (EDB) - This program is directed by the nine-member Board of Investments which is attached to the Department of Commerce for administrative purposes. This

program assists Montana's small businesses and local governments in obtaining long-term, fixed rate financing through private Montana lending institutions. Outstanding obligations are as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1997
				FY 1998	In Year of Maturity	
Industrial Development Revenue Bonds (Pooled Loan) (a)	1984A	\$ 70	7.0-10.75	\$ 5	\$ 15 (2000)	\$ 25
Industrial Development Revenue Bonds (Pooled Loan) (a)	1985A,G,H	790	6.75-10.1	35	95 (2007)	565
Municipal Finance Consolidation Act Bonds (Irrigation Program) (b)	1988	4,976	6.60-7.75	545	130 (2014)	4,161
Economic Development Bonds (Conservation Reserve Enhancement Program) (c)	1991A-B	7,380	10.0-11.2	880	285 (2000)	1,600
Municipal Finance Consolidation Act Bonds (d)	1991	<u>6,234</u>	4.75-6.5	<u>447</u>	294 (2005)	<u>2,859</u>
TOTAL BONDS PAYABLE		\$19,450		\$ 1,912		\$ 9,210
Conservation Reserve Enhancement Program (CRP Notes) (c)		<u>2,970</u>	7.5-9.92	<u>945</u>	169 (2003)	<u>2,970</u>
TOTAL BONDS/NOTES PAYABLE		<u>\$22,420</u>		<u>\$ 2,857</u>		<u>\$12,180</u>

- (a) These bonds, which may not aggregate more than \$75 million, are limited obligations of the Board of Investments payable solely from and secured by certain revenues and assets pledged pursuant to an Indenture of Trust. The bonds do not constitute a debt, liability or legal obligation of the State of Montana. However, if the balance in the "Capital Reserve Account A" falls below the indenture requirement, the Governor is required to request the Legislature to appropriate funds to restore the balance. The Legislature may, but is not legally obligated to, appropriate funds to correct any such deficiency. Principal payments (accrued interest to be added) are due each March 15.
- (b) These bonds were issued to obtain funds for the Board of Investments, State of Montana, to purchase the refunding bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment levied against real property in the Irrigation District. The Irrigation Bonds are not obligations of the State of Montana. However, the Irrigation Bonds are limited obligations of the Board of Investments due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The indenture does not permit the issuance of additional bonds.
- (c) These bonds and notes were issued for the purpose of providing funds for the Board of Investments, State of Montana, to make loans to participating farmers and ranchers under its Conservation Reserve Enhancement Program. The Series 1991 Bonds are not in any way a debt or liability of the State of Montana, and neither the full faith and credit, nor the taxing power of the State of Montana is pledged to the payment of the principal of or interest on the Series 1991 Bonds. However, the 1991 Bonds are limited obligations of the Board of Investments. The Bond Anticipation Notes which matured on November 15, 1992, were reissued to correspond with maturities per the underlying loans. On November 15, 1994, eleven BAN's were reissued to comply with statutory requirements limiting the maturity of notes to five years from issuance date. The outstanding BANS as of November 15, 1996 were reissued as loans to comply with statutory requirements. The board now issues CRP bonds for the duration of the CRP contract purchased.
- (d) These bonds were issued for the purpose of providing funds for the Board of Investments, State of Montana, to purchase the general obligation refunding bonds of participating Montana School Districts. The School District Refunding Bonds and the interest thereon are payable from real property taxes levied within the school district. These bonds are limited obligations of the Board of Investments, and are not a debt or liability of the State of Montana, and neither the faith and credit nor the taxing power of the state is pledged to the payment of principal of or interest on the bonds.

Debt service requirements (principal & interest) for EDB are as follows (in thousands):

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003+</u>	<u>Totals</u>
\$ 3,728	\$2,789	\$2,235	\$1,645	\$1,366	\$4,688	<u>\$16,451</u>

(2) Internal Service Bonds/Notes Payable - State agencies may obtain long-term financing for Internal Service Funds through the Board of Investments INTERCAP loan program. Outstanding obligations at June 30, 1997 are as follows (in thousands):

Department	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1997
			FY 1998	In Year of Maturity	
Department of Transportation - Motor Pool	\$ 2,314	4.75-5.15	\$ 463	463 (2002)	\$ 2,314
TOTAL BONDS/NOTES PAYABLE	\$ 2,314		\$ 463		\$ 2,314

Debt service requirements (principal & interest) for Internal Service Funds are as follows (in thousands):

1998	1999	2000	2001	2002	2003+	Total
\$ 532	\$ 463	\$ 463	\$ 463	\$ 463	-	<u>\$2,384</u>

(3) Board of Housing (BOH) (Housing Authority) - Component Unit - Revenue Bonds - The Montana Board of Housing is authorized to have an aggregate of \$975 million of housing mortgage bonds outstanding. The bonds are payable from mortgage loan repayments and investment earnings. All bonds issued to date are secured by federally insured or guaranteed mortgages. Statutory provisions exist wherein the Governor shall include in the executive budget submitted to the legislature the sum required to fund possible future deficiencies in required reserves; however, the legislature is not legally required to appropriate funding for such deficiencies. None of the outstanding bonds were issued under these provisions. BOH Revenue Bonds (net) outstanding at June 30, 1997, are as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1997
				FY 1998	In Year of Maturity	
Single Family I	1997A	\$ 91,360	4.0-6.15	\$ 65	\$ 955 (2038)	\$ 91,360
Subtotal		\$ 91,360		\$ 65		\$ 91,360
Single Family II	1983C	\$114,998	5.75-10.7	\$ -	\$ 2,510 (2010)	\$ 17,934
	1984A	75,002	7.0-10.375	-	2,790 (2010)	3,271
	1985A	40,000	5.5-9.75	-	5,170 (2016)	10,473
	1985B	74,997	5.7-9.75	-	400 (2011)	3,590
	1992RA	22,520	5.65-6.5	-	10 (2032)	22,520
	1994A	25,725	3.1-6.1	1,495	550 (2024)	19,795
	1994B	40,815	3.8-6.9	2,440	580 (2025)	30,190
	1994C	20,000	4.5-6.8	405	575 (2026)	18,810
	1995A	33,580	4.75-6.55	465	1,055 (2027)	32,040
	1995B	88,000	4.2-6.4	305	1,480 (2035)	88,000
	1996A	65,000	4.7-6.375	-	2,315 (2028)	65,000
Subtotal		<u>\$600,637</u>		<u>\$ 5,110</u>		<u>\$311,623</u>
Single Family III	1988B1-B2	\$ 25,000	6.2-8.9	\$ 225	\$ 300 (2020)	\$ 8,790
Single Family IV	1989A1-A2	25,000	7.0-9.2	160	420 (2020)	9,455
Single Family V	1990A1-A2	25,000	6.2-8.525	270	640 (2021)	10,930
Single Family VI	1990B1-B2	25,000	6.3-8.5	260	680 (2022)	11,790
Single Family VII	1990C1-C2	25,000	6.55-8.95	245	705 (2022)	11,370
Single Family VIII	1991A1-A2	25,000	5.2-8.275	345	875 (2022)	14,485
Single Family IX	1991B1-B2	25,000	5.5-8.4	315	875 (2023)	15,110
Single Family X	1992A1-A2	25,000	4.45-7.85	325	825 (2023)	16,745
Multifamily	1978A	4,865	6.125	75	645 (2020)	4,180
	1992	9,725	2.95-6.55	170	50 (2024)	9,140
	1996A	890	4.10-6.15	15	60 (2027)	890
Subtotal		<u>\$ 15,480</u>		<u>\$ 260</u>		<u>\$ 14,210</u>
TOTAL		<u>\$907,477</u>		<u>\$ 7,580</u>		\$515,868
Add: Deferred amount on refunding						728
Add: Unamortized bond premiums						49
TOTAL BOH BONDS PAYABLE (net)						<u>\$516,645</u>

Debt service requirements (principal & interest) for all BOH programs are as follows (in thousands):

1998	1999	2000	2001	2002	2003+	Total
\$39,036	\$39,809	\$40,700	\$41,185	\$40,908	\$969,852	<u>\$1,171,490</u>

H. No-Commitment Debt - Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

(1) Montana Board of Investments (BOI) - The BOI is authorized to issue industrial revenue bonds to finance projects for qualifying borrowers. Assets and revenues of the borrower are pledged to repay the bonds. The industrial revenue bonds issued by BOI do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 1997, outstanding industrial revenue bonds are as follows (in thousands):

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Montana Cenex	August 1985	\$ 3,925	\$ 3,925
Bozeman Holiday Inn	October 1987	4,485	3,545
Colstrip	October 1989	60,800	60,800
Yellowstone Energy (BGI)	July 1993	118,345	118,345
Total		<u>\$187,555</u>	<u>\$186,615</u>

(2) Beginning Farm Loan Program - The Montana Department of Agriculture is authorized to request issuance of bonds by the Montana Board of Investments to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 1997, is as follows:

Jorgensen Project - issued \$81,600; outstanding \$31,178.

(3) Montana Health Facility Authority (MHFA) - Component Unit - The MHFA is authorized to issue bonds and notes to finance projects for qualifying health institutions. The obligations issued by MHFA do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 1997, the MHFA had issued bonds and notes as follows (in thousands):

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
West Mont Home Health Services	June 1985	\$ 440	\$ 163
MHFA 1985 Pooled Loan Projects	December 1985	66,900	35,900
Community Provider Pooled Loans	October 1988	1,461	718
Kalispell Regional Hospital	June 1990	14,475	11,985
Community Provider Pooled Loan	July 1990	5,858	4,698
Deaconess Medical Center (Series A)	February 1991	18,000	18,000
Deaconess Medical Center (Series B)	February 1991	18,000	18,000
Sisters of Providence	May 1991	56,535	45,855
Deaconess Medical Center	September 1991	32,650	28,650
Deaconess Medical Center	September 1991	7,000	3,355
Community Provider Pooled Loans	September 1991	3,944	3,254
Hospital Pooled Loans	August 1992	4,645	3,200
Richland Opportunities	January 1993	200	176
Bozeman Deaconess Foundation	June 1993	14,900	11,910
Sisters of Charity	January 1994	50,915	45,580
Deaconess-Billings Clinic	January 1994	58,870	58,870
Residential Support Services	March 1994	50	44
Mineral Community Hospital	March 1994	39	15
Community Memorial Hospital (1)	October 1994	570	355
St. John's Retirement Home	October 1994	2,000	2,000
North Valley Hospital (Series C) (1)	October 1994	695	435
North Valley Hospital (Series D) (1)	October 1994	1,310	1,120
St. John's Retirement Home	October 1994	300	150
Northern MT(1)	October 1995	5,645	5,395
Northern MT	November 1995	6,090	6,090
Livingston Hospital	May 1995	559	339
Toole County Hospital	August 1996	1,635	1,635
Marcus Daily Memorial Hospital	August 1996	1,860	1,860
Glendive Community Hospital	August 1996	1,590	1,590
Mission Ridge	August 1996	17,835	17,835
Community Medical Center-Missoula	August 1996	23,043	22,220
Benefis	September 1996	16,680	16,680
St. Peter's Hospital	January 1997	19,875	19,225
Total		<u>\$454,569</u>	<u>\$387,302</u>

(1) The Board of Investments (BOI) and the MHFA have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund, a Trust Fund Bond Pool participant, or any other legally available funds administered by the BOI.

13. INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous transactions between funds to finance operations, provide services, construct assets, service debt, etc. Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. To the extent that certain transactions between funds are not paid or received as of June 30, 1997, interfund receivables/payables (Due From/To Other Funds) are recorded. The schedule below presents all interfund balances outstanding at June 30, 1997, (in thousands) and interfund activity for the fiscal year then ended:

Within Primary Government and Component Units	Interfund		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Loans/Advances Receivable	Payable			In	Out	In	Out
General	\$ 29,509	\$ -	\$ 35,691	\$ 15,060	\$ 154,726	\$ 6,426	\$ 5,494	\$ -
Special Revenue								
State	44,028	10,452	7,249	26,786	30,407	26,855	-	2,044
Federal	30	55,737	3,702	17,568	2,722	13,014	-	2,772
Debt Service								
Coal Tax Bonds	-	-	3	8	2,985	398	2,914	-
Long-Range Building Program	-	-	244	1,242	5,573	54,738	-	-
Water Development	-	-	1	410	50	457	1,562	-
Highway Revenue Bonds	-	-	-	-	15,176	-	-	-
Health Care Debt Service	-	-	413	-	3,703	-	-	-
Energy Bonds	-	-	-	152	-	152	-	-
Capital Projects								
Long-Range Building Program	-	203	281	354	2,745	1,660	-	-
Fed/Priv Construction Grants	-	-	-	-	401	25	-	-
Capital Land Grant	-	-	54	-	966	573	-	-
Enterprise								
Economic Development Bonds	-	-	-	13	-	-	-	-
Liquor Stores	-	-	-	4,095	-	15,169	-	-
Hail Insurance	-	-	-	66	-	43	-	-
State Lottery	-	-	17	1,848	-	6,603	-	-
Prison Ranch	-	-	58	73	-	-	-	-
Prison Industries	-	-	87	59	-	-	-	-
Uninsured Employers	-	-	12	41	-	-	-	-
Subsequent Injury	-	-	-	1	-	-	-	500
Montana Career Info. Systems	-	-	-	6	-	-	-	-
Sec. of State Business Services	-	-	11	73	-	-	-	-
Historical Soc. Publications	-	-	-	44	55	-	-	-
Surplus Property	-	-	1	22	-	-	-	-
West Yellowstone Airport	-	-	-	5	30	-	-	-
Local Govt. Audits	-	-	-	14	-	-	-	-
Def. Comp. Administration	-	-	242	-	-	-	-	-
Internal Service								
Highway Equipment	-	-	395	387	-	-	-	-
Employees' Group Benefits	440	-	-	57	-	-	-	-
ISD	-	-	1,465	386	96	-	-	-
MUS Group Insurance	-	-	272	9	-	-	-	-
Administration Insurance	-	-	7	64	-	-	-	-
FWP Equipment	-	-	349	5	184	1	-	-
Motor Pool	-	-	194	11	-	-	999*	2,292
Administration Prop. & Supply	-	-	108	24	-	-	-	-
Publications & Graphics	-	-	208	60	-	-	-	-
Buildings & Grounds	-	-	42	98	22	102	-	-
Labor Central Services	-	-	111	96	-	-	-	-
Commerce Central Services	-	-	127	142	-	-	-	-
DEQ Indirect Cost Pool	-	-	178	88	-	-	-	-
PHHS Indirect Cost Pool	-	-	-	-	-	10	-	-
FWP Warehouse Inventory	-	-	4	-	-	-	-	-
Mail & Messenger	-	25	77	29	-	-	-	-
Payroll Processing	-	-	-	50	-	-	-	-
Warrant Processing	-	-	53	35	-	-	1	-
Investment Division	-	-	121	96	-	-	-	-
Aircraft Operation	-	-	11	21	402	-	-	-
Justice Legal	-	60	65	118	-	-	-	-
OPI Central Services	-	-	141	43	425	-	-	-
Personnel Training	-	-	17	13	-	-	-	-
Records Management	-	-	41	28	-	-	-	-

Within Primary Government and Component Units	Interfund		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Loans/Advances Receivable	Payable			In	Out	In	Out
FWP Office Supply	-	-	6	3	-	-	-	-
Debt Collections	-	-	6	13	-	-	-	-
Administration Legal	-	-	-	6	-	-	-	-
Local Govt Administration	-	-	8	8	-	-	-	-
Natural Gas Procurement	-	-	-	1	-	-	-	-
Administration DP Unit	-	-	3	10	-	-	-	-
Expendable Trusts								
Unemployment Insurance	-	20	2	-	-	-	-	-
Intergovernmental Trust	-	-	2,254	1	-	-	-	-
Rural Development	-	-	7	3	-	-	-	-
Escheated Property	-	-	-	-	55	1,323	-	-
Historical Society General	-	-	-	-	-	8	-	-
Metal Mines Local Assistance	-	12	-	-	-	-	-	-
Nonexpendable Trusts								
Coal Tax Trust	-	588	7	9,976	-	44,602	551	-
Land Grants	-	-	414	5,714	1,268	41,578	-	-
Resource Indemnity	-	-	-	1,198	-	7,318	-	-
Parks Trust	-	-	-	167	-	1,007	-	-
Cultural Trust	-	-	-	249	-	499	-	3,913
Real Property	-	-	8	79	-	477	-	-
Noxious Weed Management	-	-	-	80	-	382	-	-
Thomas Teakle Trust	-	-	-	-	-	4	-	-
Pension Trusts								
PERS	-	-	474	70	-	-	-	-
Municipal Police	-	-	4,940	29	-	-	-	-
Firefighters Unified	-	-	4,644	23	-	-	-	-
Sheriffs	-	-	-	20	-	-	-	-
Highway Patrol	-	-	49	12	-	-	-	-
Judges	-	-	67	2	-	-	-	-
Game Wardens	-	-	-	5	-	-	-	-
Volunteer Firefighters	-	-	-	20	-	-	-	-
Agency								
Investment Pool	-	-	-	125	-	-	-	-
Employees Deferred Comp.	-	440	-	243	-	-	-	-
Performance Deposits	31	-	8	315	-	-	-	-
Central Payroll	-	-	24,882	164	-	-	-	-
Custodial Accounts	-	-	18	-	-	-	-	-
Unissued Warrants	-	-	100	2,052	-	-	-	-
Child Support Collections	-	-	39	639	-	-	-	-
Unclaimed Property	-	-	2	-	-	-	-	-
Intergovernmental	-	-	259	12	-	-	-	-
A & E Advances	-	-	1	7	-	-	-	-
Uncleared Collections	-	-	37	821	-	-	-	-
Debt Collection	-	-	2	145	-	-	-	-
COMPONENT UNITS								
Enterprise Funds								
State Comp. Insurance - New	-	-	1845	-	-	-	-	90,690
State Comp. Insurance - Old	-	-	39	1,818	-	-	90,690*	-
Pension Trusts								
Teachers Retirement System	-	6,500	850	-	-	-	-	-
Higher Education								
Current Funds								
General Operating	800	-	5,061	5,973	939	560	-	-
Designated	3,275	29	6,342	2,458	3,211	3,549	5	-
Auxiliary	9	225	636	1,236	515	9,717	52	-
Restricted	-	3,809	307	5,483	248	236	-	5
Fiduciary								
Student Loans	-	-	38	169	-	11	-	-
Endowments	-	-	17	38	190	2	-	-
Agency	-	-	4,277	1,817	-	-	-	-
Plant								
Unexpended	-	340	930	395	9,540	11,599	-	19
Renewal & Replacement	253	205	568	481	7,905	1,859	-	-
Retirement of Indebtedness	405	-	974	293	15,900	9,482	-	33
Investment in Plant	-	135	-	-	-	-	-	-
Totals	\$ 78,780	\$ 78,780	\$112,173	\$112,173	\$260,439	\$260,439	\$102,268	\$102,268

*These Residual Equity Transfers are reflected in Contributed Capital on the Balance Sheet.

Between Primary Government and Component Units	Due From Comp. Units	Due To Primary Govt	Due To Comp. Units	Due From Primary Govt	Transfer To Comp. Unit	Transfer From Primary Govt
General	\$ 293	\$ -	\$ 217	\$ -	\$100,784	-
Special Revenue						
State	72	-	531	-	13,849	-
Federal	8	-	397	-	-	-
Debt Service						
Long Range Building	19	-	15	-	-	-
Energy Bonds	2	-	-	-	-	-
Capital Projects						
Long Range Building	-	-	14	-	-	-
Enterprise						
Economic Development Bonds	1	-	-	-	-	-
State Lottery	-	-	1	-	-	-
Prison Industries	16	-	-	-	-	-
Secretary of State Business Srv.	-	-	1	-	-	-
Historical Society Publications	-	-	2	-	-	-
Surplus Property	-	-	1	-	-	-
Internal Service						
ISD	176	-	18	-	-	-
MUS Group Insurance	823	-	20	-	-	-
Administration Insurance	-	-	4	-	-	-
FWP Equipment	2	-	-	-	-	-
Administration Supply	18	-	-	-	-	-
Publications & Graphics	22	-	-	-	-	-
Labor Central Services	-	-	1	-	-	-
Commerce Central Services	7	-	2	-	-	-
DEQ Indirect Cost Pool	1	-	-	-	-	-
Mail & Messenger	2	-	-	-	-	-
Warrant Processing	18	-	-	-	-	-
Investment Division	20	-	1	-	-	-
Justice Legal	2	-	-	-	-	-
Records Management	4	-	-	-	-	-
Nonexpendable Trusts						
Land Grants	-	-	277	-	1,740	-
Pension Trusts						
PERS	422	-	-	-	-	-
Agency						
Employees Defer. Comp.	75	-	2	-	-	-
Land Grant Interest	-	-	1	-	-	-
Performance Deposits	-	-	2	-	-	-
Central Payroll	849	-	-	-	-	-
Child Support Collections	6	-	-	-	-	-
A & E Advances	1	-	2	-	-	-
Uncleared Collections	4	-	1	-	-	-
Debt Collection	-	-	9	-	-	-
COMPONENT UNITS						
Enterprise Funds						
Housing Authority	-	41	-	1	-	-
Health Facilities Authority	-	8	-	-	-	-
State Compensation Ins. - New	-	620	-	13	-	-
State Compensation Ins. - Old	-	6	-	171	-	-
Pension Trusts						
Teachers Retirement System	-	40	-	-	-	-
Higher Education						
Current Funds						
General Operating	-	450	-	12	-	114,585
Designated	-	1,330	-	123	-	-
Auxiliary	-	19	-	37	-	214
Restricted	-	33	-	872	-	-
Fiduciary						
Student Loans	-	-	-	4	-	-
Agency	-	306	-	39	-	-
Plant						
Unexpended	-	6	-	110	-	723
Renewal and Replacement	-	4	-	4	-	27
Retirement of Debt	-	-	-	133	-	824
Totals	\$ 2,863	\$ 2,863	\$ 1,519	\$ 1,519	\$116,373	\$116,373

14. FUND DEFICITS

The following funds have a deficit fund balance/retained earnings found on the operating statements for June 30, 1997, (in thousands):

Primary Government		
		Deficit
Enterprise Fund		
West Yellowstone Airport	\$	(674)
Department of Agriculture		(177)
Internal Service Fund		
Administration Insurance		(5,522)
Payroll Processing		(74)
Justice Legal		(157)
Records Management		(33)
Administration - Legal		(9)
Local Government Admin		(36)
Total Fund Deficits - Primary Government	<u>\$</u>	<u>(6,682)</u>
Component Units		
Proprietary Fund Type		
State Comp. Ins. (Old Fund)	\$	(273,850)
Higher Education Funds		
General Operating Subfund		(22,235)
Total Fund Deficits - Component Units	<u>\$</u>	<u>(296,085)</u>

The deficit retained earnings in the Administration Insurance Fund and the State Compensation Insurance-Old Fund are due to recording the expense for estimated claims including claims incurred but not reported. Refer to Note 9 for further discussion of these funds. The deficit fund balance in the General Operating Subfund is due to the expense associated with the recording of compensated absences.

15. RESERVED FUND BALANCES FOR TRUSTS

The Special Revenue trust reserved fund balance is attributed to the Fish, Wildlife and Parks Wildlife Mitigation Trust Fund and the Department of Environmental Quality Reclamation - OSM Trust Fund.

The Coal Tax Trust reserved fund balance in the Nonexpendable Trust Fund consists of the following (in thousands): Permanent Coal Tax Trust \$545,993, Treasure State Endowment Fund \$42,263 and the School Bond Contingency Fund \$2,178. All other Nonexpendable Trust Fund balances, \$492,843, are Reserved for Trust Principal.

16. SEGMENT INFORMATION

Selected financial information concerning all enterprise operations for the fiscal year ended June 30, 1997, is as follows (in thousands):

	<u>Economic Development Bonds</u>	<u>Liquor Stores</u>	<u>Hail Insurance</u>	<u>State Lottery</u>	<u>Other Enterprise*</u>	<u>Total Enterprise</u>
Operating Revenues:						
Charges for Services	\$ 70	\$ 36,037	\$ -	\$ 28,293	\$ 9,125	\$ 73,525
Investment Earnings	629	-	286	212	379	1,506
Financing Income	2,364	-	-	-	-	2,364
Contributions/Premiums	-	-	2,271	-	2,551	4,822
Grants/Contracts/Donations	-	-	-	-	21	21
Taxes	-	10,130	-	-	-	10,130
Other Revenues	1	47	143	8	6,222	6,421
Operating Expenses:						
Depreciation	4	24	2	97	469	596
Amortization	-	-	-	-	7	7
Other	<u>2,651</u>	<u>30,845</u>	<u>2,004</u>	<u>21,807</u>	<u>15,845</u>	<u>73,152</u>
Operating Income (Loss)	<u>409</u>	<u>15,345</u>	<u>694</u>	<u>6,609</u>	<u>1,977</u>	<u>25,034</u>
Nonoperating Revenues (Expenses)	-	(59)	-	(6)	475	410
Oper. Trans. In (Out)	-	(15,169)	(43)	(6,603)	85	(21,730)
Net Income (Loss)	<u>\$ 409</u>	<u>\$ 117</u>	<u>\$ 651</u>	<u>\$ -</u>	<u>\$ 2,537</u>	<u>\$ 3,714</u>
Current Assets	\$ 5,258	\$ 11,828	\$ 4,465	\$ 3,688	\$ 15,817	\$ 41,056
Current Liabilities	<u>(1,124)</u>	<u>(10,731)</u>	<u>(2,018)</u>	<u>(5,417)</u>	<u>(1,069)</u>	<u>(20,359)</u>
Net Working Capital	<u>\$ 4,134</u>	<u>\$ 1,097</u>	<u>\$ 2,447</u>	<u>\$ (1,729)</u>	<u>\$ 14,748</u>	<u>\$ 20,697</u>

	<u>Economic Development Bonds</u>	<u>Liquor Stores</u>	<u>Hail Insurance</u>	<u>State Lottery</u>	<u>Other Enterprise*</u>	<u>Total Enterprise</u>
Total Assets	\$ 52,216	\$ 13,043	\$ 10,657	\$ 5,866	\$ 27,617	\$109,399
Total Liabilities	49,650	10,812	5,174	5,627	5,628	76,891
Fund Equity	<u>\$ 2,566</u>	<u>\$ 2,231</u>	<u>\$ 5,483</u>	<u>\$ 239</u>	<u>\$ 21,989</u>	<u>\$ 32,508</u>
Long-Term Obligations	\$ 48,526	\$ 81	\$ 3,156	\$ 210	\$ 4,559	\$ 56,532
Cur. Yr. Capital Cont.	\$ -	\$ -	\$ -	\$ -	\$ 422	\$ 422
Acquisition of Fixed Assets	\$ 9	\$ 203	\$ 7	\$ 52	\$ 337	\$ 608
Disposal of Fixed Assets	\$ 5	\$ 72	\$ 3	\$ 41	\$ 509	\$ 630

1. The Economic Development Bond Program, administered by the Board of Investments, assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.
2. The Liquor Division of the Department of Revenue administers the State liquor operations (Liquor Stores). This fund accounts for liquor licensing activities and the sale and distribution of alcoholic beverages.
3. The Hail Insurance Fund provides benefit payments to producers for crop acreage insured and accounts for premium assessments paid (See Note 9).
4. The State Lottery accounts for the operations of Montana's lottery which began in June 1987. Included in Other Assets is \$1,846,000 which is not a current asset.

* Other Enterprise is composed of the following funds (listed by administering agency):

Department of Agriculture
Department of Agriculture

Secretary of State
Business Services

Department of Corrections
Prison Ranch\ Industries
Women's Prison Industries
Swan River Vocational Training

Department of Commerce
Local Government Audits

Montana Historical Society
Historical Society Publications

Department of Administration
Surplus Property
Flexible Spending
Deferred Compensation Admin.

Department of Transportation
West Yellowstone Airport

**Department of Labor
and Industry**
Montana Career Info. System
Subsequent Injury
Uninsured Employers

17. CONTRIBUTED CAPITAL

During fiscal year 1997, contributed capital changed by the following amounts (in thousands):

	<u>PRIMARY GOVERNMENT</u>		<u>COMPONENT UNITS</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Proprietary Fund Type</u>
Beginning Balance - July 1, 1996	\$ 4,592	\$ 6,578	\$ 11,599
Additions:			
Contributed Capital Transfers-in	2,211	1,986	97,716
Deletions:			
Contributed Capital Transfers-out	<u>(1,789)</u>	<u>(2,795)</u>	<u>(18,647)</u>
Ending Balance - June 30, 1997	<u>\$ 5,014</u>	<u>\$ 5,769</u>	<u>\$ 90,668</u>

18. NONEXPENDABLE TRUST FUNDS' INVESTMENT INCOME

Investments are recorded in Nonexpendable Trust Funds using the accrual basis of accounting. However, certain investment earnings attributable to these trusts are transferred elsewhere, as summarized below:

<u>Nonexpendable Trust Fund</u>	<u>Reporting of Investment Earnings</u>
Coal Tax Trust	Permanent Trust Accounting Entities - Investment Earnings are distributed to the General Fund. Treasure State Endowment Accounting Entity - A specified amount may be transferred monthly to the State Special Revenue Fund to cover administrative costs, grants, and loans to local governments for infrastructure projects. In 1997, transfers of \$2,657,546 were made.
Land Grants	Ninety-four percent of investment earnings are transferred to the General Fund for the Office of Public Instruction to distribute to public schools; the remaining six percent is distributed to the Higher Education Units, Department of Administration, Department of Corrections, Department of Public Health and Human Services and School for the Deaf and Blind.
Resource Indemnity	Resource Indemnity Tax investment earnings are distributed to the State Special Revenue Fund as follows: At the beginning of each biennium, \$175,000 to the Environmental Contingency Account; \$50,000 to the Oil and Gas Damage Mitigation Account; \$2,000,000 to the Renewable Resource Loan and Grant Account; \$3,000,000 to the Reclamation and Development Grant Account; \$500,000 to the Water Storage Account; and every fiscal year \$240,000 to the Renewable Resource Loan and Grant Account; and the remaining investment earnings are distributed thirty-six percent to the Renewable Resource Loan and Grant Account; eighteen percent to the Hazardous Waste/Comprehensive Environmental Response, Compensation, and Liability Act Account; forty percent to the Reclamation and Development Grant Account; and six percent to the Environmental Quality Protection Account. The beginning of a biennium is the even numbered fiscal year; therefore, the fixed amounts noted above were not distributed.
Parks Trust	Investment earnings are distributed to the State Special Revenue Fund for the maintenance of parks by the Department of Fish, Wildlife and Parks.
Cultural Trust	Investment earnings are distributed to the State Special Revenue Fund for cultural and aesthetic projects administered by the Montana Arts Council.
Real Property	Investment earnings are transferred to the State Special Revenue Fund for use by the Department of Fish, Wildlife and Parks to operate, maintain and develop its real property.
Noxious Weed Management	Investment earnings are transferred to the State Special Revenue Fund for noxious weed management projects.
Moore Sipple Connector	Investment earnings are distributed quarterly to the Central Montana Rail Company for use in its operation.
Thomas Teakle	Investment earnings are transferred to the State Special Revenue Fund for the Montana Historical Society's library acquisitions.

19. RELATED PARTY TRANSACTIONS

The Montana Board of Regents, an agency within the State, is the guarantor of the loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a private non-profit corporation. The Board of Regents and MHESAC have four common board members. Approximately 55.1% of the Regents' outstanding loan volume or \$274,700,000 is held by MHESAC. Lewis & Clark County owns the building which houses the staff of the Board of Regents and the Office of the Commissioner of Higher Education (OCHE). Upon satisfaction of the financing obligations, MHESAC has the option to purchase the building. OCHE pays MHESAC for its share of various costs such as personnel costs for employees of MHESAC who perform services that are of direct benefit to the State; equipment leases; computer maintenance costs; utilities and other shared operating expenses. The total amount of these expenses for fiscal year 1997 amounted to \$408,292. MHESAC employees are allowed to participate in the University System group insurance plan; MHESAC also reimburses OCHE for services such as telephones, postage and computer supplies. During fiscal year 1997 MHESAC paid OCHE a total of \$451,626.

There is a foundation affiliated with each university and college unit which solicits contributions and manages those funds for the benefit of that unit. Although each foundation is a separate legal entity; each unit exercises significant influence over its affiliated foundation. The units generally provide the foundations with office space, some staff and related office expenses and an annually contracted fee. The units paid their foundations approximately \$1,508,517 in fiscal year 1997, including \$952,875 in prepaid lease payments through the year 2002 from Montana State University-Billings to its foundation. In return the universities received from their foundations approximately \$12,363,272 during fiscal year 1997

for scholarships and academic/institutional support. In addition to support from their affiliated foundation, the University of Montana-Missoula, Montana State University-Bozeman and Montana State University-Billings received a total of \$1,841,336 from their related athletic associations/booster organizations and affiliated museums and public broadcasting radio stations.

20. CONTINGENCIES

A. Litigation - The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

The Crow Tribe filed suit in 1978 in federal district court seeking a declaration that Montana's coal severance and gross proceeds taxes are invalid as applied to the production of coal on the Crow Reservation and to the production of coal owned by the Tribe located in an off-reservation area, known as the "Crow ceded area" or "ceded strip", which lies roughly between the northern boundary of the reservation and the Yellowstone River. The amount of coal reserves falling within these categories has not been precisely determined. The taxes were alleged to be invalid under a variety of theories, of which the most prominent were that the state taxes conflict with federal policy by preventing the marketing of Crow coal and infringe on tribal sovereignty by depriving the Tribe of revenue needed to provide governmental services to the Crow people. In addition to a declaration that the taxes were invalid, the Tribe sought restitution for an amount equal to the severance and gross proceeds taxes paid by Westmoreland Resources, Inc. (Westmoreland), the only company currently mining coal claimed by the Tribe, together with the interest which accrued to the Coal Severance Tax Trust Fund on the amount of taxes paid.

In January 1983, the court ordered Westmoreland's future severance tax payments placed in escrow pending the outcome of the litigation. The State has received no severance tax payments from Westmoreland with respect to the coal mined on the ceded strip since the entry of this order. Prior to 1983, Westmoreland's annual severance tax payments varied from a low of \$5.407 million in 1976 to a high of \$7.078 million in 1979.

In June 1987, the Ninth Circuit Court of Appeals ruled that Montana is preempted from applying its severance and gross proceeds taxes on coal within the ceded strip held in trust for the Crow Tribe and on coal mined on the reservation. In August 1987, the State docketed an appeal of the decision to the United States Supreme Court, and in January 1988, that Court summarily affirmed the Court of Appeals' judgment.

As a result of the Supreme Court's affirmation, two principal issues remained in the case, one of which has been resolved. The first issue involved the appropriate disposition of the escrowed monies, to which the State disclaimed any interest after the Supreme Court's decision. The district court concluded in September 1988 that these monies should be paid to the United States in trust for the Tribe. The escrowed funds totaling \$30.1 million were distributed in May 1989 to the United States.

The second issue involved tax monies paid by Westmoreland to the State but not escrowed. Their amount, exclusive of interest, is approximately \$46.8 million in severance taxes and \$11.4 million in gross proceeds taxes. The Tribe and the United States, which had intervened on the Tribe's behalf in 1983, claimed those taxes under a restitution theory. They additionally sought prejudgment interest on the tax amounts which, as of March 31, 1994, was estimated at \$214.1 million for the severance tax and \$40.7 million on the gross proceeds tax. Trial on their claim was held in April and May 1994, and in November 1994, the district court ruled in the State's favor. In August 1996, however, a three-judge panel of the Ninth Circuit Court of Appeals reversed the District Court's ruling and ordered restitution of the coal severance taxes. It also remanded the matter for determination of whether the Tribe and the United States were entitled to prejudgment interest and if so, the amount of such interest. As of June 30, 1996, the estimated amount of prejudgment interest, using the Tribe and United States' method of calculation, was approximately \$320.27 million with respect to the severance taxes and \$64.4 million with respect to the gross proceeds taxes.

In September 1996 the State filed a petition for rehearing with a suggestion for rehearing en banc directed at that portion of the Court of Appeals' August opinion awarding restitution of the severance and gross proceeds taxes to the Tribe and the United States. In October 1996 the court modified the opinion to refer to one issue raised in the State's petition and then denied the petition in February 1997. The State filed a petition for writ of certiorari with the United States Supreme Court in May 1997, and the Court granted the petition on October 14, 1997. A decision on the restitution claim is anticipated by late June or early July 1998.

The Tribe and the United States additionally sought leave in April 1993 to amend their complaints before the District Court for the purpose of alleging damages in connection with loss of possible production under a coal lease with Shell Oil Company. They estimated those damages alternatively at \$327.1 million and \$250.4 million as of March 31, 1994. The district court denied the requested amendment in July 1993 and again in February 1994. The court, however, addressed that claim in its November 1994 decision and rejected it. The Tribe and the United States raised that aspect of the court's decision in the appeal before the Ninth Circuit discussed in the previous paragraph. In its August 1996 opinion, the Court of Appeals affirmed the District Court's denial of this claim. The Tribe petitioned the Court of Appeals' panel for rehearing on this issue, but its petition was denied in November 1996. In June 1997 the Tribe filed a conditional cross-petition for writ of certiorari before the United States Supreme Court in connection with the Shell claim. The United States did not seek review of the Court of Appeals' decision as to the Shell claim. On October 6, 1997, the Supreme Court denied the Tribe's cross-petition. The Ninth Circuit's ruling as to this claim is, therefore, final.

B. Federal Contingencies:

Federal Financial Assistance - The State receives federal financial assistance for specified purposes which are subject

to review and audit in accordance with the Single Audit Act of 1984. Any disallowances resulting from these audits would become the liability of the State. There are no disallowances reported as of June 30, 1997.

USDA Commodities - In fiscal year 1997, the State distributed \$5,406,373 in commodities. The value at June 30, 1997, of commodities stored in the State's warehouses is \$1,774,829 for which the State is liable in the event of loss.

Social Security - The Social Security Administration (SSA) has assessed the State for the alleged failure to withhold and forward social security contributions for part-time employees for the years 1984 through 1986. In January 1996, a final administrative decision was made against the State and local governments establishing a preliminary assessment of \$2.16 million plus simple interest of 6 per cent per annum. Of the principal amount, \$720,000 plus interest of approximately \$1.0 million is estimated to be the initial liability of the State; the balance of the amount owing is the initial responsibility of various political subdivisions. The portion of that amount that the State might have to pay because of the current nonexistence of some of those political subdivisions, should not be substantial, and this cost would be covered by the Social Security Agency Fund administered by the Public Employees' Retirement Division.

C. Miscellaneous Contingencies:

Commitment fees - The Board of Investments (BOI) and the Montana Health Facility Authority (MHFA) have entered into a capital reserve account agreement for certain bond issues. In accordance with the agreement, the BOI irrevocably committed to lend the MHFA funds sufficient to ensure timely payments of principal and interest on the bonds. If necessary, the loans will be made by the BOI from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 1997, is \$30,330,000.

The BOI has issued INTERCAP bonds backed by commitments from the Coal Severance Tax Permanent Trust Fund. The total amount of these bonds outstanding as of June 30, 1997, is \$42,890,555.

Gain Contingencies - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 1997, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>
Corporation	\$ 5,250	\$ -	\$ 317	\$ -
Coal Severance	11,588	3,616	5,601	22,448
Oil & Gas	4,168	-	-	-
Resource Indemnity	-	518	-	439
Totals	<u>\$ 21,006</u>	<u>\$ 4,134</u>	<u>\$ 5,918</u>	<u>\$ 22,887</u>

Collectibility of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. Interest related to Corporation Tax Assessments is distributed 100% to the General Fund.

21. SUBSEQUENT EVENTS

On September 22, 1997, the State issued \$110,700,000 of Tax and Revenue Anticipation Notes, Series, 1997, due June 30, 1998. The proceeds of the Notes provide cash to support expenditures from the general fund, pending the receipt of taxes and revenues, for the fiscal year ending June 30, 1998.

On September 30, 1997, the State issued \$12,640,000 of General Obligation Bonds, Series 1997B (Long Range Building Program) for building construction and the purchase of Virginia City/Nevada City.



Montana

Combining, Individual Fund and Account Group Statements/Schedules

The financial statements that follow provide detailed information on the financial position and results of operations, by fund, for each fund type. Budget basis schedules provide comparisons of the legally established budget with actual data on the budgetary basis for expenditures/expenses and transfers out. These schedules were compiled from the Statewide Budgeting and Accounting System (SBAS).



SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. A brief description of each Special Revenue Fund follows:

State - This fund accounts for money from State and other sources that are earmarked for the purpose of defraying particular costs of an agency, program or function.

Federal - This fund accounts for money from federal sources that is used for the operation of State government.

STATE OF MONTANA
Combining Balance Sheet
Special Revenue Funds
June 30, 1997
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
ASSETS:			
Cash/Cash Equivalents	\$ 166,688	\$ 52,385	\$ 219,073
Receivables (Net)	38,534	8,413	46,947
Interfund Loans Receivable	43,765	30	43,795
Due from Other Governments	2,926	116,358	119,284
Due from Component Units	72	8	80
Due from Other Funds	7,249	3,702	10,951
Inventories	23,369	12,998	36,367
Long-Term Notes/Loans Receivable	37,970	965	38,935
Advances to Other Funds	263	-	263
Equity in Pooled Investments	9,500	-	9,500
Investments	2,547	16,747	19,294
Securities Lending Collateral	4,421	11,172	15,593
Other Assets	735	608	1,343
TOTAL ASSETS	\$ 338,039	\$ 223,386	\$ 561,425
LIABILITIES/FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 41,884	\$ 61,029	\$ 102,913
Interfund Loans Payable	5,855	52,731	58,586
Advances from Other Funds	4,597	3,006	7,603
Due to Other Governments	1,000	2,597	3,597
Due to Component Units	531	397	928
Due to Other Funds	26,786	17,568	44,354
Deferred Revenue	8,093	27,034	35,127
Property Held in Trust	1,169	213	1,382
Securities Lending Liability	4,421	11,172	15,593
Other Liabilities	19	-	19
Total Liabilities	94,355	175,747	270,102
Fund Balances:			
Reserved For:			
Encumbrances	28,538	8,693	37,231
Inventories	23,369	-	23,369
Long-Term Loans	37,970	965	38,935
Long-Term Advances	263	-	263
Trusts	706	14,095	14,801
Unreserved	152,838	23,886	176,724
Total Fund Balances	243,684	47,639	291,323
TOTAL LIABILITIES/FUND BALANCES	\$ 338,039	\$ 223,386	\$ 561,425

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
REVENUES:			
Licenses/Permits	\$ 79,449	\$ -	\$ 79,449
Taxes:			
Natural Resource	8,205	-	8,205
Individual Income	8	-	8
Property	7,964	-	7,964
Fuel	174,934	-	174,934
Payroll	483	-	483
Other	49,811	-	49,811
Charges for Services/Fines/Forfeits	63,994	3,415	67,409
Investment Earnings	6,830	2,129	8,959
Securities Lending Income	334	566	900
Sale of Documents/Mdse./Property	3,413	24	3,437
Rentals/Leases/Royalties	106	-	106
Contributions/Premiums	4,211	-	4,211
Grants/Contracts/Donations	7,517	242	7,759
Federal	1,535	832,576	834,111
Federal Indirect Cost Recoveries	19	1,796	1,815
Other Revenues	763	50	813
Total Revenues	409,576	840,798	1,250,374
Intrafund Revenues	(1,771)	(805)	(2,576)
Net Revenues	407,805	839,993	1,247,798
EXPENDITURES:			
Current:			
General Government	11,441	850	12,291
Public Safety/Corrections	30,741	16,466	47,207
Transportation	163,022	161,733	324,755
Health/Social Services	65,500	496,733	562,233
Education/Cultural	3,563	70,814	74,377
Resource Development/Recreation	46,941	26,030	72,971
Economic Development/Assistance	41,540	60,907	102,447
Debt Service:			
Principal Retirement	691	210	901
Interest/Fiscal Charges	530	4	534
Capital Outlay	32,473	5,911	38,384
Securities Lending	317	539	856
Total Expenditures	396,759	840,197	1,236,956
Intrafund Expenditures	(1,771)	(805)	(2,576)
Net Expenditures	394,988	839,392	1,234,380
Excess of Revenues Over (Under) Expenditures	12,817	601	13,418
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	2,221	2,909	5,130
Bond Proceeds	9,699	-	9,699
Inception of Lease/Installment Contract	30	44	74
General Fixed Asset Sale Proceeds	82	-	82
Operating Transfers In	30,407	2,722	33,129
Operating Transfers Out	(26,855)	(13,014)	(39,869)
Operating Transfers to Component Units	(13,849)	-	(13,849)
Total Other Financing Sources (Uses)	1,735	(7,339)	(5,604)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	14,552	(6,738)	7,814
FUND BALANCES - JULY 1 - As Previously Reported	231,524	49,410	280,934
Prior Period Adjustments	508	7,739	8,247
FUND BALANCES - July 1 - As Restated	232,032	57,149	289,181
Increase (Decrease) in Inventories	(856)	-	(856)
Residual Equity Transfers	(2,044)	(2,772)	(4,816)
FUND BALANCES - JUNE 30	\$ 243,684	\$ 47,639	\$ 291,323

STATE OF MONTANA
Schedule of Revenues, Expenditures, Other Financing Sources (Uses)
Budget and Actual with Reconciliation of Unreserved Fund Balance per the
Statewide Budgeting and Accounting System (SBAS) to Budget Basis Statement in the GPFS
Special Revenue Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	STATE SPECIAL REVENUE FUND			FEDERAL SPECIAL REVENUE FUND			TOTALS YEAR ENDED JUNE 30		
	BUDGET	ACTUAL	VARIANCE -	BUDGET	ACTUAL	VARIANCE -	BUDGET	ACTUAL	VARIANCE -
			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)
REVENUES:									
Licenses/Permits	\$ 81,522	\$ 79,448	\$ (2,074)	\$ -	\$ -	\$ -	\$ 81,522	\$ 79,448	\$ (2,074)
Taxes:									
Natural Resource	8,928	8,205	(723)	-	-	-	8,928	8,205	(723)
Individual Income	13	8	(5)	-	-	-	13	8	(5)
Property	6,696	7,964	1,268	-	-	-	6,696	7,964	1,268
Fuel	178,864	174,934	(3,930)	-	-	-	178,864	174,934	(3,930)
Payroll	483	483	-	-	-	-	483	483	-
Other	49,400	49,811	411	-	-	-	49,400	49,811	411
Charges for Services/Fines/Forfeits	63,079	63,994	915	2,747	3,415	668	65,826	67,409	1,583
Investment Earnings	5,414	6,830	1,416	1,890	2,129	239	7,304	8,959	1,655
Securities Lending Income	334	334	-	566	566	-	900	900	-
Sale of Documents/Merchandise/Property	3,373	3,413	40	8	24	16	3,381	3,437	56
Rentals/Leases/Royalties	122	106	(16)	-	-	-	122	106	(16)
Contributions/Premiums	4,644	4,211	(433)	-	-	-	4,644	4,211	(433)
Grants/Contracts/Donations	9,761	7,517	(2,244)	510	242	(268)	10,271	7,759	(2,512)
Federal	1,820	1,535	(285)	991,032	832,576	(158,456)	992,852	834,111	(158,741)
Federal Indirect Cost Recoveries	32	19	(13)	1,814	1,796	(18)	1,846	1,815	(31)
Other Revenues	1,074	763	(311)	-	50	50	1,074	813	(261)
Total Revenues	415,559	409,575	(5,984)	998,567	840,798	(157,769)	1,414,126	1,250,373	(163,753)
EXPENDITURES:									
Current:									
General Government	25,176	10,128	15,048	20,264	850	19,414	45,440	10,978	34,462
Public Safety/Corrections	34,947	30,778	4,169	40,791	16,346	24,445	75,738	47,124	28,614
Transportation	181,610	159,625	21,985	242,553	162,924	79,629	424,163	322,549	101,614
Health/Social Services	80,291	59,420	20,871	487,626	438,185	49,441	567,917	497,605	70,312
Education/Cultural	5,269	3,430	1,839	80,661	70,855	9,806	85,930	74,285	11,645
Resource Development/Recreation	65,116	48,468	16,648	59,372	25,602	33,770	124,488	74,070	50,418
Economic Development/Assistance	47,390	42,890	4,500	78,847	60,834	18,013	126,237	103,724	22,513
Debt Service:									
Principal Retirement	691	691	-	213	213	-	904	904	-
Interest/Fiscal Charges	535	535	-	3	3	-	538	538	-
Capital Outlay	31,209	31,209	-	5,581	5,581	-	36,790	36,790	-
Securities Lending	317	317	-	539	539	-	856	856	-
Total Expenditures	472,551	387,491	85,060	1,016,450	781,932	234,518	1,489,001	1,169,423	319,578
Excess of Rev. Over (Under) Expend.	(56,992)	22,084	79,076	(17,883)	58,866	76,749	(74,875)	80,950	155,825
OTHER FINANCING SOURCES (USES):									
Loan Proceeds	2,052	2,221	169	11,500	2,908	(8,592)	13,552	5,129	(8,423)
Bond Proceeds	10,865	9,698	(1,167)	-	-	-	10,865	9,698	(1,167)
General Fixed Asset Sale Proceeds	25	82	57	-	-	-	25	82	57
Operating Transfers In	23,838	19,775	(4,063)	5,368	3,801	(1,567)	29,206	23,576	(5,630)
Operating Transfers Out	(8,807)	(8,096)	711	(3,672)	(3,093)	579	(12,479)	(11,189)	1,290
Transfers to Component Units	(13,849)	(13,849)	-	-	-	-	(13,849)	(13,849)	-
Total Other Financing Sources (Uses)	14,124	9,831	(4,293)	13,196	3,616	(9,580)	27,320	13,447	(13,873)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(42,868)	31,915	74,783	(4,687)	62,482	67,169	(47,555)	94,397	141,952
RECONCILIATION OF BUDGETARY/GAAP REPORTING:									
1. Adjust expenditures for encumbrances.	-	509	509	-	6,563	6,563	-	7,072	7,072
2. Adjustments for appropriated loans/ other nonbudgeted activity.	-	(17,873)	(17,873)	-	(64,342)	(64,342)	-	(82,215)	(82,215)
3. Intrafund elimination - Transfers In	-	(1,771)	(1,771)	-	(805)	(805)	-	(2,576)	(2,576)
4. Intrafund elimination - Transfers Out	-	1,771	1,771	-	805	805	-	2,576	2,576
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(42,868)	14,551	57,419	(4,687)	4,703	9,390	(47,555)	19,254	66,809
Unreserved Fund Balances - July 1	149,914	149,914	-	22,886	20,650	-	172,800	170,564	(2,236)
Residual Equity Transfers	(2,044)	(2,044)	-	(327)	(2,772)	-	(2,371)	(4,816)	(2,445)
Prior Period Adjustments	-	508	508	-	7,739	7,739	-	8,247	8,247
Decrease (Increase):									
Encumbrances Reserve	-	979	979	-	(6,422)	(6,422)	-	(5,443)	(5,443)
Advances to Other Funds Reserve	-	(40)	(40)	-	-	-	-	(40)	(40)
Long-Term Loans Reserve	-	(10,806)	(10,806)	-	341	341	-	(10,465)	(10,465)
Trusts/Endowments Reserve	-	(224)	(224)	-	(353)	(353)	-	(577)	(577)
Unreserved Fund Balances - June 30	\$ 105,002	\$ 152,838	\$ 47,836	\$ 17,872	\$ 23,886	\$ 10,695	\$ 122,874	\$ 176,724	\$ 53,850

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term obligation principal and interest. A brief description of each Debt Service Fund follows:

Coal Tax Bonds - Moneys in this fund are pledged for the payment of principal and interest on all State of Montana coal severance tax bonds.

Long-Range Building Program - This fund accounts for the payment of all long-range building program bonds and interest.

Water Development - This fund accounts for coal severance taxes pledged to retire bonds sold to make loans/grants for water development projects and activities, as prioritized by the Legislature.

Highway Revenue Bonds - This fund accounts for gasoline taxes pledged for payment of principal and interest on bonds issued for the purpose of constructing highways in Montana.

Health Facility Bonds - This fund accounts for funds from services provided to patients at the Montana Developmental Center and Montana State Hospital to pay off bonds issued by the Montana Health Facility.

Department of Social and Rehabilitation Services (SRS) Building - The building occupied by SRS is owned by the Teachers' Retirement System and is leased to the State through a lease-purchase agreement. This fund accounts for the lease payments to the retirement system.

Renewable Resource - This fund accounts for coal severance taxes pledged to retire bonds that were sold to provide funds to finance renewable resource projects.

Water Conservation Bonds - This fund accounts for Water Conservation Bonds issued for four projects: Sidney, Little Dry, South Side Canal and Petrolia.

Energy Bonds - This fund accounts for General Obligation bonds issued for State Building Energy Conservation Projects.

STATE OF MONTANA
Combining Balance Sheet
Debt Service Funds
June 30, 1997
(Expressed in Thousands)

	COAL TAX BONDS	LONG- RANGE BUILDING PROGRAM	WATER DEVELOP- MENT	HIGHWAY REVENUE BONDS	HEALTH CARE DEBT SERVICE	SRS BLDG	RENEW- ABLE RESOURCE	WATER CONSER- VATION BONDS	ENERGY BONDS	TOTALS
ASSETS:										
Cash/Cash Equivalents	\$ 6,301	\$ 4,599	\$ 2,164	\$ 13,679	\$ 3,496	\$ 33	\$ 1	\$ -	\$ 205	\$ 30,478
Receivables (Net)	334	2,723	672	-	-	-	-	-	-	3,729
Due from Other Funds	3	244	1	-	413	-	-	-	-	661
Due from Component Units	-	19	-	-	-	-	-	-	2	21
Long-Term Notes/Loans Receivable	31,497	-	5,745	-	-	-	-	64	-	37,306
Investments	1,666	-	-	-	-	-	-	-	-	1,666
Securities Lending Collateral	1,823	-	12	10	-	-	-	-	5	1,850
TOTAL ASSETS	\$ 41,624	\$ 7,585	\$ 8,594	\$ 13,689	\$ 3,909	\$ 33	\$ 1	\$ 64	\$ 212	\$ 75,711
LIABILITIES/FUND BALANCES:										
Liabilities:										
Accounts Payable	\$ 8	\$ 4,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 4,422
Due to Component Units	-	15	-	-	-	-	-	-	-	15
Due to Other Funds	8	1,242	410	-	-	-	-	-	152	1,812
Deferred Revenue	-	772	-	-	-	-	-	-	-	772
Securities Lending Liability	1,823	-	12	10	-	-	-	-	5	1,850
Total Liabilities	1,839	6,442	422	10	-	-	-	-	158	8,871
Fund Balances:										
Reserved for Long-Term Loans	31,497	-	5,745	-	-	-	-	64	-	37,306
Reserved for Debt Service	8,288	1,143	2,427	13,679	3,909	33	1	-	54	29,534
Total Fund Balances	39,785	1,143	8,172	13,679	3,909	33	1	64	54	66,840
TOTAL LIABILITIES/FUND BALANCES	\$ 41,624	\$ 7,585	\$ 8,594	\$ 13,689	\$ 3,909	\$ 33	\$ 1	\$ 64	\$ 212	\$ 75,711

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	COAL TAX BONDS	LONG- RANGE BUILDING PROGRAM	WATER DEVELOP- MENT	HIGHWAY REVENUE BONDS	HEALTH CARE DEBT SERVICE	SRS BLDG	RENEW- ABLE RESOURCE	WATER CONSER- VATION BONDS	ENERGY BONDS	TOTALS
REVENUES:										
Taxes:										
Gas/Oil/Coal Production	\$ -	\$ -	\$ 362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362
Individual Income	-	34,994	-	-	-	-	-	-	-	34,994
Corporate Income	-	7,212	-	-	-	-	-	-	-	7,212
Cigarette/Tobacco	-	10,901	-	-	-	-	-	-	-	10,901
Charges for Services/Fines/Forfeits	-	575	-	-	-	83	-	-	622	1,280
Investment Earnings	1,802	394	1,391	385	121	-	-	3	108	4,204
Securities Lending Income	115	16	4	28	-	-	-	-	8	171
Federal	-	144	-	-	-	-	-	-	-	144
Sale of Documents/Mdse./Property	2,097	-	-	-	-	-	-	-	-	2,097
Total Revenues	4,014	54,236	1,757	413	121	83	-	3	738	61,365
EXPENDITURES:										
General Government	-	4	-	-	-	51	-	-	-	55
Resource Development/Recreation	7	-	120	-	-	-	-	-	-	127
Economic Development/Assistance	-	62	-	-	-	-	-	-	-	62
Principal Retirement	4,644	5,203	674	11,235	290	72	-	3	435	22,556
Interest/Fiscal Charges	3,381	3,546	460	4,089	800	2	-	3	195	12,476
Securities Lending	109	15	4	26	-	-	-	-	7	161
Total Expenditures	8,141	8,830	1,258	15,350	1,090	125	-	6	637	35,437
Excess of Revenues Over (Under) Expenditures	(4,127)	45,406	499	(14,937)	(969)	(42)	-	(3)	101	25,928
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	2,985	5,573	50	15,176	3,703	-	-	-	-	27,487
Operating Transfers Out	(398)	(54,738)	(457)	-	-	-	-	-	(152)	(55,745)
Total Other Financing Sources (Uses)	2,587	(49,165)	(407)	15,176	3,703	-	-	-	(152)	(28,258)
Excess of Revenues/Other Sources Over (Under) Expenditures/ Other Uses	(1,540)	(3,759)	92	239	2,734	(42)	-	(3)	(51)	(2,330)
FUND BALANCES - July 1 -										
As Previously Reported	38,363	6,077	6,515	13,440	-	75	1	67	105	64,643
Prior Period Adjustments	48	(1,175)	3	-	1,175	-	-	-	-	51
FUND BALANCES - July 1 - As Restated	38,411	4,902	6,518	13,440	1,175	75	1	67	105	64,694
Residual Equity Transfers	2,914	-	1,562	-	-	-	-	-	-	4,476
FUND BALANCES - June 30	\$ 39,785	\$ 1,143	\$ 8,172	\$ 13,679	\$ 3,909	\$ 33	\$ 1	\$ 64	\$ 54	\$ 66,840



CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major governmental general fixed assets. A brief description of each Capital Projects Fund follows:

Long-Range Building Program - This fund is maintained to account for resources received and expended for the State's long-range building program. The long-range building program includes costs for the acquisition, construction and improvement of major fixed assets financed by general obligation bonds and interest earned on bond proceeds.

Federal/Private Construction Grants - This fund accounts for federal grants, private donations and federal matching funds that are restricted to general fixed asset construction.

Capital Land Grant - This fund accounts for revenues and expenditures from the capital land grant. Revenues are dedicated for the purpose of constructing capital buildings or additions thereto. Revenues may be transferred to a Debt Service Fund for the payment of principal and interest on bonds issued for capital building construction.

STATE OF MONTANA
Combining Balance Sheet
Capital Projects Funds
June 30, 1997
(Expressed in Thousands)

	LONG-RANGE BUILDING	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
ASSETS:				
Cash/Cash Equivalents	\$ 21,686	\$ 221	\$ 367	\$ 22,274
Receivables (Net)	1,187	-	-	1,187
Due from Other Funds	281	-	54	335
Securities Lending Collateral	567	-	-	567
Other Assets	-	-	4	4
TOTAL ASSETS	\$ 23,721	\$ 221	\$ 425	\$ 24,367
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 998	\$ 2	\$ -	\$ 1,000
Interfund Loans Payable	203	-	-	203
Due to Component Units	14	-	-	14
Due to Other Funds	354	-	-	354
Property Held in Trust	2	-	-	2
Securities Lending Liability	567	-	-	567
Total Liabilities	2,138	2	-	2,140
Fund Balances:				
Unreserved	21,583	219	425	22,227
Total Fund Balances	21,583	219	425	22,227
TOTAL LIABILITIES/FUND BALANCES	\$ 23,721	\$ 221	\$ 425	\$ 24,367

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	LONG-RANGE BUILDING	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
REVENUES:				
Taxes:				
Natural Resource	\$ 4,577	\$ -	\$ -	\$ 4,577
Cigarette/Tobacco	2,336	-	-	2,336
Charges for Services/Fines/Forfeits	271	-	-	271
Investment Earnings	1,046	-	-	1,046
Securities Lending Income	87	-	-	87
Other Revenues	2	-	-	2
Total Revenues	8,319	-	-	8,319
EXPENDITURES:				
Current:				
Resource Development/Recreation	26	-	-	26
Debt Service Int/Fiscal Charge	84	-	-	84
Capital Outlay	27,226	532	-	27,758
Securities Lending	82	-	-	82
Total Expenditures	27,418	532	-	27,950
Excess of Revenues Over (Under) Expenditures	(19,099)	(532)	-	(19,631)
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	2,162	-	-	2,162
Bond Proceeds	30,075	-	-	30,075
Inception of Lease/Installment	102	-	-	102
Operating Transfers In	2,745	401	966	4,112
Operating Transfers Out	(1,660)	(25)	(573)	(2,258)
Total Other Financing Sources (Uses)	33,424	376	393	34,193
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	14,325	(156)	393	14,562
FUND BALANCES - July 1 - As Previously Reported	7,258	375	32	7,665
FUND BALANCES - June 30	\$ 21,583	\$ 219	\$ 425	\$ 22,227

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that provide goods or services to the public on a user charge basis. A brief description of each Enterprise Fund follows:

Economic Development Bonds - This operation is directed by the nine-member Board of Investments, administered by the Department of Commerce. This fund accounts for the Industrial Development Bond (IDB) Program and the Montana Cash Anticipation Program. This program assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Liquor Stores - This fund accounts for activities related to the sale and distribution of alcoholic beverages and licensing within the State. Profits and license fees are used to finance General Fund expenditures.

Hail Insurance - Any producer engaged in the growing of crops subject to damage by hail may participate in the hail insurance program. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and benefits paid by the Department of Agriculture.

State Lottery - This fund accounts for the operations of Montana's lottery.

Montana State Prison Ranch/Industries, Swan River Vocational Training and Women's Prison Industries- These operations provide training and employment for inmates. The products produced are sold to State agencies, non-profit organizations and other customers in accordance with State policies.

Uninsured Employers - This fund accounts for fines and penalties collected from employers that do not carry workers' compensation coverage and benefits paid to their employees who are injured on the job.

Subsequent Injury - This fund accounts for the assessments collected from employers and benefits paid to workers who are certified as vocationally handicapped and are injured on the job.

Montana Career Information System - A private organization that collects and distributes labor market and educational data in software and books to various schools and agencies. The MCIS is funded through a combination of user fees and state grants.

FWP Snowgroomer Rental - This fund accounts for activities related to providing snowgroomer equipment to snowmobile clubs which are assessed fees for use of the equipment.

Secretary of State Business Services - This fund accounts for the Business and Government Services activities and the Administrative Code Program of the Secretary of State's Office.

Historical Society Publications - This fund accounts for the Historical Society's sales from "Montana, The Magazine of Western History", books, publications and merchandise from the Historical Society store.

Surplus Property - The Department of Administration accounts for intragovernmental sales of state and federal surplus property to State agencies, local governments and certain other non-profit organizations in this fund.

West Yellowstone Airport - This fund, administered by the Department of Transportation, accounts for operations of the airport at West Yellowstone. User airlines are assessed rent and landing fees.

Local Government Audits - This fund accounts for the costs incurred by the Department of Commerce for audits of local governments required under Section 2-7-501 through 522 of the Montana Code Annotated and the fees assessed the local governments for the audits.

Deferred Compensation Administration Expenses - This fund accounts for the fees collected from the Deferred Compensation Plan participants for the administration of the plan and the related costs incurred in administering the plan.

Flexible Spending Administration - This fund accounts for the fees collected from the participants in the Flexible Spending program administered by the Department of Administration and the related administrative costs of the plan.

Department of Agriculture - This fund accounts for fees collected from persons importing, possessing or controlling alfalfa leaf-cutting bees and the costs incurred in certifying that the bees are disease free, and the application fees from the operations of the Beginning Farm Loan Program.

STATE OF MONTANA
Combining Balance Sheet
Enterprise Funds
June 30, 1997
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR STORES	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
ASSETS:							
Cash/Cash Equivalents	\$ 4,103	\$ 3,168	\$ 2,687	\$ 2,233	\$ 914	\$ 334	\$ 1,503
Receivables (Net)	1,154	8,567	1,778	923	133	69	4,097
Due from Other Funds	-	-	-	17	58	87	12
Due from Component Units	1	-	-	-	-	16	-
Inventories	-	57	-	501	3,473	1,018	-
Long-Term Loans/Notes Receivable	33,242	-	-	-	-	-	-
Investments	12,602	-	3,043	-	-	-	-
Securities Lending Collateral	5	-	3,138	44	-	-	35
Land	-	-	-	-	690	-	-
Buildings/Improvements	-	1,736	-	-	2,615	530	-
Equipment	45	647	23	462	1,647	544	24
Other Fixed Assets	-	-	-	242	-	-	-
Accumulated Depreciation	(22)	(1,168)	(12)	(426)	(2,197)	(559)	(8)
Intangible Assets	-	-	-	10	40	9	2
Deferred Charges	1,086	-	-	-	-	-	-
Other Assets	-	36	-	1,860	-	1	-
TOTAL ASSETS	\$ 52,216	\$ 13,043	\$ 10,657	\$ 5,866	\$ 7,373	\$ 2,049	\$ 5,665
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ 776	\$ 5,363	\$ 18	\$ 412	\$ 85	\$ 47	\$ 1
Lottery Prizes Payable	-	-	-	3,052	-	-	-
Due to Other Governments	-	-	18	-	-	-	-
Due to Component Units	-	-	-	1	-	-	-
Due to Other Funds	13	4,095	66	1,848	73	59	41
Deferred Revenue	239	1,238	1,411	104	-	15	-
Lease/Installment Purchase Payable	-	-	-	-	-	-	2
Bonds/Notes Payable (Net)	48,090	-	-	-	-	-	-
Property Held in Trust	96	35	-	-	-	-	-
Securities Lending Liability	5	-	3,138	44	-	-	35
Compensated Absences Payable	11	81	18	166	103	69	52
Estimated Insurance Claims	-	-	505	-	-	-	-
Arbitrage Rebate Tax Payable	420	-	-	-	-	-	-
Total Liabilities	49,650	10,812	5,174	5,627	261	190	131
Fund Equity:							
Contributed Capital	23	1,916	6	239	21	255	2
Retained Earnings:							
Unreserved	2,543	315	5,477	-	7,091	1,604	5,532
Total Fund Equity	2,566	2,231	5,483	239	7,112	1,859	5,534
TOTAL LIABILITIES/FUND EQUITY	\$ 52,216	\$ 13,043	\$ 10,657	\$ 5,866	\$ 7,373	\$ 2,049	\$ 5,665

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN
\$ 279	\$ 41	\$ 1,114	\$ 137	\$ 193	\$ 179	\$ 351	\$ -	80
225	1	-	55	108	-	3	-	-
-	-	11	-	1	-	-	242	-
-	-	-	-	-	-	-	-	-
-	-	-	399	644	-	-	-	-
-	-	-	-	3	-	-	-	-
4,626	-	-	-	-	-	-	-	-
2,940	-	-	-	-	-	-	-	-
-	-	-	-	-	110	-	-	-
-	-	-	-	123	487	-	-	-
-	11	282	87	153	102	74	-	-
-	-	-	9	-	1,147	-	-	-
-	-	(210)	(41)	(110)	(1,339)	(34)	-	-
-	-	-	2	4	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	21	-	4	-	1	-	-
<u>\$ 8,070</u>	<u>\$ 53</u>	<u>\$ 1,218</u>	<u>\$ 648</u>	<u>\$ 1,123</u>	<u>\$ 686</u>	<u>\$ 395</u>	<u>\$ 242</u>	<u>80</u>

\$ 46	\$ 3	\$ 5	\$ 24	\$ 33	\$ 1	\$ -	\$ 242	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	1	2	1	-	-	-	-
1	6	73	44	22	5	14	-	-
-	7	25	111	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	79	-	3	-	-	-	-
2,940	-	-	-	-	-	-	-	-
1	2	105	35	25	3	33	-	-
1,154	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>4,142</u>	<u>18</u>	<u>288</u>	<u>216</u>	<u>84</u>	<u>9</u>	<u>47</u>	<u>242</u>	<u>-</u>
-	-	176	39	694	1,351	106	-	-
3,928	35	754	393	345	(674)	242	-	80
<u>3,928</u>	<u>35</u>	<u>930</u>	<u>432</u>	<u>1,039</u>	<u>677</u>	<u>348</u>	<u>-</u>	<u>80</u>
<u>\$ 8,070</u>	<u>\$ 53</u>	<u>\$ 1,218</u>	<u>\$ 648</u>	<u>\$ 1,123</u>	<u>\$ 686</u>	<u>\$ 395</u>	<u>\$ 242</u>	<u>80</u>

(Continued on Next Page)

STATE OF MONTANA
Combining Balance Sheet - Continued
Enterprise Funds
June 30, 1997
(Expressed in Thousands)

	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
ASSETS:				
Cash/Cash Equivalents	\$ 9	\$ 2	\$ 2	\$ 17,329
Receivables (Net)	-	-	-	17,113
Due from Other Funds	-	-	-	428
Due from Component Units	-	-	-	17
Inventories	-	-	-	6,092
Long-Term Loans/Notes Receivable	-	-	-	33,245
Investments	-	-	-	20,271
Securities Lending Collateral	-	-	-	6,162
Land	-	-	-	800
Buildings/Improvements	-	-	-	5,491
Equipment	2	-	3	4,106
Other Fixed Assets	-	-	-	1,398
Accumulated Depreciation	(2)	-	(1)	(6,129)
Intangible Assets	-	-	-	67
Deferred Charges	-	-	-	1,086
Other Assets	-	-	-	1,923
TOTAL ASSETS	9 \$	2 \$	4 \$	\$ 109,399
LIABILITIES/FUND EQUITY:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 7,056
Lottery Prizes Payable	-	-	-	3,052
Due to Other Governments	-	-	-	18
Due to Component Units	-	-	-	5
Due to Other Funds	-	-	-	6,360
Deferred Revenue	-	-	-	3,150
Lease/Installment Purchase Payable	-	-	-	2
Bonds/Notes Payable (Net)	-	-	-	48,090
Property Held in Trust	-	-	-	213
Securities Lending Liability	-	-	-	6,162
Compensated Absences Payable	-	-	-	704
Estimated Insurance Claims	-	-	-	1,659
Arbitrage Rebate Tax Payable	-	-	-	420
Total Liabilities	-	-	-	76,891
Fund Equity:				
Contributed Capital	186	-	-	5,014
Retained Earnings:				
Unreserved	(177)	2	4	27,494
Total Fund Equity	9	2	4	32,508
TOTAL LIABILITIES/FUND EQUITY	\$ 9 \$	2 \$	4 \$	\$ 109,399



STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR STORES	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
OPERATING REVENUES:							
Charges for Services	\$ 70	\$ 36,037	\$ -	\$ 28,293	\$ 2,204	\$ 2,369	\$ -
Investment Earnings	629	-	286	212	-	-	60
Securities Lending Income	1	-	45	8	-	-	4
Financing Income	2,364	-	-	-	-	-	-
Contributions/Premiums	-	-	2,271	-	-	-	5
Grants/Contracts/Donations	-	-	-	-	-	-	-
Taxes	-	10,130	-	-	-	-	-
Other Operating Revenues	-	47	98	-	3	-	5,995
Total Operating Revenues	3,064	46,214	2,700	28,513	2,207	2,369	6,064
OPERATING EXPENSES:							
Personal Services	117	1,256	161	1,152	827	1,006	514
Contractual Services	10	241	72	4,523	56	27	33
Supplies/Materials	2	27,862	5	564	670	1,007	10
Benefits/Claims (Note 3)	-	-	1,685	-	-	-	577
Depreciation	4	24	2	97	209	108	3
Amortization	-	-	-	-	3	3	-
Utilities/Rent	20	49	5	94	57	58	25
Communications	5	42	7	834	2	11	23
Travel	5	10	21	25	8	11	18
Repair/Maintenance	-	14	-	44	190	87	3
Local Assistance	-	1,343	-	-	-	-	-
Lottery Prize Payments	-	-	-	14,333	-	-	-
Interest Expense	2,233	-	-	-	-	-	-
Securities Lending Expense	1	-	43	7	-	-	4
Arbitrage Rebate Tax	244	-	-	-	-	-	-
Other Operating Expenses	14	28	5	231	109	17	3,996
Total Operating Expenses	2,655	30,869	2,006	21,904	2,131	2,335	5,206
Operating Income (Loss)	409	15,345	694	6,609	76	34	858
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	-	(59)	-	(6)	-	(32)	-
Increase (Decrease) Value of Livestock	-	-	-	-	521	-	-
Total Nonoperating Revenues (Expenses)	-	(59)	-	(6)	521	(32)	-
Income (Loss) Before Operating Transfers	409	15,286	694	6,603	597	2	858
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	(15,169)	(43)	(6,603)	-	-	-
Net Income (Loss)	409	117	651	-	597	2	858
RETAINED EARNINGS - JULY 1 -							
As Previously Reported	2,134	149	4,828	-	6,494	1,602	4,674
Prior Period Adjustments	-	49	(2)	-	-	-	-
RETAINED EARNINGS - JULY 1- As Restated	2,134	198	4,826	-	6,494	1,602	4,674
Residual Equity Transfers	-	-	-	-	-	-	-
RETAINED EARNINGS - JUNE 30	\$ 2,543	\$ 315	\$ 5,477	\$ -	\$ 7,091	\$ 1,604	\$ 5,532

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN
\$ 603	\$ 111	\$ 1,825	\$ 631	\$ 768	\$ 34	\$ 258	\$ 245	74
319	-	-	-	-	-	-	-	-
157	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	2,541
-	21	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	4	3	-	56	-	-	-
1,084	132	1,829	634	768	90	258	245	2,615
13	65	904	304	244	40	150	-	-
5	37	302	57	15	7	8	245	-
-	11	59	270	247	5	4	-	-
401	-	-	-	-	-	-	-	2,465
-	-	72	10	30	24	11	-	-
-	-	-	-	1	-	-	-	-
1	2	54	19	19	11	5	-	-
1	2	90	31	15	1	5	-	-
-	8	15	7	36	1	1	-	-
-	-	10	1	8	1	2	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	1	-	-	-	-
149	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1	9	9	18	4	1	31	-	70
571	134	1,515	717	620	91	217	245	2,535
513	(2)	314	(83)	148	(1)	41	-	80
-	-	-	(1)	(11)	-	(2)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(1)	(11)	-	(2)	-	-
513	(2)	314	(84)	137	(1)	39	-	80
-	-	-	55	-	30	-	-	-
-	-	-	-	-	-	-	-	-
513	(2)	314	(29)	137	29	39	-	80
3,915	37	416	422	208	(703)	203	-	-
-	-	24	-	-	-	-	-	-
3,915	37	440	422	208	(703)	203	-	-
(500)	-	-	-	-	-	-	-	-
\$ 3,928	\$ 35	\$ 754	\$ 393	\$ 345	\$ (674)	\$ 242	\$ -	80

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	\$ 3	\$ -	\$ -	73,525
Investment Earnings	-	-	-	1,506
Securities Lending Income	-	-	-	215
Financing Income	-	-	-	2,364
Contributions/Premiums	-	-	-	4,822
Grants/Contracts/Donations	-	-	-	21
Taxes	-	-	-	10,130
Other Operating Revenues	-	-	-	6,206
Total Operating Revenues	3	-	-	98,789
OPERATING EXPENSES:				
Personal Services	2	-	-	6,755
Contractual Services	-	-	-	5,638
Supplies/Materials	-	-	-	30,716
Benefits/Claims (Note 3)	-	-	-	5,128
Depreciation	2	-	-	596
Amortization	-	-	-	7
Utilities/Rent	-	-	-	419
Communications	-	-	-	1,069
Travel	-	-	-	166
Repair/Maintenance	-	-	-	360
Local Assistance	-	-	-	1,343
Lottery Prize Payments	-	-	-	14,333
Interest Expense	-	-	-	2,234
Securities Lending Expense	-	-	-	204
Arbitrage Rebate Tax	-	-	-	244
Other Operating Expenses	-	-	-	4,543
Total Operating Expenses	4	-	-	73,755
Operating Income (Loss)	(1)	-	-	25,034
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) Sale of Fixed Assets	-	-	-	(111)
Increase (Decrease) Value of Livestock	-	-	-	521
Total Nonoperating Revenues (Expenses)	-	-	-	410
Income (Loss) Before Operating Transfers	(1)	-	-	25,444
Operating Transfers In	-	-	-	85
Operating Transfers Out	-	-	-	(21,815)
Net Income (Loss)	(1)	-	-	3,714
RETAINED EARNINGS - JULY 1 -				
As Previously Reported	(176)	2	4	24,209
Prior Period Adjustments	-	-	-	71
RETAINED EARNINGS - JULY 1- As Restated	(176)	2	4	24,280
Residual Equity Transfers	-	-	-	(500)
RETAINED EARNINGS - JUNE 30	\$ (177)	\$ 2	\$ 4	\$ 27,494



STATE OF MONTANA
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR STORES	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Sales and Services	\$ 2,475	\$ 39,590	\$ 2,292	\$ 27,982	\$ 2,224	\$ 2,539	\$ -
Payments to Suppliers for Goods and Services	(56)	(27,888)	(96)	(6,532)	(1,231)	(1,382)	(4,090)
Payments to Employees	(120)	(1,178)	(153)	(1,147)	(790)	(1,016)	(483)
Cash Payments for Claims	-	-	(1,799)	-	-	-	(577)
Cash Payments for Local Assistance	-	(1,454)	-	-	-	-	-
Cash Payments for Prizes	-	-	-	(14,228)	-	-	-
Other Operating Revenues	-	47	99	-	-	-	5,687
Net Cash Provided by (Used for) Operating Activities	2,299	9,117	343	6,075	203	141	537
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Payment of Principal and Interest on Bonds and Notes	(5,330)	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	10,825	-	-	-	-	-	-
Payment of Bond Issuance Costs	(207)	-	-	-	-	-	-
Collection of Taxes	-	10,130	-	-	-	-	-
Transfers to Other Funds	-	(18,193)	(5)	(6,507)	-	-	-
Transfers from Other Funds	-	87	-	-	-	-	-
Payment of Interfund Loans	-	-	-	-	-	-	-
Residual Equity Transfers to Other Funds	-	-	-	-	-	-	-
Contributed Capital Transfers from Other Funds	-	-	-	-	21	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	5,288	(7,976)	(5)	(6,507)	21	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of Fixed Assets	(6)	(114)	(8)	(29)	(217)	(73)	(6)
Proceeds from Sale of Fixed Assets	-	-	-	-	-	35	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	-	-	(1)
Net Cash Used for Capital and Related Financing Activities	(6)	(114)	(8)	(29)	(217)	(38)	(7)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of Investments	(10,542)	-	(3,013)	-	-	-	-
Proceeds from Sales or Maturities of Investments	7,613	-	16	-	-	-	-
Proceeds from Securities Lending Transactions	1	-	33	8	-	-	4
Interest and Dividends on Investments	456	-	220	211	-	-	60
Payment of Securities Lending Costs	(1)	-	(31)	(7)	-	-	(4)
Collections of Principal and Interest on Loans	6,627	-	-	-	-	-	-
Cash Payments for Loans	(12,586)	-	-	-	-	-	-
Arbitrage Rebate Tax	(85)	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	(8,517)	-	(2,775)	212	-	-	60
Net Increase (Decrease) in Cash and Cash Equivalents	(936)	1,027	(2,445)	(249)	7	103	590
Cash and Cash Equivalents, July 1	5,039	2,141	5,132	2,482	907	231	913
Cash and Cash Equivalents, June 30	\$ 4,103	\$ 3,168	\$ 2,687	\$ 2,233	\$ 914	\$ 334	\$ 1,503

	SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN
\$	541	\$ 118	\$ 1,829	\$ 640	\$ 679	\$ 108	\$ 259	\$ 2	2,615
	(7)	(65)	(576)	(398)	(334)	(42)	(56)	(2)	(70)
	(10)	(61)	(899)	(287)	(247)	(36)	(148)	-	-
	(237)	-	-	-	-	-	-	-	(2,465)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	5	-	-	-	-	-	-	-	-
	292	(8)	354	(45)	98	30	55	-	80
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	55	-	30	-	-	-
	-	-	-	-	-	-	(35)	-	-
	(500)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	(500)	-	-	55	-	30	(35)	-	-
	-	(11)	(26)	(20)	(49)	(7)	(4)	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	(11)	-	-	-	-
	-	(11)	(26)	(20)	(60)	(7)	(4)	-	-
	(1,297)	-	-	-	-	-	-	-	-
	923	-	-	-	-	-	-	-	-
	144	-	-	-	-	-	-	-	-
	329	-	-	-	-	-	-	-	-
	(137)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	(38)	-	-	-	-	-	-	-	-
	(246)	(19)	328	(10)	38	53	16	-	80
	525	60	786	147	155	126	335	-	-
\$	279	\$ 41	\$ 1,114	\$ 137	\$ 193	\$ 179	\$ 351	\$ -	80

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Sales and Services	\$ 4	\$ -	\$ -	83,897
Payments to Suppliers for Goods and Services	(1)	-	-	(42,826)
Payments to Employees	(2)	-	-	(6,577)
Cash Payments for Claims	-	-	-	(5,078)
Cash Payments for Local Assistance	-	-	-	(1,454)
Cash Payments for Prizes	-	-	-	(14,228)
Other Operating Revenues	-	-	-	5,838
Net Cash Provided by (Used for) Operating Activities	1	-	-	19,572
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	-	-	-	(5,330)
Proceeds from Issuance of Bonds and Notes	-	-	-	10,825
Payment of Bond Issuance Costs	-	-	-	(207)
Collection of Taxes	-	-	-	10,130
Transfers to Other Funds	-	-	-	(24,705)
Transfers from Other Funds	-	-	-	172
Payment of Interfund Loans	-	-	-	(35)
Residual Equity Transfers to Other Funds	-	-	-	(500)
Contributed Capital Transfers from Other Funds	-	-	-	21
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-	(9,629)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Fixed Assets	-	-	-	(570)
Proceeds from Sale of Fixed Assets	-	-	-	35
Principal and Interest Payments on Bonds and Notes	-	-	-	(12)
Net Cash Used for Capital and Related Financing Activities	-	-	-	(547)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	-	-	-	(14,852)
Proceeds from Sales or Maturities of Investments	-	-	-	8,552
Proceeds from Securities Lending Transactions	-	-	-	190
Interest and Dividends on Investments	-	-	-	1,276
Payment of Securities Lending Costs	-	-	-	(180)
Collections of Principal and Interest on Loans	-	-	-	6,627
Cash Payments for Loans	-	-	-	(12,586)
Arbitrage Rebate Tax	-	-	-	(85)
Net Cash Provided by (Used for) Investing Activities	-	-	-	(11,058)
Net Increase (Decrease) in Cash and Cash Equivalents	1	-	-	(1,662)
Cash and Cash Equivalents, July 1	8	2	2	18,991
Cash and Cash Equivalents, June 30	\$ 9	\$ 2	\$ 2	17,329

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR STORES	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ 409	\$ 15,345	\$ 694	\$ 6,609	\$ 76	\$ 34	858
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:							
Depreciation	4	24	2	97	209	108	3
Amortization	-	-	-	-	3	3	-
Taxes	-	(10,130)	-	-	-	-	-
Interest Expense	2,233	-	-	-	-	-	-
Securities Lending Expense	1	-	43	7	-	-	4
Interest on Investments	(629)	-	(286)	(212)	-	-	(60)
Securities Lending Income	(1)	-	(45)	(8)	-	-	(4)
Arbitrage Rebate Tax	244	-	-	-	-	-	-
Change in Assets and Liabilities:							
Decr (Incr) in Accounts Receivable	-	3,396	317	(160)	6	39	(314)
Decr (Incr) in Due From Other Funds	-	-	-	(17)	(20)	14	16
Decr (Incr) in Due From Component Units	6	-	-	-	-	107	-
Decr (Incr) in Inventories	-	(25)	-	(335)	(150)	(169)	-
Decr (Incr) in Long-Term Loans/Notes Rec	-	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	4,377	-	(126)	-	-	-
Incr (Decr) in Accounts Payable	(2)	386	5	33	52	(7)	(1)
Incr (Decr) in Lottery Prizes Payable	-	-	-	192	-	-	-
Incr (Decr) in Due to Other Funds	(1)	(48)	14	(26)	7	2	12
Incr (Decr) in Due to Component Units	-	-	-	1	-	-	-
Incr (Decr) in Due to Other Governments	-	-	13	-	-	-	-
Incr (Decr) in Deferred Revenue	(28)	155	(302)	22	-	10	-
Incr (Decr) in Property Held in Trust	64	(4,379)	-	-	-	-	-
Incr (Decr) in Compensated Absences Pay	(1)	16	2	(2)	20	-	23
Incr (Decr) in Estimated Claims	-	-	(114)	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 2,299	\$ 9,117	\$ 343	\$ 6,075	\$ 203	\$ 141	537
SCHEDULE OF NONCASH TRANSACTIONS:							
Asset Acquisitions from Contributed Capital Transfers from Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 513	\$ (2)	\$ 314	\$ (83)	148
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	-	-	72	10	30
Amortization	-	-	-	-	1
Taxes	-	-	-	-	-
Interest Expense	-	-	-	-	1
Securities Lending Expense	149	-	-	-	-
Interest on Investments	(319)	-	-	-	-
Securities Lending Income	(157)	-	-	-	-
Arbitrage Rebate Tax	-	-	-	-	-
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	(76)	-	2	(8)	(82)
Decr (Incr) in Due From Other Funds	-	5	(6)	-	-
Decr (Incr) in Due From Component Units	3	-	-	-	-
Decr (Incr) in Inventories	-	-	-	(24)	-
Decr (Incr) in Long-Term Loans/Notes Rec	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	(7)	-	34
Incr (Decr) in Accounts Payable	46	3	(1)	15	2
Incr (Decr) in Lottery Prizes Payable	-	-	-	-	-
Incr (Decr) in Due to Other Funds	-	2	(34)	21	-
Incr (Decr) in Due to Component Units	-	-	1	2	(11)
Incr (Decr) in Due to Other Governments	-	-	-	-	-
Incr (Decr) in Deferred Revenue	-	(15)	(9)	14	-
Incr (Decr) in Property Held in Trust	-	-	15	-	(24)
Incr (Decr) in Compensated Absences Pay	-	(1)	7	8	(1)
Incr (Decr) in Estimated Claims	133	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 292	\$ (8)	\$ 354	\$ (45)	98
SCHEDULE OF NONCASH TRANSACTIONS:					
Asset Acquisitions from Contributed Capital Transfers from Other Funds	\$ -	\$ -	\$ -	\$ -	2,239
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ -	2,239

	WEST YELLOWSTONE AIRPORT	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
\$	(1) \$	41 \$	- \$	80 \$	(1) \$	- \$	- \$	25,034
	24	11	-	-	2	-	-	596
	-	-	-	-	-	-	-	7
	-	-	-	-	-	-	-	(10,130)
	-	-	-	-	-	-	-	2,234
	-	-	-	-	-	-	-	204
	-	-	-	-	-	-	-	(1,506)
	-	-	-	-	-	-	-	(215)
	-	-	-	-	-	-	-	244
	-	1	-	-	-	-	-	3,121
	18	-	(242)	-	-	-	-	(232)
	-	-	-	-	-	-	-	116
	-	-	-	-	-	-	-	(703)
	-	-	-	-	-	-	-	-
	-	1	-	-	-	-	-	4,279
	(14)	-	242	-	-	-	-	759
	-	-	-	-	-	-	-	192
	2	-	-	-	-	-	-	(49)
	-	-	-	-	-	-	-	(7)
	-	-	-	-	-	-	-	13
	-	-	-	-	-	-	-	(153)
	-	-	-	-	-	-	-	(4,324)
	1	1	-	-	-	-	-	73
	-	-	-	-	-	-	-	19
<u>\$</u>	<u>30 \$</u>	<u>55 \$</u>	<u>- \$</u>	<u>80 \$</u>	<u>1 \$</u>	<u>- \$</u>	<u>- \$</u>	<u>19,572</u>
\$	5 \$	- \$	- \$	- \$	- \$	- \$	- \$	2,244
<u>\$</u>	<u>5 \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>2,244</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. A brief description of each Internal Service Fund follows:

Office Supplies & Equipment - Four internal service funds under the Departments of Fish, Wildlife and Parks (FWP Equipment, FWP Warehouse Inventory & FWP Office Supply) and Transportation (Highway Equipment) are used to account for inter- and intradepartmental sales and use of office supplies and equipment.

Employees Group Benefits - This fund receives employee (excluding higher education units) withholdings and State contributions to the medical self-insurance plan. The State contracted with Blue Cross and Blue Shield of Montana to oversee the administrative functions of the program.

Information Services Division (ISD) - State agencies and private users are assessed a fee for their use of the State's phone system, centralized data processing and systems design services provided by the Department of Administration.

MUS Group Insurance - This fund accounts for employee contributions to the Montana University System's (MUS) medical/dental self-insurance plan.

Admin. Insurance - The Department of Administration accounts for the State's property self-insurance program (including liability, property, flood, etc.) in this fund.

Motor Pool - State employees' transportation is provided by the Department of Transportation through a pool of vehicles. The cost of operating the Motor Pool are recovered through rental rates charged to user agencies based on the average operating costs per mile for each class of vehicle.

Admin. Supply - The Department of Administration accounts for the intragovernmental sales of office supplies and paper products to State agencies in this fund.

Publications & Graphics - Agencies are assessed a fee for duplicating, typesetting, forms design and graphic arts services.

Buildings & Grounds - Rent proceeds from State agencies are used to pay maintenance, security and landscaping costs for State-owned property.

Central Services - Funds are used by the Departments of Commerce, Labor and Industry and Office of Public Instruction for administrative services provided on a cost recovery basis to programs within the departments.

DEQ Indirect Cost Pool - This fund is used to account for funds collected as indirect costs from the operating units of the Department of Environmental Quality and used to fund the Department's indirect cost pool operations that provide services to the Department.

PHHS Indirect Cost Pool - This fund is used to account for funds collected as indirect costs from the operating units of the Department of Public Health and Human Services and used to fund the Department's indirect cost pool operations that provide services to the Department.

Mail & Messenger - This fund accounts for costs associated with intrastate government mail and package delivery.

Payroll Processing - This fund accounts for the payments received from State agencies for the costs associated with the processing of payroll warrants.

Warrant Processing - This fund accounts for the payments received from State agencies for the costs associated with the processing of all warrants other than payroll.

Investment Division - This fund accounts for costs associated with operations of the Board of Investments. The Board assists agencies in the investment of State funds. Costs of administering and accounting for each investment fund are allocated based on the dollar volume of investments held by user agencies.

Aircraft Operations - The Department of State Lands accounts for fees charged to users of State aircraft in this fund.

Legal Services - The Attorney General's Office and the Department of Justice charge other State agencies a fee for legal assistance. The Departments of Administration and Health & Environmental Quality fund legal services with intradepartmental fees.

Personnel Training - This fund accounts for fees charged State agencies for training State employees. The fees are used by the Department of Administration to pay instructors and purchase training materials.

Records Management - State agencies are assessed a fee for records storage and microfilm services provided by the Office of the Secretary of State.

Debt Collections - This fund accounts for fees charged for the collection of bad debts that have been transferred to the Department of Administration.

Local Government Admin. - This fund accounts for the costs incurred by the Administrator of the Local Government Assistance Division in the Department of Commerce and the allocation of these costs to other programs within the division.

Statewide Fueling Network - This fund accounts for the costs associated with the development of a statewide fueling network which will allow State agencies and local governments to utilize a single fueling network and management information system for all fueling transactions.

Natural Gas Procurement - State agencies are charged for the centralized payment of natural gas procurement and associated administrative costs as provided by the Department of Administration.

Admin. DP Unit - This fund accounts for data processing support costs incurred by General Fund and non-General Fund divisions within the Department of Administration.

STATE OF MONTANA
Combining Balance Sheet
Internal Service Funds
June 30, 1997
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL	ADMIN. SUPPLY
ASSETS:								
Cash/Cash Equivalents	\$ 1,391	\$ 3,697	\$ 1,041	\$ 4,020	\$ 1,748	\$ 689	\$ 371	\$ 710
Receivables (Net)	304	458	29	2	63	3	-	33
Interfund Loans Receivable	-	440	-	-	-	-	-	-
Due from Other Governments	10	-	-	-	-	9	-	-
Due from Component Units	-	-	176	823	-	2	-	18
Due from Other Funds	395	-	1,465	272	7	349	194	108
Inventories	-	-	-	-	-	-	-	623
Investments	-	29,102	-	-	5,708	-	-	-
Securities Lending Collateral	-	14,610	-	101	5,916	-	-	-
Land	-	-	-	-	-	-	236	-
Buildings/Improvements	-	-	-	-	-	5	-	4
Equipment	80,896	38	35,583	41	61	7,464	4,323	213
Other Fixed Assets	-	-	-	-	-	-	-	-
Construction in Progress	1,672	-	-	-	-	-	-	-
Accumulated Depreciation	(40,584)	(14)	(29,480)	(29)	(33)	(3,191)	(1,566)	(143)
Intangible Assets	-	-	-	-	1	-	-	2
Other Assets	-	-	52	-	6	-	-	6
TOTAL ASSETS	\$ 44,084	\$ 48,331	\$ 8,866	\$ 5,230	\$ 13,477	\$ 5,330	\$ 3,558	\$ 1,574
LIABILITIES/FUND EQUITY:								
Liabilities:								
Accounts Payable	\$ 145	\$ 1,016	\$ 348	\$ 56	\$ 131	\$ 156	\$ 38	\$ 29
Interfund Loans Payable	-	-	-	-	-	-	-	-
Due to Component Units	-	-	18	20	4	-	-	-
Due to Other Funds	387	57	386	9	64	5	11	24
Deferred Revenue	-	-	-	818	-	-	-	-
Lease/Installment Purchase Payable	-	-	2,550	-	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	2,314	-
Property Held in Trust	-	-	11	-	-	-	-	-
Securities Lending Liability	-	14,610	-	101	5,916	-	-	-
Compensated Absences Payable	523	38	800	23	56	4	10	41
Estimated Insurance Claims	-	7,156	-	3,700	12,825	-	-	-
Total Liabilities	1,055	22,877	4,113	4,727	18,996	165	2,373	94
Fund Equity:								
Contributed Capital	2,601	-	1,671	-	3	624	10	-
Retained Earnings: Unreserved	40,428	25,454	3,082	503	(5,522)	4,541	1,175	1,480
Total Fund Equity	43,029	25,454	4,753	503	(5,519)	5,165	1,185	1,480
TOTAL LIABILITIES/FUND EQUITY	\$ 44,084	\$ 48,331	\$ 8,866	\$ 5,230	\$ 13,477	\$ 5,330	\$ 3,558	\$ 1,574

	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER	PAYROLL PROCESSING
\$	869	\$ 1,113	\$ 498	\$ 253	\$ 299	\$ 46	\$ 168	101
	2	24	-	-	-	-	4	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	22	-	-	7	1	-	2	-
	208	42	111	127	178	4	77	-
	119	-	-	-	-	175	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	1,261	259	462	341	310	-	410	10
	-	-	-	2	-	-	-	-
	-	-	-	-	-	-	-	-
	(772)	(164)	(299)	(148)	(114)	-	(191)	(4)
	2	-	7	11	2	-	6	-
	-	1	-	7	-	-	56	-
<u>\$</u>	<u>1,711</u>	<u>\$ 1,275</u>	<u>\$ 779</u>	<u>\$ 600</u>	<u>\$ 676</u>	<u>\$ 225</u>	<u>\$ 532</u>	<u>107</u>

\$	320	\$ 143	\$ 10	\$ 10	\$ 20	\$ -	\$ 17	-
	-	-	-	-	-	-	25	-
	-	-	1	2	-	-	-	-
	60	98	96	142	88	-	29	50
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	47	-
	-	-	-	-	-	-	-	-
	-	-	-	12	-	-	-	-
	-	-	-	-	-	-	-	-
	78	88	191	257	214	-	43	24
	-	-	-	-	-	-	-	-
	458	329	298	423	322	-	161	74
	-	6	33	23	296	85	-	107
	1,253	940	448	154	58	140	371	(74)
	1,253	946	481	177	354	225	371	33
<u>\$</u>	<u>1,711</u>	<u>\$ 1,275</u>	<u>\$ 779</u>	<u>\$ 600</u>	<u>\$ 676</u>	<u>\$ 225</u>	<u>\$ 532</u>	<u>107</u>

(Continued on Next Page)

STATE OF MONTANA
Combining Balance Sheet - Continued
Internal Service Funds
June 30, 1997
(Expressed in Thousands)

	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY
ASSETS:								
Cash/Cash Equivalents	\$ 85	\$ 155	\$ 391	\$ 48	\$ 74	\$ 7	\$ 75	25
Receivables (Net)	-	9	-	-	-	2	5	-
Interfund Loans Receivable	-	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-	-
Due from Component Units	18	20	-	2	-	-	4	-
Due from Other Funds	53	121	11	65	141	17	41	6
Inventories	-	-	-	-	-	-	-	9
Investments	-	-	-	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-
Buildings/Improvements	-	-	-	-	-	-	-	-
Equipment	71	249	54	19	86	33	301	68
Other Fixed Assets	-	-	-	-	-	-	-	-
Construction in Progress	-	-	-	-	-	-	-	-
Accumulated Depreciation	(29)	(111)	(18)	(6)	(55)	(24)	(177)	(62)
Intangible Assets	-	-	-	-	-	-	-	-
Other Assets	-	7	1	-	-	1	11	-
TOTAL ASSETS	\$ 198	\$ 450	\$ 439	\$ 128	\$ 246	\$ 36	\$ 260	\$ 46
LIABILITIES/FUND EQUITY:								
Liabilities:								
Accounts Payable	\$ 3	\$ 10	\$ 18	\$ 6	\$ 1	\$ 2	\$ 1	2
Interfund Loans Payable	-	-	-	60	-	-	-	-
Due to Component Units	-	1	-	-	-	-	-	-
Due to Other Funds	35	96	21	118	43	13	28	3
Deferred Revenue	-	-	-	-	-	-	19	-
Lease/Installment Purchase Payable	-	-	-	-	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	-	-
Property Held in Trust	-	-	-	-	-	-	-	-
Securities Lending Liability	-	-	-	-	-	-	-	-
Compensated Absences Payable	17	160	35	101	53	18	25	1
Estimated Insurance Claims	-	-	-	-	-	-	-	-
Total Liabilities	55	267	74	285	97	33	73	6
Fund Equity:								
Contributed Capital	36	20	-	-	-	1	220	25
Retained Earnings: Unreserved	107	163	365	(157)	149	2	(33)	15
Total Fund Equity	143	183	365	(157)	149	3	187	40
TOTAL LIABILITIES/FUND EQUITY	\$ 198	\$ 450	\$ 439	\$ 128	\$ 246	\$ 36	\$ 260	\$ 46

	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	84	\$ 7	\$ -	10	\$ 3	13	\$ 17,991
	-	-	-	-	-	-	938
	-	-	-	-	-	-	440
	-	-	-	-	-	-	19
	-	-	-	-	-	-	1,095
	6	-	8	-	-	3	4,009
	-	-	-	-	-	-	926
	-	-	-	-	-	-	34,810
	-	-	-	-	-	-	20,627
	-	-	-	-	-	-	236
	-	-	-	-	-	-	9
	7	3	-	10	1	3	132,577
	-	-	-	-	-	-	2
	-	-	-	-	-	-	1,672
	(4)	(1)	-	(5)	(1)	(1)	(77,226)
	-	-	-	-	-	-	31
	-	-	-	-	-	-	148
<u>\$</u>	<u>93</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>15</u>	<u>\$ 3</u>	<u>18</u>	<u>\$ 138,304</u>

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	2,482
	-	-	-	-	-	-	85
	-	-	-	-	-	-	46
	13	6	8	-	1	10	1,901
	-	-	-	-	-	-	837
	-	-	-	-	-	-	2,597
	-	-	-	-	-	-	2,314
	-	-	-	-	-	-	23
	-	-	-	-	-	-	20,627
	11	12	36	-	-	5	2,864
	-	-	-	-	-	-	23,681
	24	18	44	-	1	15	57,457
	5	-	-	3	-	-	5,769
	64	(9)	(36)	12	2	3	75,078
	69	(9)	(36)	15	2	3	80,847
<u>\$</u>	<u>93</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>15</u>	<u>\$ 3</u>	<u>18</u>	<u>\$ 138,304</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL
OPERATING REVENUES:							
Charges for Services	\$ 16,569	\$ 14	\$ 18,506	\$ -	\$ 2	\$ 1,582	\$ 895
Investment Earnings	-	2,226	-	297	493	-	-
Securities Lending Income	-	1,025	-	21	257	-	-
Premiums	-	42,859	-	21,216	5,944	-	-
Other Operating Revenues	190	269	5	-	8	-	-
Total Operating Revenues	16,759	46,393	18,511	21,534	6,704	1,582	895
Intrafund Revenues	-	-	(240)	-	-	-	-
Net Operating Revenues	16,759	46,393	18,271	21,534	6,704	1,582	895
OPERATING EXPENSES:							
Personal Services	4,320	350	5,556	119	461	55	176
Contractual Services	820	1,136	1,267	1,564	2,543	126	96
Supplies/Materials	3,731	6	1,025	17	13	569	282
Benefits/Claims (Note 3)	-	43,045	-	23,019	893	-	-
Depreciation	4,464	5	4,779	3	11	470	445
Amortization	-	-	-	-	1	-	-
Utilities/Rent	59	14	2,677	1	17	17	9
Communications	8	40	6,893	4	12	3	2
Travel	27	1	119	4	7	1	-
Repair/Maintenance	2,467	1	1,055	-	1	418	47
Interest Expense	-	-	265	-	-	-	23
Securities Lending Expense	-	973	-	20	242	-	-
Other Operating Expenses	125	92	302	504	22	-	3
Total Operating Expenses	16,021	45,663	23,938	25,255	4,223	1,659	1,083
Intrafund Expenses	-	-	(240)	-	-	-	-
Net Operating Expenses	16,021	45,663	23,698	25,255	4,223	1,659	1,083
Operating Income (Loss)	738	730	(5,427)	(3,721)	2,481	(77)	(188)
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	183	(1)	(221)	-	-	(8)	195
Federal Indirect Cost Recoveries	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	183	(1)	(221)	-	-	(8)	195
Income (Loss) before Operating Transfers	921	729	(5,648)	(3,721)	2,481	(85)	7
Operating Transfers In	-	-	96	-	-	184	-
Operating Transfers Out	-	-	-	-	-	(1)	-
Net Income (Loss)	921	729	(5,552)	(3,721)	2,481	98	7
RETAINED EARNINGS - July 1 -							
As Previously Reported	39,507	24,724	8,634	4,224	(8,003)	4,455	1,168
Prior Period Adjustments	-	1	-	-	-	(12)	-
RETAINED EARNINGS - JULY 1 - As Restated	39,507	24,725	8,634	4,224	(8,003)	4,443	1,168
RETAINED EARNINGS - JUNE 30	\$ 40,428	\$ 25,454	\$ 3,082	\$ 503	\$ (5,522)	\$ 4,541	\$ 1,175

	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	PHHS INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$	3,585	\$ 6,455	\$ 4,559	\$ 727	\$ 2,010	\$ 1,004	\$ -	\$ 86	3,358
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	36	-	-	-	-	-
	3,585	6,455	4,559	763	2,010	1,004	-	86	3,358
	-	-	-	-	-	-	-	-	-
	3,585	6,455	4,559	763	2,010	1,004	-	86	3,358
	303	862	801	1,334	1,864	1,375	-	4	308
	47	42	1,609	88	135	262	-	3	24
	3,170	5,144	125	42	49	68	19	85	11
	-	-	-	-	-	-	-	-	-
	23	124	17	43	28	28	-	-	47
	1	1	-	3	7	-	-	-	8
	63	83	1,415	97	81	71	-	1	34
	18	31	13	37	30	25	61	1	2,798
	1	1	14	15	15	7	-	-	6
	12	175	515	21	6	13	26	1	58
	1	-	50	-	-	-	-	-	5
	-	-	-	-	-	-	-	-	-
	4	11	70	23	107	23	366	-	10
	3,643	6,474	4,629	1,703	2,322	1,872	472	95	3,309
	-	-	-	-	-	-	-	-	-
	3,643	6,474	4,629	1,703	2,322	1,872	472	95	3,309
	(58)	(19)	(70)	(940)	(312)	(868)	(472)	(9)	49
	(2)	13	(1)	6	(1)	(1)	-	-	1
	-	-	-	971	73	675	-	-	-
	(2)	13	(1)	977	72	674	-	-	1
	(60)	(6)	(71)	37	(240)	(194)	(472)	(9)	50
	-	-	22	-	-	-	-	-	-
	-	-	(102)	-	-	-	(10)	-	-
	(60)	(6)	(151)	37	(240)	(194)	(482)	(9)	50
	1,540	1,259	1,194	406	386	295	206	149	321
	-	-	(103)	5	8	(43)	276	-	-
	1,540	1,259	1,091	411	394	252	482	149	321
\$	1,480	\$ 1,253	\$ 940	\$ 448	\$ 154	\$ 58	\$ -	\$ 140	371

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING
OPERATING REVENUES:							
Charges for Services	\$ 565	\$ 818	\$ 1,651	\$ 448	\$ 733	\$ 40	189
Investment Earnings	-	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-	-
Premiums	-	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-	-
Total Operating Revenues	565	818	1,651	448	733	40	189
Intrafund Revenues	-	-	-	-	-	-	-
Net Operating Revenues	565	818	1,651	448	733	40	189
OPERATING EXPENSES:							
Personal Services	177	167	1,207	236	657	542	133
Contractual Services	391	182	121	39	74	147	35
Supplies/Materials	3	5	29	83	11	26	8
Benefits/Claims (Note 3)	-	-	-	-	-	-	-
Depreciation	2	17	26	14	8	8	3
Amortization	-	-	2	-	-	-	-
Utilities/Rent	7	6	91	51	26	161	8
Communications	7	372	35	8	11	43	8
Travel	-	-	30	10	8	5	13
Repair/Maintenance	1	9	9	274	4	39	1
Interest Expense	-	-	-	-	1	-	-
Securities Lending Expense	-	-	-	-	-	-	-
Other Operating Expenses	4	32	119	15	4	18	3
Total Operating Expenses	592	790	1,669	730	804	989	212
Intrafund Expenses	-	-	-	-	-	-	-
Net Operating Expenses	592	790	1,669	730	804	989	212
Operating Income (Loss)	(27)	28	(18)	(282)	(71)	(949)	(23)
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	(1)	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	598	-
Total Nonoperating Revenues (Expenses)	(1)	-	-	-	-	598	-
Income (Loss) before Operating Transfers	(28)	28	(18)	(282)	(71)	(351)	(23)
Operating Transfers In	-	-	-	402	-	425	-
Operating Transfers In	-	-	-	-	-	-	-
Net Income (Loss)	(28)	28	(18)	120	(71)	74	(23)
RETAINED EARNINGS - July 1 -							
As Previously Reported	(46)	79	185	245	(86)	75	25
Prior Period Adjustments	-	-	(4)	-	-	-	-
RETAINED EARNINGS - JULY 1 - As Restated	(46)	79	181	245	(86)	75	25
RETAINED EARNINGS - JUNE 30	\$ (74)	\$ 107	\$ 163	\$ 365	\$ (157)	\$ 149	\$ 2

	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	454	\$ 63	\$ 266	\$ 103	\$ 124	\$ 9	\$ -	\$ 66	\$ 64,881
	-	-	-	-	-	-	-	-	3,016
	-	-	-	-	-	-	-	-	1,303
	-	-	-	-	-	-	-	-	70,019
	31	-	-	-	-	-	-	-	539
	485	63	266	103	124	9	-	66	139,758
	-	-	-	-	-	-	-	-	(240)
	485	63	266	103	124	9	-	66	139,518
	343	24	144	99	116	-	-	55	21,788
	72	1	66	2	2	3	-	5	10,902
	26	20	3	-	-	1	-	5	14,576
	-	-	-	-	-	-	-	-	66,957
	12	-	2	1	-	4	-	-	10,584
	-	-	-	-	-	-	-	-	23
	56	1	3	3	-	-	-	-	5,052
	13	1	7	1	2	3	-	1	10,488
	-	-	-	-	-	5	-	-	289
	9	18	1	-	-	-	-	-	5,181
	-	-	-	-	-	-	-	-	345
	-	-	-	-	-	-	-	-	1,235
	3	-	3	2	9	-	-	2	1,876
	534	65	229	108	129	16	-	68	149,296
	-	-	-	-	-	-	-	-	(240)
	534	65	229	108	129	16	-	68	149,056
	(49)	(2)	37	(5)	(5)	(7)	-	(2)	(9,538)
	-	-	-	-	-	-	-	-	162
	-	-	-	-	-	-	-	-	2,317
	-	-	-	-	-	-	-	-	2,479
	(49)	(2)	37	(5)	(5)	(7)	-	(2)	(7,059)
	-	-	-	-	-	-	-	-	1,129
	-	-	-	-	-	-	-	-	(113)
	(49)	(2)	37	(5)	(5)	(7)	-	(2)	(6,043)
	12	17	27	(4)	(31)	19	2	5	80,989
	4	-	-	-	-	-	-	-	132
	16	17	27	(4)	(31)	19	2	5	81,121
\$	(33)	\$ 15	\$ 64	(9)	(36)	\$ 12	\$ 2	\$ 3	\$ 75,078

STATE OF MONTANA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ 16,501	\$ 42,877	\$ 19,591	\$ 21,264	\$ 5,939	\$ 1,571
Payments to Suppliers for Goods and Services	(7,311)	(1,271)	(13,555)	(2,020)	(2,682)	(1,016)
Payments to Employees	(4,266)	(343)	(5,489)	(115)	(443)	(53)
Grant Receipts	-	-	-	-	-	-
Cash Payments for Claims	-	(42,926)	-	(22,419)	(3,010)	-
Transfers from Other Funds	-	-	96	-	-	-
Other Operating Revenue	-	269	5	-	8	-
Net Cash Provided by (Used for) Operating Activities	4,924	(1,394)	648	(3,290)	(188)	502
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	(1)
Transfers from Other Funds	-	-	-	-	-	209
Proceeds from Interfund Loans	-	-	-	-	-	-
Interfund Loan Payments	-	(440)	-	-	-	-
Residual Equity Transfers to Other Funds	-	-	-	-	-	-
Contributed Capital Transfers to Other Funds	-	-	-	-	-	-
Contributed Capital Transfers from Other Funds	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(440)	-	-	-	208
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	(6,674)	(2)	(1,395)	(8)	-	(574)
Proceeds from Sale of Fixed Assets	479	-	-	-	-	237
Principal and Interest Payments on Bonds and Notes	-	-	(1,320)	-	-	-
Net Cash Used for Capital and Related Financing Activities	(6,195)	(2)	(2,715)	(8)	-	(337)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	(8,580)	-	-	(5,732)	-
Proceeds from Sales or Maturities of Investments	-	7,861	-	-	5,731	-
Proceeds from Securities Lending Transactions	-	954	-	21	233	-
Interest and Dividends on Investments	-	2,295	-	298	538	-
Payment of Securities Lending Costs	-	(902)	-	(20)	(218)	-
Net Cash Provided by (Used for) Investing Activities	-	1,628	-	299	552	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,271)	(208)	(2,067)	(2,999)	364	373
Cash and Cash Equivalents, July 1	2,662	3,905	3,108	7,019	1,384	316
Cash and Cash Equivalents, June 30	\$ 1,391	\$ 3,697	\$ 1,041	\$ 4,020	\$ 1,748	\$ 689

MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	PHHS INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 910	\$ 3,795	\$ 6,491	\$ 4,642	\$ 759	\$ 1,995	\$ 905	\$ -	\$ 91	\$ 3,376
(445)	(3,310)	(5,510)	(3,780)	(323)	(430)	(498)	(472)	(104)	(2,880)
(173)	(294)	(852)	(792)	(1,308)	(1,819)	(1,378)	-	(4)	(299)
-	-	-	-	944	73	874	(1)	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	324	-	-
-	-	-	-	-	-	-	-	-	-
292	191	129	70	72	(181)	(97)	(149)	(17)	197
2,292	-	-	-	-	-	-	-	-	-
-	-	-	(102)	-	-	-	(11)	-	-
-	-	-	59	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	150
-	-	-	-	-	-	-	-	-	(225)
-	-	-	-	-	-	(77)	-	-	-
(2,292)	-	-	-	-	-	-	-	-	-
882	-	-	-	-	-	-	77	-	-
882	-	-	(43)	-	-	(77)	66	-	(75)
(1,168)	(2)	(129)	(18)	(38)	(56)	(83)	-	-	(15)
300	-	-	-	17	20	-	-	-	1
-	(11)	-	(50)	-	-	-	-	-	(83)
(868)	(13)	(129)	(68)	(21)	(36)	(83)	-	-	(97)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
306	178	-	(41)	51	(217)	(257)	(83)	(17)	25
65	532	869	1,154	447	470	556	83	63	143
\$ 371	\$ 710	\$ 869	\$ 1,113	\$ 498	\$ 253	\$ 299	\$ -	\$ 46	\$ 168

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ 565	\$ 819	\$ 1,557	\$ 475	\$ 733	40
Payments to Suppliers for Goods and Services	(409)	(626)	(429)	(476)	(136)	(442)
Payments to Employees	(176)	(164)	(1,202)	(229)	(636)	(531)
Grant Receipts	-	-	-	-	-	515
Cash Payments for Claims	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(20)	29	(74)	(230)	(39)	(418)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	403	-	425
Proceeds from Interfund Loans	-	-	-	-	45	-
Interfund Loan Payments	-	-	-	-	-	-
Residual Equity Transfers to Other Funds	-	-	-	-	-	-
Contributed Capital Transfers to Other Funds	-	-	-	-	-	-
Contributed Capital Transfers from Other Funds	-	1	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	1	-	403	45	425
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	(2)	(35)	(59)	(23)	(10)	(3)
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	(1)	-
Net Cash Used for Capital and Related Financing Activities	(2)	(35)	(59)	(23)	(11)	(3)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	-	-	-	-	-
Proceeds from Sales or Maturities of Investments	-	-	-	-	-	-
Proceeds from Securities Lending Transactions	-	-	-	-	-	-
Interest and Dividends on Investments	-	-	-	-	-	-
Payment of Securities Lending Costs	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(22)	(5)	(133)	150	(5)	4
Cash and Cash Equivalents, July 1	123	90	288	241	53	70
Cash and Cash Equivalents, June 30	\$ 101	\$ 85	\$ 155	\$ 391	\$ 48	74

	PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	180 \$	477 \$	58 \$	297 \$	102 \$	123 \$	9 \$	-	64 \$	136,206
	(73)	(177)	(39)	(87)	(9)	(13)	(12)	-	(11)	(48,546)
	(128)	(339)	(25)	(145)	(96)	(110)	-	-	(50)	(21,459)
	-	-	-	-	-	-	-	-	-	2,405
	-	-	-	-	-	-	-	-	-	(68,355)
	-	-	-	-	-	-	-	-	-	420
	-	-	-	-	-	-	-	-	-	282
	(21)	(39)	(6)	65	(3)	-	(3)	-	3	953
	-	-	-	-	-	-	-	-	-	2,292
	-	-	-	-	-	-	-	-	-	(114)
	-	-	-	-	-	-	-	-	-	1,096
	-	-	-	-	-	-	-	-	-	195
	-	-	-	-	-	-	-	-	-	(665)
	-	-	-	-	-	-	-	-	-	(77)
	-	-	-	-	-	-	-	-	-	(2,292)
	-	-	-	-	-	-	-	-	-	960
	-	-	-	-	-	-	-	-	-	1,395
	(1)	(8)	-	(1)	-	-	(5)	-	(1)	(10,310)
	-	-	-	-	-	-	-	-	-	1,054
	-	-	-	-	-	-	-	-	-	(1,465)
	(1)	(8)	-	(1)	-	-	(5)	-	(1)	(10,721)
	-	-	-	-	-	-	-	-	-	(14,312)
	-	-	-	-	-	-	-	-	-	13,592
	-	-	-	-	-	-	-	-	-	1,208
	-	-	-	-	-	-	-	-	-	3,131
	-	-	-	-	-	-	-	-	-	(1,140)
	-	-	-	-	-	-	-	-	-	2,479
	(22)	(47)	(6)	64	(3)	-	(8)	-	2	(5,894)
	29	122	31	20	10	-	18	3	11	23,885
\$	7 \$	75 \$	25 \$	84 \$	7 \$	- \$	10 \$	3	13 \$	17,991

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STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 738	\$ 730	\$ (5,427)	\$ (3,721)	\$ 2,481	(77)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	4,464	5	4,779	3	11	470
Amortization	-	-	-	-	1	-
Interest on Investments	-	(2,226)	-	(297)	(493)	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Interest Expense	-	-	265	-	-	-
Securities Lending Expense	-	973	-	20	242	-
Securities Lending Income	-	(1,025)	-	(21)	(257)	-
Operating Transfers-In	-	-	96	-	-	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	(204)	(71)	4	14	30	1
Decr (Incr) in Due From Other Governments	(4)	-	-	-	-	(3)
Decr (Incr) in Due From Other Funds	(108)	3	(89)	(255)	(7)	(9)
Decr (Incr) in Due From Component Units	4	-	127	(382)	-	(2)
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Long-Term Loans/Notes Receivable	-	-	1,272	-	-	-
Decr (Incr) in Other Assets	-	-	65	-	-	-
Incr (Decr) in Accounts Payable	(93)	74	(433)	51	(65)	121
Incr (Decr) in Due to Other Funds	88	28	(75)	2	6	(1)
Incr (Decr) in Due to Component Units	-	-	-	19	4	-
Incr (Decr) in Deferred Revenue	-	-	-	674	-	-
Incr (Decr) in Property Held in Trust	-	(86)	(6)	-	-	-
Incr (Decr) in Compensated Absences Payable	39	4	70	3	14	2
Incr (Decr) in Estimated Claims	-	197	-	600	(2,155)	-
Net Cash Provided by (Used for) Operating Activities	\$ 4,924	\$ (1,394)	\$ 648	\$ (3,290)	\$ (188)	502
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ 1,536	\$ -	\$ -	-
Asset Acquisitions from Contributed Capital Transfers from Other Funds	678	-	-	-	-	230
Asset Disposals from Contributed Capital	(34)	-	82	-	-	-
Total Noncash Transactions	\$ 644	\$ -	\$ 1,618	\$ -	\$ -	230

MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	PHHS INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ (188) \$	(58) \$	(19) \$	(70) \$	(940) \$	(312) \$	(868) \$	(472) \$	(9) \$	49
445	23	124	17	43	28	28	-	-	47
-	1	1	-	3	7	-	-	-	8
-	-	-	-	-	-	-	-	-	-
-	-	-	-	971	73	675	-	-	-
23	1	-	50	-	-	-	-	-	5
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	124	(2)	(20)	-	-	-	-	-	(1)
-	-	-	-	-	-	-	-	-	-
(2)	76	16	88	(72)	(14)	119	324	5	47
1	17	22	1	-	(1)	(1)	-	-	(2)
-	47	-	-	-	-	-	-	(4)	-
-	-	-	-	-	-	-	-	-	-
-	7	-	11	-	2	-	-	-	57
10	(51)	4	(28)	3	1	(1)	-	(9)	(2)
1	(2)	(25)	15	52	36	(39)	(1)	-	(16)
-	(1)	-	-	1	2	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(34)	-	-	-	-
2	7	8	6	11	31	(10)	-	-	5
-	-	-	-	-	-	-	-	-	-
<u>\$ 292 \$</u>	<u>191 \$</u>	<u>129 \$</u>	<u>70 \$</u>	<u>72 \$</u>	<u>(181) \$</u>	<u>(97) \$</u>	<u>(149) \$</u>	<u>(17) \$</u>	<u>197</u>
\$ - \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	-
-	-	-	5	18	-	-	-	-	-
-	-	-	(109)	(9)	-	-	-	-	-
<u>\$ - \$</u>	<u>- \$</u>	<u>- \$</u>	<u>(104) \$</u>	<u>9 \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>-</u>

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (27)	\$ 28	\$ (18)	\$ (282)	\$ (71)	\$ (949)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	2	17	26	14	8	8
Amortization	-	-	2	-	-	-
Interest on Investments	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	598
Interest Expense	-	-	-	-	1	-
Securities Lending Expense	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Operating Transfers-In	-	-	-	-	-	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	-	-	-	-	-	-
Decr (Incr) in Due From Other Governments	-	-	-	-	-	-
Decr (Incr) in Due From Other Funds	-	-	(85)	27	2	(82)
Decr (Incr) in Due From Component Units	-	1	(10)	-	(2)	-
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Long-Term Loans/Notes Receivable	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	(3)	(1)	-	-
Incr (Decr) in Accounts Payable	(1)	-	6	5	2	(1)
Incr (Decr) in Due to Other Funds	6	(19)	12	2	11	-
Incr (Decr) in Due to Component Units	-	-	-	-	-	-
Incr (Decr) in Deferred Revenue	-	-	-	-	-	-
Incr (Decr) in Property Held in Trust	-	-	-	-	-	-
Incr (Decr) in Compensated Absences Payable	-	2	(4)	5	10	8
Incr (Decr) in Estimated Claims	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ (20)	\$ 29	\$ (74)	\$ (230)	\$ (39)	\$ (418)
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset Acquisitions from Contributed Capital Transfers from Other Funds	-	-	9	-	-	-
Asset Disposals from Contributed Capital	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -

PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ (23) \$	(49) \$	(2) \$	37 \$	(5) \$	(5) \$	(7) \$	- \$	(2) \$	(9,538)
3	12	-	2	1	-	4	-	-	10,584
-	-	-	-	-	-	-	-	-	23
-	-	-	-	-	-	-	-	-	(3,016)
-	-	-	-	-	-	-	-	-	2,317
-	-	-	-	-	-	-	-	-	345
-	-	-	-	-	-	-	-	-	1,235
-	-	-	-	-	-	-	-	-	(1,303)
-	-	-	-	-	-	-	-	-	96
(2)	-	-	-	-	-	-	-	-	(127)
-	-	-	-	-	-	-	-	-	(7)
(6)	(4)	(6)	30	-	(1)	-	-	(2)	(5)
-	(2)	-	-	-	-	-	-	-	(229)
-	-	(2)	-	-	-	-	-	-	41
-	-	-	-	-	-	-	-	-	1,272
-	(9)	-	-	-	-	-	-	-	129
-	1	2	(1)	-	-	-	-	-	(405)
3	20	2	(2)	-	1	-	-	8	113
-	-	-	-	-	-	-	-	-	25
-	(1)	-	-	-	-	-	-	-	673
-	-	-	-	-	-	-	-	-	(126)
4	(7)	-	(1)	1	5	-	-	(1)	214
-	-	-	-	-	-	-	-	-	(1,358)
<u>\$ (21) \$</u>	<u>(39) \$</u>	<u>(6) \$</u>	<u>65 \$</u>	<u>(3) \$</u>	<u>- \$</u>	<u>(3) \$</u>	<u>-</u>	<u>3 \$</u>	<u>953</u>
\$ - \$	- \$	- \$	- \$	- \$	- \$	- \$	-	- \$	1,536
-	-	-	-	-	-	-	-	-	940
-	-	-	-	-	-	-	-	-	(70)
<u>\$ - \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>-</u>	<u>- \$</u>	<u>2,406</u>

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Pension Trust Funds; and (4) Agency Funds.

STATE OF MONTANA
Combining Balance Sheet
All Trust and Agency Fund Types
June 30, 1997
(Expressed in Thousands)

	EXPENDABLE TRUSTS	NON- EXPENDABLE TRUSTS	PENSION TRUSTS	AGENCY	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 130,351	\$ 53,956	\$ 74,384	\$ 566,264	\$ 824,955
Receivables (Net)	21,531	15,188	16,561	63,870	117,150
Due from Other Governments	2	-	-	-	2
Due from Component Units	-	-	422	935	1,357
Due from Other Funds	2,263	429	10,174	25,348	38,214
Advances to Other Funds	-	-	-	31	31
Equity in Pooled Investments	88	864,786	2,230,431	312,289	3,407,594
Long-Term Loans Receivable	3,001	36	1,587	-	4,624
Investments	-	121,920	155,137	72,588	349,645
Securities Lending Collateral	352	120,340	281,050	8,182	409,924
Land	-	49,398	25	-	49,423
Buildings/Improvements	-	-	277	-	277
Equipment	-	-	145	-	145
Other Fixed Assets	-	2	-	-	2
Accumulated Depreciation	-	-	(211)	-	(211)
Intangible Assets	-	-	1	-	1
Other Assets	-	-	-	9,045	9,045
TOTAL ASSETS	\$ 157,588	\$ 1,226,055	\$ 2,769,983	\$ 1,058,552	\$ 5,212,178
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 26,601	\$ 4,066	\$ 609	\$ 28,750	\$ 60,026
Interfund Loans Payable	12	588	-	440	1,040
Advances from other Funds	20	-	-	-	20
Due to Other Governments	-	-	-	323,077	323,077
Due to Component Units	-	277	-	17	294
Due to Other Funds	4	17,463	181	4,523	22,171
Deferred Revenue	1,478	45	21	-	1,544
Property Held in Trust	2,094	-	-	690,466	692,560
Securities Lending Liability	352	120,340	281,050	8,182	409,924
Compensated Absences Payable	-	-	107	-	107
Other Liabilities	-	-	-	3,097	3,097
Total Liabilities	30,561	142,779	281,968	1,058,552	1,513,860
Fund Balances:					
Reserved for:					
Long-Term Loans	3,001	-	-	-	3,001
Trust Principal	-	1,083,276	-	-	1,083,276
Retirement Systems	-	-	2,488,015	-	2,488,015
Unreserved	124,026	-	-	-	124,026
Total Fund Balances	127,027	1,083,276	2,488,015	-	3,698,318
TOTAL LIABILITIES/FUND BALANCES	\$ 157,588	\$ 1,226,055	\$ 2,769,983	\$ 1,058,552	\$ 5,212,178



EXPENDABLE TRUST FUNDS

Expendable Trust Funds are used to account for assets held by the State in a trustee capacity, where both the trust principal and earnings may be expended. A brief description of each Expendable Trust Fund follows:

Unemployment Insurance - This fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of Montana's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. Administrative costs are paid from a Special Revenue Fund.

Local Government Trust - This fund accounts for the portion of oil and gas severance, alcohol, gambling and financial institution corporation taxes that are distributed to local governments.

Rural Development - This fund accounts for programs authorized under the Bankhead Jones Farm Tenant Act. Resources are used by the Department of Agriculture under a federal use agreement for the purpose of aiding low income rural families.

Rail Construction - This fund accounts for principal and interest amounts used to provide loans or grants in accordance with the Federal Rail Administration guidelines for new rail rehabilitation projects in Montana.

Escheated Property - This fund accounts for property that has reverted to the State due to the absence of legal claimants or heirs.

Labor & Industry Compensation Insurance - This fund accounts for the proceeds from liquidated security bonds held on deposit from self-insured employers and other insurance companies in lieu of participating in the State Compensation Insurance. Administrative costs of operating the fund are paid from a Special Revenue Fund.

Historical Society General Trust - Deposits of the principal amounts of various stocks donated by numerous contributors in trust to the Society and the Charles Bair Memorial are accounted for in this fund. The principal can be expended for acquisitions approved by the Board of Trustees.

Woodville Highway Replacement - This fund accounts for money paid to the Montana Department of Transportation by the Anaconda Company to provide the government of Butte-Silver Bow with traffic facilities to replace the abandoned portion of U.S. Highway 91.

Rural Physician - This fund accounts for the fee assessments, educational debt payments and administrative costs associated with the rural physician incentive program administered by the Board of Regents of Higher Education.

Haynes Trust - This fund accounts for principal and interest earnings for conservation and restoration of items in the Haynes collection donated to the society.

Metal Mines Local Assistance - This fund accounts for the portion of metal mines taxes that are distributed to counties that are experiencing fiscal and local impacts due to mining.

State Library Trust - This fund accounts for principal and interest earnings for donations to the State Library for their talking book library.

School for Deaf & Blind - The School accounts for private donations in this fund.

STATE OF MONTANA
Combining Balance Sheet
Expendable Trust Funds
June 30, 1997
(Expressed in Thousands)

	UNEMPLOYMENT INSURANCE	LOCAL GOV'T TRUST	RURAL DEVELOPMENT	RAIL CONSTRUCTION	ESCHEATED PROPERTY	L&I COMP INSURANCE
ASSETS:						
Cash/Cash Equivalents	\$ 115,918	\$ 9,275	\$ 1,031	\$ 730	\$ 1,666	\$ 735
Receivables (Net)	4,934	16,565	13	-	-	-
Due from Other Governments	2	-	-	-	-	-
Due from Other Funds	2	2,254	7	-	-	-
Equity in Pooled Investments	-	-	-	-	-	-
Long-Term Loans/Notes Receivable	-	-	1,908	1,093	-	-
Securities Lending Collateral	-	236	27	20	-	20
TOTAL ASSETS	\$ 120,856	\$ 28,330	\$ 2,986	\$ 1,843	\$ 1,666	\$ 755
LIABILITIES/FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 45	\$ 26,538	\$ 2	\$ -	\$ -	\$ -
Interfund Loans Payable	-	-	-	-	-	-
Advances from Other Funds	20	-	-	-	-	-
Due to Other Funds	-	1	3	-	-	-
Deferred Revenue	-	1,471	-	-	-	-
Property Held in Trust	84	-	-	-	1,275	735
Securities Lending Liability	-	236	27	20	-	20
Total Liabilities	149	28,246	32	20	1,275	755
Fund Balances:						
Reserved for Long-Term Loans	-	-	1,908	1,093	-	-
Unreserved	120,707	84	1,046	730	391	-
Total Fund Balances	120,707	84	2,954	1,823	391	-
TOTAL LIABILITIES/FUND BALANCES	\$ 120,856	\$ 28,330	\$ 2,986	\$ 1,843	\$ 1,666	\$ 755

HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	METAL MINES LOCAL ASSISTANCE	STATE LIBRARY TRUST	TOTALS
\$ 309	\$ 240	\$ 407	\$ 18	\$ 6	\$ 16	\$ 130,351
-	-	-	-	19	-	21,531
-	-	-	-	-	-	2
-	-	-	-	-	-	2,263
88	-	-	-	-	-	88
-	-	-	-	-	-	3,001
32	6	11	-	-	-	352
<u>\$ 429</u>	<u>\$ 246</u>	<u>\$ 418</u>	<u>\$ 18</u>	<u>\$ 25</u>	<u>\$ 16</u>	<u>\$ 157,588</u>
\$ -	\$ 10	\$ -	\$ -	\$ 6	\$ -	\$ 26,601
-	-	-	-	12	-	12
-	-	-	-	-	-	20
-	-	-	-	-	-	4
-	-	-	-	7	-	1,478
-	-	-	-	-	-	2,094
32	6	11	-	-	-	352
<u>32</u>	<u>16</u>	<u>11</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>30,561</u>
-	-	-	-	-	-	3,001
397	230	407	18	-	16	124,026
<u>397</u>	<u>230</u>	<u>407</u>	<u>18</u>	<u>-</u>	<u>16</u>	<u>127,027</u>
<u>\$ 429</u>	<u>\$ 246</u>	<u>\$ 418</u>	<u>\$ 18</u>	<u>\$ 25</u>	<u>\$ 16</u>	<u>\$ 157,588</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Expendable Trust Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	UNEMPLOYMENT INSURANCE	LOCAL GOV'T TRUST	RURAL DEVELOPMENT	RAIL CONSTRUCTION	ESCHEATED PROPERTY	L&I COMP INSURANCE
REVENUES:						
Licenses/Permits	\$ -	\$ 1,745	\$ -	\$ -	\$ -	-
Taxes:						
Natural Resouce	-	32,012	-	-	-	-
Corporate Income	-	10,709	-	-	-	-
Other	-	23,737	-	-	-	-
Charges for Services/Fines/Forfeits	-	-	-	-	-	-
Investment Earnings	8,143	172	230	40	-	-
Securities Lending Income	-	12	4	3	-	3
Rentals/Leases/Royalties	-	-	-	-	-	-
Contributions/Premiums	58,601	-	-	-	-	-
Grants/Contracts/Donations	-	-	5	-	1,240	-
Federal	4,727	-	-	-	-	-
Total Revenues	71,471	68,387	239	43	1,240	3
EXPENDITURES:						
Current:						
General Government	-	44,383	-	-	-	-
Public Safety/Corrections	-	23,908	-	-	-	-
Transportation	-	-	-	-	-	-
Education/Cultural	-	-	-	-	-	-
Economic Development/Assistance	66,035	-	96	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest/Fiscal Charges	-	-	-	-	-	-
Capital Outlay	-	-	8	-	-	-
Securities Lending	-	12	3	3	-	3
Total Expenditures	66,035	68,303	107	3	-	3
Excess of Revenues Over (Under) Expenditures	5,436	84	132	40	1,240	-
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	-	-	55	-
Operating Transfers Out	-	-	-	-	(1,323)	-
Total Other Financing Sources (Uses)	-	-	-	-	(1,268)	-
Excess of Revenues/Other Sources Over (Under) Expenditures/ Other Uses	5,436	84	132	40	(28)	-
FUND BALANCES - JULY 1 - As Previously Reported	115,271	-	2,822	1,783	419	-
FUND BALANCES - JULY 1 - As Restated	115,271	-	2,822	1,783	419	-
FUND BALANCES - JUNE 30	\$ 120,707	\$ 84	\$ 2,954	\$ 1,823	\$ 391	\$ -

	HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	METAL MINES LOCAL ASSISTANCE	STATE LIBRARY TRUST	SCHOOL FOR DEAF & BLIND	TOTALS
\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	1,745
	-	-	-	-	1,162	-	-	33,174
	-	-	-	-	-	-	-	10,709
	-	-	-	-	-	-	-	23,737
	-	-	186	-	-	-	-	186
	32	14	19	1	-	1	-	8,652
	2	1	1	-	-	-	-	26
	-	-	-	-	-	-	5	5
	-	-	-	-	-	-	-	58,601
	-	-	-	-	-	8	315	1,568
	-	-	-	-	-	-	-	4,727
	34	15	206	1	1,162	9	320	143,130
	-	-	-	-	1,162	-	-	45,545
	-	-	-	-	-	-	-	23,908
	-	39	-	-	-	-	-	39
	-	-	59	-	-	-	320	379
	-	-	-	-	-	-	-	66,131
	20	-	-	-	-	-	-	20
	6	-	-	-	-	-	-	6
	-	-	-	-	-	-	-	8
	2	1	1	-	-	-	-	25
	28	40	60	-	1,162	-	320	136,061
	6	(25)	146	1	-	9	-	7,069
	-	-	-	-	-	-	-	55
	(8)	-	-	-	-	-	-	(1,331)
	(8)	-	-	-	-	-	-	(1,276)
	(2)	(25)	146	1	-	9	-	5,793
	399	255	261	17	-	7	-	121,234
	399	255	261	17	-	7	-	121,234
\$	397 \$	230 \$	407 \$	18 \$	- \$	16 \$	- \$	127,027



NONEXPENDABLE TRUST FUNDS

Nonexpendable Trust Funds are used to account for assets held by the State in a trustee capacity, where the trust principal may not be expended. A brief description of each Nonexpendable Trust Fund follows:

Coal Tax Trust - This fund, created by Article IX, Section 5 of the Montana Constitution and administered by the Department of Revenue, receives 50% of all coal tax collections. Principal may be expended only upon affirmative vote by three-fourths of each house of the Legislature.

Land Grants - The Department of State Lands accounts for lands granted to the State for support of public schools and State institutions in this fund.

Resource Indemnity - Taxes paid by persons engaging in or carrying on the business of mining, extracting or producing minerals are deposited in this fund. Only the net earnings of the trust may be appropriated until the principal reaches \$100 million. Interest earnings are expended from a Special Revenue Fund. This fund is administered by the Department of Revenue.

Parks Trust and Cultural Trust - A portion of the coal severance taxes are credited to these funds by the Department of Revenue. Income from the trusts shall be used for the acquisition and maintenance of State parks and historical sites by the Department of Fish, Wildlife and Parks and for the protection of works of art in the State Capitol and other cultural projects through the Montana Arts Council.

Real Property Trust - Money received by the Department of Fish, Wildlife and Parks from the sale of real property, from the exploration and development of oil, gas and mineral deposits and from the lease of department real property is deposited in this fund. Interest is recorded in a Special Revenue Fund and used for developing and maintaining real property of the department.

Noxious Weed Management - The Department of Agriculture accounts for revenues and interest earned on fees charged for the control of noxious weeds in this fund.

Moore Sipple Connector - Money is held in trust to provide funds for the restructuring of the Geraldine-Lewistown Line.

Historical Society - Four funds (Jim Bradley Memorial, Thomas Teakle, Merritt Wheeler and Historical Society Acquisitions) account for memorials, bequests and various other contributions to the Montana Historical Society. Investment income is either expended from a Special Revenue Fund, Expendable Trust Fund or added to the principal.

STATE OF MONTANA
Combining Balance Sheet
Nonexpendable Trust Funds
June 30, 1997
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR
ASSETS:								
Cash/Cash Equivalents	\$ 30,499	\$ 17,173	\$ 3,914	\$ 552	\$ 201	\$ 943	\$ 373	242
Receivables (Net)	9,933	4,017	823	196	81	102	36	-
Due from Other Funds	7	414	-	-	-	8	-	-
Equity in Pooled Investments	447,602	309,247	91,089	12,902	3,813	-	-	-
Long-Term Loans/Notes Receivable	-	36	-	-	-	-	-	-
Investments	113,069	-	-	-	-	6,646	2,205	-
Securities Lending Collateral	59,769	41,239	12,182	1,688	492	3,752	1,153	6
Land	-	49,398	-	-	-	-	-	-
Other Fixed Assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 660,879	\$ 421,524	\$ 108,008	\$ 15,338	\$ 4,587	\$ 11,451	\$ 3,767	248
LIABILITIES/FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 113	\$ 3,925	\$ -	\$ -	\$ -	\$ 18	\$ 6	4
Interfund Loans Payable	588	-	-	-	-	-	-	-
Due to Other Funds	9,976	5,714	1,198	167	249	79	80	-
Due to Component Units	-	277	-	-	-	-	-	-
Deferred Revenue	-	-	43	-	-	2	-	-
Securities Lending Liability	59,769	41,239	12,182	1,688	492	3,752	1,153	6
Total Liabilities	70,446	51,155	13,423	1,855	741	3,851	1,239	10
Fund Balances:								
Reserved for Trust Principal	590,433	370,369	94,585	13,483	3,846	7,600	2,528	238
Total Fund Balances	590,433	370,369	94,585	13,483	3,846	7,600	2,528	238
TOTAL LIABILITIES/FUND BALANCES	\$ 660,879	\$ 421,524	\$ 108,008	\$ 15,338	\$ 4,587	\$ 11,451	\$ 3,767	248

	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	TOTALS
\$	17	\$ 16	\$ 18	8	\$ 53,956
	-	-	-	-	15,188
	-	-	-	-	429
	55	43	12	23	864,786
	-	-	-	-	36
	-	-	-	-	121,920
	27	23	6	3	120,340
	-	-	-	-	49,398
	-	-	-	2	2
<u>\$</u>	<u>99</u>	<u>\$ 82</u>	<u>\$ 36</u>	<u>36</u>	<u>\$ 1,226,055</u>

\$	-	\$ -	\$ -	-	\$ 4,066
	-	-	-	-	588
	-	-	-	-	17,463
	-	-	-	-	277
	-	-	-	-	45
	27	23	6	3	120,340
	<u>27</u>	<u>23</u>	<u>6</u>	<u>3</u>	<u>142,779</u>
	72	59	30	33	1,083,276
	<u>72</u>	<u>59</u>	<u>30</u>	<u>33</u>	<u>1,083,276</u>
<u>\$</u>	<u>99</u>	<u>\$ 82</u>	<u>\$ 36</u>	<u>36</u>	<u>\$ 1,226,055</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY	NOXIOUS WEED MANAGEMENT
OPERATING REVENUES:							
Charges for Services	\$ -	\$ 6,974	\$ -	\$ -	\$ -	\$ 347	\$ -
Investment Earnings	42,811	24,996	7,278	1,001	496	472	366
Securities Lending Income	5,070	3,510	1,034	142	75	200	78
Taxes	19,069	-	1,432	484	240	-	28
Rentals/Leases/Royalties	-	26,639	-	-	-	172	10
Other Operating Revenues	-	46	-	-	-	-	-
Total Operating Revenues	66,950	62,165	9,744	1,627	811	1,191	482
OPERATING EXPENSES:							
Grants	-	-	-	-	-	-	-
Securities Lending Expense	4,873	3,372	994	136	71	191	74
Other Operating Expenses	-	-	-	-	-	-	-
Total Operating Expenses	4,873	3,372	994	136	71	191	74
Income (Loss) before Operating Transfers	62,077	58,793	8,750	1,491	740	1,000	408
Operating Transfers In	-	1,268	-	-	-	-	-
Operating Transfers Out	(44,602)	(41,578)	(7,318)	(1,007)	(499)	(477)	(382)
Operating Transfers to Component Units	-	(1,740)	-	-	-	-	-
Net Income (Loss)	17,475	16,743	1,432	484	241	523	26
FUND BALANCES - JULY 1 -							
As Previously Reported	572,407	353,627	93,153	12,999	7,518	7,077	2,502
Prior Period Adjustments	-	(1)	-	-	-	-	-
FUND BALANCES - JULY 1 - As Restated	572,407	353,626	93,153	12,999	7,518	7,077	2,502
Residual Equity Transfers	551	-	-	-	(3,913)	-	-
FUND BALANCES - JUNE 30	\$ 590,433	\$ 370,369	\$ 94,585	\$ 13,483	\$ 3,846	\$ 7,600	\$ 2,528

	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	TOTALS
\$	- \$	- \$	- \$	- \$	- \$	7,321
	13	7	6	2	2	77,450
	1	2	1	-	-	10,113
	-	-	-	-	-	21,253
	-	-	-	-	-	26,821
	-	-	-	-	-	46
	14	9	7	2	2	143,004
	13	-	-	-	-	13
	1	1	1	-	-	9,714
	-	5	-	-	-	5
	14	6	1	-	-	9,732
	-	3	6	2	2	133,272
	-	-	-	-	-	1,268
	-	-	(4)	-	-	(95,867)
	-	-	-	-	-	(1,740)
	-	3	2	2	2	36,933
	238	69	57	28	31	1,049,706
	-	-	-	-	-	(1)
	238	69	57	28	31	1,049,705
	-	-	-	-	-	(3,362)
\$	238 \$	72 \$	59 \$	30 \$	33 \$	1,083,276

STATE OF MONTANA
Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ -	\$ 7,245	\$ -	\$ -	\$ -	345
Grant Payments	-	-	-	-	-	-
Scholarship/Fellowship Payments	-	-	-	-	-	-
Other Operating Revenue	-	46	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	-	7,291	-	-	-	345
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Collection of Taxes	18,634	-	1,521	473	235	-
Transfers to Other Funds	(41,725)	(48,630)	(7,478)	(1,026)	(516)	(470)
Transfers to Component Units	-	(1,740)	-	-	-	-
Interfund Loan Payments	(14,038)	-	-	-	-	-
Transfers from Other Funds	-	1,268	-	-	-	-
Proceeds from Interfund Loans	14,589	-	-	-	-	-
Residual Equity Transfers to Other Funds	-	-	-	-	(3,913)	-
Residual Equity Transfers from Other Funds	551	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(21,989)	(49,102)	(5,957)	(553)	(4,194)	(470)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	(31,974)	(7,000)	(1,200)	(450)	(150)	(2,126)
Proceeds from Sales or Maturities of Investments	12,834	-	-	-	3,536	1,264
Proceeds from Securities Lending Transactions	5,070	3,510	1,034	142	75	182
Interest and Dividends on Investments	42,067	22,717	7,285	1,001	518	476
Payment of Securities Lending Costs	(4,873)	(3,372)	(994)	(136)	(72)	(172)
Collection of Rents/Leases/Royalties	-	27,318	-	-	-	234
Net Cash Provided by (Used for) Investing Activities	23,124	43,173	6,125	557	3,907	(142)
Net Increase (Decrease) in Cash and Cash Equivalents	1,135	1,362	168	4	(287)	(267)
Cash and Cash Equivalents, July 1	29,364	15,811	3,746	548	488	1,210
Cash and Cash Equivalents, June 30	\$ 30,499	\$ 17,173	\$ 3,914	\$ 552	\$ 201	\$ 943
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 62,077	\$ 58,793	\$ 8,750	\$ 1,491	\$ 740	1,000
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Taxes	(19,069)	-	(1,432)	(484)	(240)	-
Securities Lending Expense	4,873	3,372	994	136	71	191
Interest on Investments	(42,811)	(24,996)	(7,278)	(1,001)	(496)	(472)
Securities Lending Income	(5,070)	(3,510)	(1,034)	(142)	(75)	(200)
Rentals/Leases/Royalties	-	(26,639)	-	-	-	(172)
Change in Assets and Liabilities:						
Decr (Incr) in Due From Other Funds	-	266	-	-	-	(2)
Incr (Decr) in Accounts Payable	-	-	-	-	-	-
Incr (Decr) in Due to Other Funds	-	5	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 7,291	\$ -	\$ -	\$ -	345

	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISTIONS	TOTALS
\$	- \$	- \$	- \$	- \$	- \$	- \$	7,590
	-	(13)	-	-	-	-	(13)
	-	-	(6)	-	-	-	(6)
	10	-	-	-	-	-	56
	10	(13)	(6)	-	-	-	7,627
	28	-	-	-	-	-	20,891
	(371)	-	-	(4)	-	-	(100,220)
	-	-	-	-	-	-	(1,740)
	-	-	-	-	-	-	(14,038)
	-	-	-	-	-	-	1,268
	-	-	-	-	-	-	14,589
	-	-	-	-	-	-	(3,913)
	-	-	-	-	-	-	551
	(343)	-	-	(4)	-	-	(82,612)
	-	-	-	-	-	(2)	(2)
	-	-	-	-	-	(2)	(2)
	(851)	-	-	-	-	-	(43,751)
	787	-	-	-	-	-	18,421
	72	1	2	1	-	-	10,089
	372	13	7	6	2	2	74,466
	(68)	(1)	(2)	(1)	-	-	(9,691)
	-	-	-	-	-	-	27,552
	312	13	7	6	2	2	77,086
	(21)	-	1	2	2	-	2,099
	394	242	16	14	16	8	51,857
\$	373 \$	242 \$	17 \$	16 \$	18 \$	8 \$	53,956
\$	408 \$	- \$	3 \$	6 \$	2 \$	2 \$	133,272
	(28)	-	-	-	-	-	(21,253)
	74	1	1	1	-	-	9,714
	(366)	(13)	(7)	(6)	(2)	(2)	(77,450)
	(78)	(1)	(2)	(1)	-	-	(10,113)
	-	-	-	-	-	-	(26,811)
	-	-	-	-	-	-	264
	-	-	(1)	-	-	-	(1)
	-	-	-	-	-	-	5
\$	10 \$	(13) \$	(6) \$	- \$	- \$	- \$	7,627

PENSION TRUST FUNDS

The Pension Trust Funds are used to account for public employee retirement systems. A brief description of each Pension Trust Fund follows.

Public Employees' Retirement System (PERS) - This fund accounts for the accumulation of resources used to pay retirement, disability and death benefits to qualified public employees. The system is funded from employer and employee contributions. This fund also accounts for the administrative costs, paid from investment earnings, of the Public Employees' Retirement Division, Department of Administration, which administers the activities of PERS and the following seven retirement systems:

Municipal Police Officers' Retirement System - This fund accounts for resources used to pay retirement, disability and death benefits to qualifying police officers employed by first and second class cities and other cities electing coverage. The system is funded from member, State and city contributions.

Firefighters' Unified Retirement System - This fund accounts for the accumulation of resources used to pay retirement, disability and death benefits to firefighters employed by first and second class cities and other cities electing coverage. In addition to employer and employee contributions, the State contributes a portion of insurance premium taxes collected.

Sheriffs' Retirement System - This fund accounts for member and county contributions to pay retirement, disability and death benefits to qualifying sheriffs.

Highway Patrol Officers' Retirement System - This fund accounts for member and State contributions to pay retirement, disability and death benefits to qualifying highway patrol officers.

Judges' Retirement System - This fund accounts for member and State contributions used to pay retirement, disability and death benefits to Montana's judges. The system is also funded from a percentage of court fees collected.

Game Wardens' Retirement System - This fund accounts for the accumulation of resources used to pay retirement, disability and death benefits to game wardens employed by the State. In addition to employer and employee contributions, this fund receives collections of fines and forfeitures generated from fish and wildlife violations.

Volunteer Firefighters' of Unincorporated Areas Retirement System - This fund accounts for resources used to pay medical benefits and retirement, disability and death benefits to qualifying volunteer firefighters. Benefit payments are based upon the growth of the fund in the preceding year.

STATE OF MONTANA
Combining Statement of Plan Net Assets
Pension Trust Funds
June 30, 1997
(Expressed in Thousands)

	PERS	MUNICIPAL POLICE	FIRE- FIGHTERS UNIFIED	SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE- FIGHTERS	TOTALS
ASSETS:									
Cash/Cash Equivalents	\$ 62,409	\$ 2,335	\$ 2,173	\$ 3,250	\$ 1,648	\$ 866	\$ 265	\$ 1,438	\$ 74,384
Receivables (Net):									
Employer Contributions	1,843	133	108	126	-	-	-	-	2,210
Employee Contributions	2,060	92	60	126	-	-	-	-	2,338
Interest	10,446	343	324	346	237	125	91	59	11,971
Other Receivables	36	-	3	1	2	-	-	-	42
Due from Component Units	422	-	-	-	-	-	-	-	422
Due from Other Funds	474	4,940	4,644	-	49	67	-	-	10,174
Long Term Notes/Loans Receivable	1,587	-	-	-	-	-	-	-	1,587
Investments, at Fair Value:									
Equity in Pooled Investments	1,868,893	82,078	77,920	82,906	56,072	29,548	21,682	11,332	2,230,431
Other Investments	148,344	1,510	1,132	1,510	1,132	755	377	377	155,137
Securities Lending Collateral	234,446	10,519	9,969	10,638	7,227	3,809	2,781	1,661	281,050
Land	25	-	-	-	-	-	-	-	25
Buildings/Improvements	277	-	-	-	-	-	-	-	277
Equipment	145	-	-	-	-	-	-	-	145
Accumulated Depreciation	(211)	-	-	-	-	-	-	-	(211)
Intangible Assets	1	-	-	-	-	-	-	-	1
TOTAL ASSETS	\$ 2,331,197	\$ 101,950	\$ 96,333	\$ 98,903	\$ 66,367	\$ 35,170	\$ 25,196	\$ 14,867	\$ 2,769,983
LIABILITIES/FUND BALANCES:									
Accounts Payable	\$ 594	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609
Due to Other Funds	70	29	23	20	12	2	5	20	181
Deferred Revenue	17	1	-	3	-	-	-	-	21
Securities Lending Liability	234,446	10,519	9,969	10,638	7,227	3,809	2,781	1,661	281,050
Compensated Absences Payable	107	-	-	-	-	-	-	-	107
Total Liabilities	235,234	10,564	9,992	10,661	7,239	3,811	2,786	1,681	281,968
Fund Balances Reserved for Employees' Pension Benefits	2,095,963	91,386	86,341	88,242	59,128	31,359	22,410	13,186	2,488,015
TOTAL LIABILITIES/FUND BALANCES	\$ 2,331,197	\$ 101,950	\$ 96,333	\$ 98,903	\$ 66,367	\$ 35,170	\$ 25,196	\$ 14,867	\$ 2,769,983



AGENCY FUNDS

The Agency Funds are used to account for assets held by the State as an agent for individuals, private organizations, other governments and other funds. A brief description of each Agency Fund follows.

Investment Pool - This fund accounts for idle cash invested on a pooled basis. Investment earnings on State funds are accounted for as revenue in either the fund providing the cash for investment or in the fund from which the earnings will be expended.

Employees' Deferred Compensation - State employees may defer a part of their compensation for the purpose of investment. This fund accounts for employee withholdings transferred to investing entities for allocation to employee designated investment plans.

Land Grant Interest - This fund accounts for interest and income earnings on nonexpendable trusts administered by the Department of State Lands pending distribution to units of the university system and State institutions.

Performance Deposits - This fund accounts for deposits held by the State pending compliance with performance agreements.

Central Payroll - This fund accounts for the accumulation of State employees' payroll and withholdings by the State Auditor's Office pending remittance to employees and other appropriate third parties.

Workers' Comp Securities - This fund, administered by the Department of Labor and Industry, accounts for surety bonds, converting the bonds into cash to liquidate liabilities as necessary.

Custodial Accounts - This fund accounts for moneys belonging to State institution residents, students of the School for the Deaf and Blind, participants in the foster children and protective services programs and balances held by the Commissioner of Higher Education's Office for remittance, on behalf of eligible employees of the Montana University System, to the TIAA-CREF retirement fund.

Unissued Warrants - This fund reports the amount of warrants authorized by agency claims but not written or mailed by fiscal year-end.

Child Support Collections - This fund accounts for payments from parents under the Child Support Enforcement Program administered by the Department of Social & Rehabilitative Services.

Unclaimed Property - This fund accounts for property held by State agencies pending claim by the person entitled thereto. It includes proceeds from the sale of abandoned property, escheated and undistributed estates, stale-dated State warrants and unclaimed wages.

Intergovernmental - This fund accounts for resources that flow through State agencies to federal and local governments.

A & E Advances - This fund accounts for moneys advanced by other agencies to the Department of Administration's Architecture and Engineering (A & E) Division for minor capital projects. The capital outlay expenditures are recorded in the funds which advanced the money.

Uncleared Collections - This fund accounts for resources held pending distribution to other funds and local governments. Amounts due to other State funds have been recorded as a receivable and revenue in those funds.

Debt Collection - This fund accounts for amounts due to the State which have been written off as uncollectible by the receiving agency. The State Auditor's Office continues to attempt to collect amounts owing for a period of time after they are deemed uncollectible by the receiving agency.

Eastern Montana Veteran's Home - This fund accounts for money that veterans reimburse the Veteran's Home located in Eastern Montana.

Stock Estray - This fund accounts for the proceeds derived from the sale of stray animals.

Bondholders Payment Fund - This fund accounts for accumulated proceeds for payment to bondholders for unredeemed coupons attached to refunded bond issues.

STATE OF MONTANA
Combining Balance Sheet
Agency Funds
June 30, 1997
(Expressed in Thousands)

	EMPLOYEES			WORKERS'				
	INVESTMENT POOL	DEFERRED COMP.	LAND GRANT INTEREST	PERFORM. DEPOSITS	CENTRAL PAYROLL	COMP SECURITIES	CUSTODIAL ACCOUNTS	UNISSUED WARRANTS
ASSETS:								
Cash/Cash Equivalents	\$ 533,925	\$ 6,002	\$ 1	\$ 6,885	\$ 256	\$ -	\$ 1,015	\$ 12,219
Receivables (Net)	61,896	376	-	-	-	-	-	-
Due from Component Units	-	75	-	-	849	-	-	-
Due from Other Funds	-	-	-	8	24,882	-	18	100
Advances to Other Funds	-	-	-	31	-	-	-	-
Equity in Pooled Investments	251,513	60,776	-	-	-	-	-	-
Investments	-	72,588	-	-	-	-	-	-
Securities Lending Collateral	-	7,985	-	95	-	-	7	-
Other Assets	-	-	-	5,100	-	1,648	-	-
TOTAL ASSETS	\$ 847,334	\$ 147,802	\$ 1	\$ 12,119	\$ 25,987	\$ 1,648	\$ 1,040	\$ 12,319
LIABILITIES:								
Accounts Payable	\$ 26,082	\$ -	\$ -	\$ 168	\$ -	\$ -	\$ 27	\$ -
Interfund Loans Payable	-	440	-	-	-	-	-	-
Due to Other Governments	321,094	-	-	-	-	-	-	-
Due to Component Units	-	2	1	2	-	-	-	-
Due to Other Funds	125	243	-	315	164	-	-	2,052
Property Held in Trust	500,033	139,132	-	8,442	25,823	1,648	1,006	10,267
Securities Lending Liability	-	7,985	-	95	-	-	7	-
Other Liabilities	-	-	-	3,097	-	-	-	-
TOTAL LIABILITIES	\$ 847,334	\$ 147,802	\$ 1	\$ 12,119	\$ 25,987	\$ 1,648	\$ 1,040	\$ 12,319

	CHILD SUPPORT COLLECTIONS	UNCLAIMED PROPERTY	INTER- GOVERNMENTAL	A & E ADVANCES	UNCLEARED COLLECTIONS	DEBT COLLECTION	EASTERN MT VETERANS HOME	BONDHOLDERS PAYMENT FUND	TOTALS
\$	869	\$ 15	\$ 3,876	\$ 8	\$ 852	\$ 322	\$ -	19	\$ 566,264
	250	-	1,347	-	-	1	-	-	63,870
	6	-	-	1	4	-	-	-	935
	39	2	259	1	37	2	-	-	25,348
	-	-	-	-	-	-	-	-	31
	-	-	-	-	-	-	-	-	312,289
	-	-	-	-	-	-	-	-	72,588
	-	-	95	-	-	-	-	-	8,182
	-	-	2,240	-	-	-	57	-	9,045
<u>\$</u>	<u>1,164</u>	<u>\$ 17</u>	<u>\$ 7,817</u>	<u>\$ 10</u>	<u>\$ 893</u>	<u>\$ 325</u>	<u>\$ 57</u>	<u>19</u>	<u>\$ 1,058,552</u>
\$	-	\$ 2	\$ 2,408	\$ -	\$ 1	\$ 5	\$ 57	\$ -	28,750
	-	-	-	-	-	-	-	-	440
	-	-	1,983	-	-	-	-	-	323,077
	-	-	-	2	1	9	-	-	17
	639	-	12	7	821	145	-	-	4,523
	525	15	3,319	1	70	166	-	19	690,466
	-	-	95	-	-	-	-	-	8,182
	-	-	-	-	-	-	-	-	3,097
<u>\$</u>	<u>1,164</u>	<u>\$ 17</u>	<u>\$ 7,817</u>	<u>\$ 10</u>	<u>\$ 893</u>	<u>\$ 325</u>	<u>\$ 57</u>	<u>19</u>	<u>\$ 1,058,552</u>

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

FUND	BALANCE June 30, 1996		Additions	Deductions	BALANCE June 30, 1997	
INVESTMENT POOL:						
ASSETS						
Cash/Cash Equivalents	\$	544,684	\$ 35,675,480	\$ 35,686,239	\$	533,925
Receivables (Net)		61,727	303,356	303,187		61,896
Equity in Pooled Investments		120,180	6,946,622	6,815,289		251,513
Investments		-	32,477,800	32,477,800		-
Securities Lending Collateral		-	623,161	623,161		-
Total Assets	\$	726,591	\$ 76,026,419	\$ 75,905,676	\$	847,334
LIABILITIES						
Accounts Payable	\$	9,940	\$ 26,256	\$ 10,114	\$	26,082
Interfund Loans Payable		1,012	1,013	2,025		-
Due to Other Governments		299,714	611,344	589,964		321,094
Due to Other Funds		-	125	-		125
Property Held in Trust		415,925	9,955,930	9,871,822		500,033
Securities Lending Liability		-	623,161	623,161		-
Total Liabilities	\$	726,591	\$ 11,217,829	\$ 11,097,086	\$	847,334
EMPLOYEES DEFERRED COMP.:						
ASSETS						
Cash/Cash Equivalents	\$	1	\$ 137,739	\$ 131,738	\$	6,002
Receivables (Net)		-	398	22		376
Due from Other Funds		-	213	213		-
Due from Component Units		78	75	78		75
Equity in Pooled Investments		-	60,776	-		60,776
Investments		122,528	60,609	110,549		72,588
Securities Lending Collateral		-	7,985	-		7,985
Total Assets	\$	122,607	\$ 267,795	\$ 242,600	\$	147,802
LIABILITIES						
Interfund Loans Payable	\$	-	\$ 440	\$ -	\$	440
Due to Other Funds		-	306	63		243
Due to Component Units		-	2	-		2
Property Held in Trust		122,607	78,768	62,243		139,132
Securities Lending Liability		-	7,985	-		7,985
Total Liabilities	\$	122,607	\$ 87,501	\$ 62,306	\$	147,802
LAND GRANT INTEREST:						
ASSETS						
Cash/Cash Equivalents	\$	1	\$ 23	\$ 23	\$	1
Total Assets	\$	1	\$ 23	\$ 23	\$	1
LIABILITIES						
Due to Other Funds	\$	-	\$ 2	\$ 2	\$	-
Due to Component Units		1	1	1		1
Total Liabilities	\$	1	\$ 3	\$ 3	\$	1
PERFORM. DEPOSITS:						
ASSETS						
Cash/Cash Equivalents	\$	21,409	\$ 50,507	\$ 65,031	\$	6,885
Receivables (Net)		-	11	11		-
Interfund Loans Receivable		-	700	700		-
Due from Other Funds		4	8	4		8
Advances To Other Funds		60	-	29		31
Securities Lending Collateral		-	95	-		95
Other Assets		5,862	970	1,732		5,100
Total Assets	\$	27,335	\$ 52,291	\$ 67,507	\$	12,119
LIABILITIES						
Accounts Payable	\$	183	\$ 337	\$ 352	\$	168
Due to Other Funds		582	325	592		315
Due to Component Units		9	2	9		2
Property Held in Trust		23,352	10,368	25,278		8,442
Securities Lending Liability		-	95	-		95
Other Liabilities		3,209	9,984	10,096		3,097
Total Liabilities	\$	27,335	\$ 21,111	\$ 36,327	\$	12,119

STATE OF MONTANA
 Combining Statement of Changes in Assets and Liabilities - Continued
 Agency Funds
 For the Fiscal Year Ended June 30, 1997
 (Expressed in Thousands)

FUND	BALANCE June 30, 1996	Additions	Deductions	BALANCE June 30, 1997
CENTRAL PAYROLL:				
ASSETS				
Cash/Cash Equivalents	\$ 213	\$ 418,168	\$ 418,125	\$ 256
Due from Other Funds	22,541	27,246	24,905	24,882
Due from Component Units	985	849	985	849
Total Assets	\$ 23,739	\$ 446,263	\$ 444,015	\$ 25,987
LIABILITIES				
Accounts Payable	\$ 332	\$ -	\$ 332	\$ -
Due to Other Funds	92	694	622	164
Property Held in Trust	23,314	420,713	418,204	25,823
Other Liabilities	1	22	23	-
Total Liabilities	\$ 23,739	\$ 421,429	\$ 419,181	\$ 25,987
WORKERS' COMP. SECURITIES:				
ASSETS				
Other Assets	\$ 1,768	\$ -	\$ 120	\$ 1,648
Total Assets	\$ 1,768	\$ -	\$ 120	\$ 1,648
LIABILITIES				
Property Held in Trust	\$ 1,768	\$ -	\$ 120	\$ 1,648
Total Liabilities	\$ 1,768	\$ -	\$ 120	\$ 1,648
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/Cash Equivalents	\$ 1,531	\$ 2,906	\$ 3,422	\$ 1,015
Receivables (Net)	-	3	3	-
Due from Other Funds	15	18	15	18
Securities Lending Collateral	-	7	-	7
Total Assets	\$ 1,546	\$ 2,934	\$ 3,440	\$ 1,040
LIABILITIES				
Accounts Payable	\$ 32	\$ 27	\$ 32	\$ 27
Due to Other Funds	309	4	313	-
Property Held in Trust	1,205	3,203	3,402	1,006
Securities Lending Liability	-	7	-	7
Total Liabilities	\$ 1,546	\$ 3,241	\$ 3,747	\$ 1,040
UNISSUED WARRANTS:				
ASSETS				
Cash/Cash Equivalents	\$ 1,229	\$ 2,527,448	\$ 2,516,458	\$ 12,219
Receivables (Net)	585	130,185	130,770	-
Due from Other Funds	81	100	81	100
Total Assets	\$ 1,895	\$ 2,657,733	\$ 2,647,309	\$ 12,319
LIABILITIES				
Due to Other Funds	\$ 1,895	\$ 2,052	\$ 1,895	\$ 2,052
Property Held in Trust	-	2,550,222	2,539,955	10,267
Other Liabilities	-	40,716	40,716	-
Total Liabilities	\$ 1,895	\$ 2,592,990	\$ 2,582,566	\$ 12,319
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 891	\$ 45,255	\$ 45,277	\$ 869
Receivables (Net)	204	529	483	250
Due from Other Funds	98	86	145	39
Due from Component Units	6	6	6	6
Total Assets	\$ 1,199	\$ 45,876	\$ 45,911	\$ 1,164
LIABILITIES				
Accounts Payable	\$ 111	\$ 111	\$ 222	\$ -
Due to Other Funds	1,079	673	1,113	639
Property Held in Trust	9	623	107	525
Total Liabilities	\$ 1,199	\$ 1,407	\$ 1,442	\$ 1,164

STATE OF MONTANA
 Combining Statement of Changes in Assets and Liabilities - Continued
 Agency Funds
 For the Fiscal Year Ended June 30, 1997
 (Expressed in Thousands)

FUND	BALANCE			BALANCE
	June 30, 1996	Additions	Deductions	
UNCLAIMED PROPERTY:				
ASSETS				
Cash/Cash Equivalents	\$ 9	\$ 143	\$ 137	15
Due From Other Funds	3	2	3	2
Total Assets	<u>\$ 12</u>	<u>\$ 145</u>	<u>\$ 140</u>	<u>17</u>
LIABILITIES				
Accounts Payable	\$ 3	\$ 2	\$ 3	2
Property Held in Trust	9	144	138	15
Total Liabilities	<u>\$ 12</u>	<u>\$ 146</u>	<u>\$ 141</u>	<u>17</u>
INTERGOVERNMENTAL:				
ASSETS				
Cash/Cash Equivalents	\$ 12,822	\$ 209,702	\$ 218,648	3,876
Receivables (Net)	8,124	1,983	8,760	1,347
Due from Other Funds	20	258	19	259
Securities Lending Collateral	-	123,343	123,248	95
Other Assets	3,142	378	1,280	2,240
Total Assets	<u>\$ 24,108</u>	<u>\$ 335,664</u>	<u>\$ 351,955</u>	<u>7,817</u>
LIABILITIES				
Accounts Payable	\$ 14,973	\$ 2,403	\$ 14,968	2,408
Due to Other Governments	441	1,542	-	1,983
Due to Other Funds	20	11	19	12
Property Held in Trust	8,674	6,561	11,916	3,319
Securities Lending Liability	-	123,343	123,248	95
Total Liabilities	<u>\$ 24,108</u>	<u>\$ 133,860</u>	<u>\$ 150,151</u>	<u>7,817</u>
A & E ADVANCES:				
ASSETS				
Cash/Cash Equivalents	\$ 1	\$ 75	\$ 68	8
Due from Component Units	-	1	-	1
Due from Other Funds	-	2	1	1
Total Assets	<u>\$ 1</u>	<u>\$ 78</u>	<u>\$ 69</u>	<u>10</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ 9	\$ 2	7
Due to Component Units	-	2	-	2
Property Held in Trust	1	77	77	1
Total Liabilities	<u>\$ 1</u>	<u>\$ 88</u>	<u>\$ 79</u>	<u>10</u>
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 797	\$ 91,695	\$ 91,640	852
Receivables	-	254	254	-
Due from Other Funds	14	97	74	37
Due from Component Units	6	4	6	4
Total Assets	<u>\$ 817</u>	<u>\$ 92,050</u>	<u>\$ 91,974</u>	<u>893</u>
LIABILITIES				
Accounts Payable	\$ 1	\$ 49	\$ 49	1
Due to Other Funds	727	822	728	821
Due to Component Units	-	1	-	1
Property Held in Trust	46	1,320	1,296	70
Other Liabilities	43	90,114	90,157	-
Total Liabilities	<u>\$ 817</u>	<u>\$ 92,306</u>	<u>\$ 92,230</u>	<u>893</u>

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

FUND	BALANCE		BALANCE	
	June 30, 1996	Additions	Deductions	June 30, 1997
DEBT COLLECTION:				
ASSETS				
Cash/Cash Equivalents	\$ 610	\$ 3,461	\$ 3,749	322
Receivables (Net)	-	178,876	178,875	1
Due from Other Funds	1	9	8	2
Total Assets	\$ 611	\$ 182,346	\$ 182,632	\$ 325
LIABILITIES				
Accounts Payable	\$ 125	\$ 5	\$ 125	5
Due to Other Funds	242	179	276	145
Due to Component Units	18	9	18	9
Property Held in Trust	226	3,024	3,084	166
Total Liabilities	\$ 611	\$ 3,217	\$ 3,503	\$ 325
EASTERN MT VETERANS HOME:				
ASSETS				
Other Assets	\$ -	\$ 57	\$ -	57
Total Assets	\$ -	\$ 57	\$ -	\$ 57
LIABILITIES				
Accounts Payable	-	57	-	57
Total Liabilities	\$ -	\$ 57	\$ -	\$ 57
BONDHOLDERS PAYMENT:				
ASSETS				
Cash/Cash Equivalents	\$ 19	\$ -	\$ -	19
Total Assets	\$ 19	\$ -	\$ -	\$ 19
LIABILITIES				
Property Held in Trust	\$ 19	\$ -	\$ -	19
Total Liabilities	\$ 19	\$ -	\$ -	\$ 19
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash/Cash Equivalents	\$ 584,217	\$ 39,162,602	\$ 39,180,555	566,264
Receivables (Net)	70,640	615,595	622,365	63,870
Interfund Loan Receivable	-	700	700	-
Due from Other Funds	22,777	28,039	25,468	25,348
Due from Component Units	1,075	935	1,075	935
Advances to Other Funds	60	-	29	31
Equity in Pooled Investments	120,180	7,007,398	6,815,289	312,289
Investments	122,528	32,538,409	32,588,349	72,588
Securities Lending Collateral	-	754,591	746,409	8,182
Other Assets	10,772	1,405	3,132	9,045
TOTAL ASSETS	\$ 932,249	\$ 80,109,674	\$ 79,983,371	\$ 1,058,552
LIABILITIES				
Accounts Payable	\$ 25,700	\$ 29,247	\$ 26,197	28,750
Interfund Loans Payable	1,012	1,453	2,025	440
Due to Other Governments	300,155	612,886	589,964	323,077
Due to Other Funds	4,946	5,202	5,625	4,523
Due to Component Units	28	17	28	17
Property Held in Trust	597,155	13,030,953	12,937,642	690,466
Securities Lending Liability	-	754,591	746,409	8,182
Other Liabilities	3,253	140,836	140,992	3,097
TOTAL LIABILITIES	\$ 932,249	\$ 14,575,185	\$ 14,448,882	\$ 1,058,552

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use in operations which are accounted for in governmental funds. These include all fixed assets except those of the Enterprise, Internal Service, Expendable Trust, Nonexpendable Trust, Pension Trust and Higher Education Funds.

STATE OF MONTANA
 Schedule of General Fixed Assets by Source
 June 30, 1997
 (Expressed in Thousands)

General Fixed Assets:	
Land	\$ 62,645
Buildings/Other Improvements	306,556
Equipment	111,692
Other Fixed Assets	48,679
Construction in Progress	14,281
Total General Fixed Assets	<u>\$ 543,853</u>

Investments in General Fixed Assets From:	
General Fund Fixed Assets	\$ 266,085
State Special Revenue Fund Fixed Assets	142,386
Federal Special Revenue Fund Fixed Assets	43,821
Capital Projects Fund Fixed Assets	39,389
Expendable Trust Fund Fixed Assets	538
Donated Fixed Assets	51,634
Total Investments in General Fixed Assets	<u>\$ 543,853</u>

STATE OF MONTANA
Schedule of General Fixed Assets by Function and Activity
June 30, 1997
(Expressed in Thousands)

Function and Activity	Buildings and			Other Fixed Assets	Total
	Land	Improvements	Equipment		
General Government					
Legislative	\$ -	\$ -	1,780	\$ -	1,780
Executive	2,563	41,653	5,549	111	49,876
Judicial	-	-	732	657	1,389
Total General Government	2,563	41,653	8,061	768	53,045
Public Safety/Corrections					
Law Enforcement	390	20,009	13,317	-	33,716
Corrections	2,053	42,689	6,383	4	51,129
Professional/Business Regulation	-	-	1,484	14	1,498
Safety	-	-	383	15	398
Health/Environment	-	-	6	-	6
Total Public Safety/Corrections	2,443	62,698	21,573	33	86,747
Transportation	5,479	32,941	23,725	-	62,145
Health/Social Services					
Health/Environment	138	353	5,771	-	6,262
Social Serv/Welfare/Mentl Hlth	464	56,257	18,711	-	75,432
Mental Health	-	-	25	-	25
Veterans Affairs	33	191	113	-	337
Total Health/Social Services	635	56,801	24,620	-	82,056
Educational/Cultural					
Educational	3,055	78,982	6,171	1,728	89,936
Cultural	186	3,543	368	46,111	50,208
Total Educational/Cultural	3,241	82,525	6,539	47,839	140,144
Resource Development/Recreation					
Health/Environment	9	-	149	-	158
Resource Development	-	-	9,208	-	9,208
Recreation	47,693	24,716	9,573	37	82,019
Agricultural	-	-	1,744	-	1,744
Total Resource Development/Recreation	47,702	24,716	20,674	37	93,129
Economic Development/Assistance	582	5,222	6,500	2	12,306
Total Fixed Assets Allocated to Functions	\$ 62,645	\$ 306,556	\$ 111,692	\$ 48,679	\$ 529,572
Construction in Progress					14,281
Total General Fixed Assets					<u>\$ 543,853</u>

STATE OF MONTANA
Schedule of Changes in General Fixed Assets by Function and Activity
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

Function and Activity	General Fixed Assets July 1, 1996	Additions	Deletions	General Fixed Assets June 30, 1997
General Government				
Legislative	\$ 1,952	\$ 271	\$ 443	\$ 1,780
Executive	48,612	3,124	1,860	49,876
Judicial	1,245	319	175	1,389
Total General Government	51,809	3,714	2,478	53,045
Public Safety/Corrections				
Law Enforcement	33,616	2,461	2,361	33,716
Corrections	46,495	5,815	1,181	51,129
Professional/Business Regulation	1,461	150	113	1,498
Safety	390	71	63	398
Health/Environment	-	6	-	6
Total Public Safety/Corrections	81,962	8,503	3,718	86,747
Transportation	56,791	6,291	937	62,145
Health/Social Services				
Health/Environment	6,507	461	706	6,262
Social Services/Welfare/Mentl Hlth	74,968	6,545	6,081	75,432
Mental Health	-	28	3	25
Veterans Affairs	318	22	3	337
Total Health/Social Services	81,793	7,056	6,793	82,056
Educational/Cultural				
Educational	89,254	1,177	495	89,936
Cultural	43,245	7,165	202	50,208
Total Educational/Cultural	132,499	8,342	697	140,144
Resource Development/Recreation				
Health/Environment	-	205	47	158
Resource Development	8,904	590	286	9,208
Recreation	77,780	5,057	818	82,019
Agricultural	1,680	309	245	1,744
Total Resource Development/Recreation	88,364	6,161	1,396	93,129
Economic Development/Assistance	9,650	3,082	426	12,306
Construction in Progress	7,783	13,760	7,262	14,281
Total General Fixed Assets	\$ 510,651	\$ 56,909	\$ 23,707	\$ 543,853



Montana

Statistical and Economic Data

Financial presentations included in this section provide users with an historical perspective through detailed data on economic and social characteristics, financial trends and fiscal capacity of the State.



**STATE OF MONTANA
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years
(Expressed in Thousands)**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Licenses/Permits (1) \$	62,574	64,075	55,229	74,152	82,744	92,773	98,852	106,109	110,043	112,761
Taxes (1)	715,724	725,748	776,368	864,057	850,916	1,003,849	1,026,025	1,080,529	997,874	1,041,840
Chrgs-Srvs./Fines/Forfts.	52,990	54,467	56,929	43,678	52,527	53,775	58,872	69,781	66,367	93,629
Investment Earnings	31,149	34,018	37,263	31,655	24,791	20,715	19,993	29,267	28,594	28,741
Securities Lending Income	-	-	-	-	-	-	-	-	-	8,346
Sale-Doc./Mdse./Prop.	3,382	2,920	5,548	17,146	18,091	17,055	19,905	18,987	6,776	5,828
Rentals/Leases/Royalties	383	449	363	528	397	451	321	180	220	212
Contributions/Premiums	410	663	3,199	4,113	3,355	3,466	3,617	3,773	4,165	4,211
Grants/Contrts./Donations	5,936	4,649	8,473	7,004	3,611	3,682	7,782	8,448	9,232	7,759
Federal	427,381	445,402	451,107	532,244	585,047	667,468	684,001	714,629	880,300	853,051
Federal IDC Recoveries	1,747	1,880	1,790	1,823	1,738	1,817	2,344	2,602	1,685	1,937
Other Revenues	5,052	5,147	2,078	2,367	2,792	4,503	2,301	1,135	1,552	972
Totals	\$ 1,306,728	\$ 1,339,418	\$ 1,398,347	\$ 1,578,767	\$ 1,626,009	\$ 1,869,554	\$ 1,924,013	\$ 2,035,440	\$ 2,106,808	\$ 2,159,287

NOTE: (1) 1988 - A change in reporting the State's insurance premium tax resulted in an increase in Taxes with a corresponding decrease in Licenses/Permits.

**STATE OF MONTANA
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years
(Expressed in Thousands)**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
General Government (1) \$	46,308	52,065	54,402	111,570	117,114	117,691	113,617	140,573	71,699	81,646
Public Safety/Corrections	66,366	72,616	80,804	87,121	100,864	105,870	110,026	118,668	119,221	128,247
Transportation	233,092	237,827	259,438	280,416	287,768	285,055	297,577	297,708	322,142	325,182
Health/Social Services	358,860	391,857	405,008	482,864	539,052	620,915	611,529	673,330	770,506	788,429
Education/Cultural	328,669	337,251	335,865	441,392	445,180	487,657	486,203	491,544	551,604	555,610
Resource Dev./Recreation	57,630	77,171	55,100	63,426	71,791	70,847	68,926	93,309	69,264	92,972
Economic Dev./Assistance	71,197	76,057	76,363	86,272	79,998	86,504	100,224	100,448	106,792	105,752
Debt Service:										
Principal Retirement	9,176	9,841	12,268	13,244	34,344	22,115	18,113	67,459	42,921	24,027
Interest/Fiscal Chrgs.	21,751	21,922	21,186	21,111	23,042	24,332	16,340	18,932	18,039	15,010
Capital Outlay	30,669	28,130	33,576	24,256	25,935	23,455	32,574	71,723	57,020	70,182
Securities Lending	-	-	-	-	-	-	-	-	-	7,887
Totals	\$ 1,223,718	\$ 1,304,737	\$ 1,334,010	\$ 1,611,672	\$ 1,725,088	\$ 1,844,441	\$ 1,855,129	\$ 2,073,694	\$ 2,129,208	\$ 2,194,944

NOTE: (1) Fiscal year 1991 includes the first year of distribution to local governments of oil and gas severance taxes and a significant increase in the reimbursement to local governments for loss of property tax revenue associated with the reduction of class 8 property tax rates.

STATE OF MONTANA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Total Tax Levy (a)	Total Tax Collections (b)	Percent of Total Tax Collections to Tax Levy
1988	\$ 13,771	\$ 14,561	105.7 %
1989	11,641	13,423	115.3
1990	11,705	13,475	115.1
1991	68,418	69,490	101.6
1992	73,815	90,230	122.2
1993 (2)	172,568	221,426	128.3
1994	181,047	215,573	119.1
1995	186,648	218,614	117.1
1996	193,423	218,398	112.9
1997	N/A	222,858	N/A

N/A - Data not available

NOTES: (1) Property taxes are levied in one fiscal year and collected in subsequent fiscal years (i.e., the fiscal year column relates to the column "Total Tax Collections" only). The increase in fiscal year 1991 is due to the school equalization aid levy of 40 mills established by the 1989 Legislature.

(2) The significant increase in fiscal year 1993 is because county equalization revenues are sent directly to the State as of July 1, 1992.

SOURCES: (a) Montana Department of Revenue Reports to the Legislature
(b) Montana Statewide Budgeting and Accounting System

STATE OF MONTANA
TAXABLE AND MARKET (ASSESSED) VALUE OF PROPERTY (1)
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Taxable to Total Market (Assessed) Value
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value	
1988	\$ 1,642,100	\$ 22,509,982	\$ 300,850	\$ 3,697,063	\$ 1,942,950	\$ 26,207,045	7.4 %
1989	1,598,881	23,120,074	308,523	3,799,252	1,907,404	26,919,326	7.1
1990	1,274,023	22,082,879	272,948	3,988,239	1,546,971	26,071,118	5.9
1991	1,303,834	23,534,838	291,388	4,248,460	1,595,222	27,783,298	5.7
1992	1,336,544	24,156,048	296,079	4,265,243	1,632,623	28,421,291	5.7
1993	1,430,246	26,492,508	301,701	4,401,371	1,731,947	30,893,879	5.6
1994	1,470,069	30,836,551	316,996	4,549,629	1,787,065	35,386,180	5.1
1995	1,512,074	31,712,386	326,263	4,674,861	1,838,337	36,387,247	5.1
1996	1,567,119	32,929,317	300,500	4,791,337	1,867,619	37,720,654	5.0
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Data not available

NOTE: (1) Taxable property in Montana must be assessed at 100% of its market value except mining property and agricultural lands. Mining property is assessed based on net and gross proceeds from mineral production. The assessment on agricultural land is based on productive capacity.

Taxable value is that against which the mill levy is applied. These values are arrived at by the appropriate ratios found in Montana's Classification Act to the assessed values (e.g., the taxable value of residential property is 3.86% of its assessed value).

The increase in Fiscal Year 1994 Assessed Value of Real Property was primarily due to the application of updated Agricultural Land valuation schedules.

SOURCE: Montana Department of Revenue Reports to the Legislature

**STATE OF MONTANA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Taxable Value)
Last Ten Fiscal Years**

Fiscal Year	State of Montana					Total
	Special Revenue Funds	Schools	Counties	Cities	Miscellaneous	
1987	.69	15.86	5.94	3.65	1.46	27.60
1988	.60	15.39	5.62	3.75	1.75	27.11
1989	.61	16.59	6.45	3.72	2.01	29.38
1990	4.35 (1)	16.19	6.93	4.66	2.33	34.46
1991 (2)	10.55	11.54	6.51	4.60	2.32	35.52
1992	10.58	11.87	6.70	4.60	2.32	36.07
1993	10.45	13.69	6.64	4.54	2.57	37.89
1994	10.44	14.74	6.86	4.50	2.85	39.40
1995	10.52	15.27	7.02	4.56	2.80	40.18
1996	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Data not available

NOTES: (1) The significant increase in 1990 is due to the school equalization aid levy of 40 mills established by the 1989 Legislature.

(2) The significant increase in 1991 is due to the change of the school equalization aid levy to 95 mills and State assumption of welfare established by the 1991 Legislature.

SOURCE: Department of Revenue Reports to the Legislature

**STATE OF MONTANA
PROPERTY TAX MILL LEVY FOR STATE PURPOSES
Last Ten Levy Years**

This portion of the property tax levy was developed to provide a nondiscriminatory method of financing public education in Montana. The State has statutory authority to levy up to six mills for the support of the State's higher education system. The General Fund is responsible for making up any deficiencies in the equalization system. In addition, the Legislature is directed by law to levy at each legislative session a tax of up to two mills on all taxable property in the State to provide for any deficiencies in the General Fund.

Levy Year	Higher Education System	Vo-Tech Centers	Primary & Secondary Schools	Total Mill Levy
1988	6.00	1.50	45.00	52.50
1989	6.00	1.50	45.00	52.50
1990	6.00	1.50	95.00	102.50
1991	6.00	1.50	95.00	102.50
1992	6.00	1.50	95.00	102.50
1993	6.00	1.50	95.00	102.50
1994	6.00	1.50	95.00	102.50
1995	6.00	1.50	95.00	102.50
1996	6.00	1.50	95.00	102.50
1997	6.00	1.50	95.00	102.50

Each mill represents one dollar of tax levied on each thousand dollars worth of taxable property. The amount of property taxes needed for the year (net levy) is divided by the percentage determined collectible. This gross levy is then divided by the assessed valuation to arrive at the mill levy. The increase in the mill levy for 1990 was due to the 10 mill increase for primary and secondary schools and the state equalization aid levy of 40 mills established by the 1989 Legislature.

SOURCE: Montana Department of Revenue - Research and Information Division

**STATE OF MONTANA
RATIO OF DIRECT STATE DEBT TO
ASSESSED VALUE AND DIRECT
STATE DEBT PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	(Expressed in Thousands)			Direct State Debt Per	
	Population (3) (a)	Assessed Value (1) (4) (b)	Direct State Debt (2)	Assessed Value (%)	Capita
1988	800	\$ 26,207,045	\$ 91,542	.35	\$ 114.43
1989	800	26,919,326	83,390	.31	104.24
1990	799	26,071,118	78,110	.30	97.76
1991	808	27,783,297	70,050	.25	86.70
1992	823	28,421,291	60,140	.21	73.07
1993	841	30,893,879	43,945	.14	52.25
1994	857	35,386,179	66,070	.19	77.09
1995	870	36,387,247	78,000	.21	89.66
1996	879	37,720,655	69,620	.18	80.02
1997	N/A	N/A	96,620	N/A	109.92 *

N/A - Data not available.

* Calculated using 1996 population data.

- NOTES: (1) Beginning in 1988 the assessed value does not include exempt property.
 (2) Includes only General Obligation Bonds.
 (3) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for all prior years shown.
 (4) The increase in fiscal year 1994 Assessed Value of Real Property is due primarily to the application of updated Agricultural Land valuation schedules.

- SOURCES: (a) U.S. Department of Commerce, Bureau of Economic Analysis
 (b) Montana Department of Revenue Reports to the Legislature

**STATE OF MONTANA
RATIO OF ANNUAL DEBT SERVICE TO
TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years
(Expressed in Thousands)**

Fiscal Year	Total Debt Service	Total General Expenditures	Ratio (%)
1988	\$ 30,927	\$ 1,223,718	2.53
1989	31,763	1,304,737	2.43
1990	33,454	1,334,010	2.51
1991	34,355	1,611,671	2.13
1992	57,387	1,725,088	3.33
1993	46,447	1,844,441	2.52
1994	34,453	1,855,129	1.86
1995	86,391	2,073,694	4.17
1996	60,960	2,129,208	2.86
1997	39,037	2,194,943	1.78

SOURCE: Montana Financial Reports 1988-1997

STATE OF MONTANA
REVENUE BOND COVERAGE
HIGHER EDUCATION
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1987	\$ 34,803	\$ 25,635	\$ 9,168	\$ 6,300	1.46
1988	35,329	24,518	10,811	6,264	1.73
1989	37,611	27,900	9,711	7,060	1.38
1990	42,010	30,314	11,696	7,829	1.49
1991	45,314	33,707	11,607	7,240	1.60
1992	48,732	35,012	13,720	7,712	1.78
1993	45,695	32,322	13,373	6,983	1.92
1994	50,349	33,768	16,581	6,627	2.50
1995	51,592	35,450	16,142	7,865	2.05
1996	50,315	37,357	12,958	8,931	1.45

SOURCE: Annual audit reports for each entity.

STATE OF MONTANA
REVENUE BOND COVERAGE
MONTANA BOARD OF HOUSING
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1988	\$ 58,408	\$ 2,488	\$ 55,920	\$ 48,345	1.16
1989	56,834	1,644	55,190	49,777	1.11
1990	57,002	3,025	53,977	49,002	1.10
1991	58,050	2,613	55,437	50,314	1.10
1992	56,653	2,699	53,954	50,703	1.06
1993	50,604	2,631	47,973	47,113	1.02
1994	48,083	2,097	45,986	38,299	1.20
1995	38,971	2,128	36,843	31,511	1.17
1996	39,504	2,414	37,090	32,379	1.15
1997	39,926	2,572	37,354	32,814	1.14

SOURCE: Montana Statewide Budgeting and Accounting System.

STATE OF MONTANA
REVENUE BOND COVERAGE
ECONOMIC DEVELOPMENT BONDS
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1988	\$ 3,330	\$ 65	\$ 3,265	\$ 2,928	1.12
1989	4,195	95	4,100	2,941	1.39
1990	2,962	187	2,775	3,211	0.86
1991	3,477	186	3,291	4,041	0.81
1992	4,490	266	4,224	3,558	1.19
1993	3,177	188	2,989	3,221	0.93
1994	3,287	162	3,125	2,884	1.08
1995	3,107	172	2,935	2,940	1.00
1996	3,323	195	3,128	2,860	1.09
1997	3,064	174	2,890	2,477	1.17

SOURCE: *Montana Statewide Budgeting and Accounting System.*

STATE OF MONTANA
REVENUE BOND COVERAGE
STATE COMPENSATION INSURANCE (OLD FUND)
Fiscal Years 1992-1997 (1)
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	
				Total	Coverage
1992	\$ 16,007	\$ 43,228	\$(27,221)	\$ 9,569	-2.84
1993	19,413	17,764	1,649	9,582	0.17
1994	41,990	40,120	1,870	10,438	0.18
1995	50,639	(17,519)	68,158	10,702	6.37
1996	47,509	(21,977)	69,486	8,977	7.74
1997	51,738	(23,844)	75,582	2,358	32.05

NOTE: (1) Payroll tax bonds were issued July 15, 1991. These bonds were defeased during fiscal year 1997.

SOURCE: *Montana Statewide Budgeting and Accounting System.*

STATE OF MONTANA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS (1)
Last Ten Fiscal Years
(Expressed in Thousands, except for number of permits)

Calendar Year	Construction (a)				
	Residential		Commercial		
	Number of Permits Issued	Valuation*	Number of Permits Issued	Cost of Construction	Bank Deposits (b)
1987	640	\$ 48,116	697	\$ 54,725	\$ 7,938,709
1988	607	53,916	773	63,118	7,993,685
1989	595	54,997	512	58,233	7,701,270
1990	809	87,980	629	75,836	7,959,440
1991	1,160	115,925	589	93,974	8,392,081
1992	1,851	170,421	737	110,084	8,518,003
1993	2,294	225,526	753	109,366	8,632,027
1994	2,320	232,816	910	163,141	8,911,559
1995	1,975	224,309	N/A	N/A	9,056,329
1996	1,730	209,238	N/A	N/A	9,586,233

N/A - Data not available

NOTE: (1) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.

Fiscal Year	Property (Assessed) Values (c)					
	Agriculture (2)	Commercial/Industrial	Personal/Real (3)	Utilities	Other **	Total
1988	\$ 2,435,526	\$ 5,178,163	\$ 13,863,293	\$ 3,910,515	\$ 819,548	\$ 26,207,045
1989	2,458,942	5,176,030	14,086,791	4,280,347	917,216	26,919,326
1990	2,498,949	4,863,281	14,644,470	3,696,089	368,329	26,071,118
1991	2,549,181	4,913,732	15,557,151	4,347,227	416,006	27,783,297
1992	2,591,978	4,995,511	15,975,557	4,488,297	369,947	28,421,291
1993	2,574,254	5,647,162	17,683,533	4,631,563	357,367	30,893,879
1994	4,494,808	5,616,507	20,193,046	4,755,568	326,251	35,386,180
1995	4,414,591	5,830,273	20,944,164	4,886,362	311,857	36,387,247
1996	4,523,548	6,032,812	21,541,079	5,212,178	411,037	37,720,654
1997	N/A	N/A	N/A	N/A	N/A	N/A

** Other property includes mining, coal and miscellaneous.

N/A - Data not available

NOTES: (1) Nontaxable property value information is not available.
Construction data is reported on a calendar year basis.
Bank deposits are the aggregate of State Banks and Trust Companies, National Banks, Savings and Loans and Credit Unions.
(2) The increase in Fiscal Year 1994 Assessed Value of Agricultural Property is due primarily to the application of updated Agricultural Land valuation schedules.
(3) For 1993 and prior years, farmstead property (ranch/farm houses) is included as Agricultural property. For 1994, farmstead property is included as Personal/Real property.

SOURCES: (a) U.S. Department of Commerce - Bureau of the Census
(b) Montana Department of Commerce - State Banks and Trust Companies, National Banks and Credit Unions
Federal Home Loan Bank of Seattle - Savings and Loans
(c) Montana Department of Revenue Reports to the Legislature

**STATE OF MONTANA
INCOME DATA
Last Ten Calendar Years**

**Total Personal Income (2)
(Millions)**

Year	Montana		Rocky Mountain Region(1)		United States	
	Amount	% Increase	Amount	% Increase	Amount	% Increase
	1987	\$ 10,163		\$ 101,218		\$ 3,862,977
1988	10,355	1.9	106,243	5.0	4,160,730	7.7
1989	11,349	9.6	114,252	7.5	4,474,014	7.5
1990	12,031	6.0	123,353	8.0	4,774,005	6.7
1991	12,887	7.1	131,469	6.6	4,950,808	3.7
1992	13,641	5.9	140,914	7.2	5,248,619	6.0
1993	14,817	8.6	152,352	8.1	5,471,129	4.2
1994	15,158	2.3	161,175	5.8	5,739,851	4.9
1995	16,052	5.9	173,325	7.5	6,097,977	6.2
1996	16,749	4.3	184,423	6.4	6,428,129	5.4
Average Annual Rate of Growth		5.91 %		6.9 %		5.81 %

Per Capita Income (2)

Year	Montana		Rocky Mountain Region(1)		United States	
	Amount	% Increase	Amount	% Increase	Amount	% Increase
	1987	\$ 12,622		\$ 14,045		\$ 15,942
1988	12,939	2.5	14,749	5.0	17,015	6.7
1989	14,192	9.7	15,793	7.1	18,127	6.5
1990	15,042	6.0	16,900	7.0	19,142	5.6
1991	15,945	6.0	17,667	4.5	19,638	2.6
1992	16,569	3.9	18,469	4.5	20,582	4.8
1993	17,614	6.3	19,430	5.2	21,223	3.1
1994	17,698	0.5	20,044	3.2	22,045	3.9
1995	18,443	4.2	21,082	5.2	23,196	5.2
1996	19,047	3.3	22,025	4.5	24,231	4.5
Average Annual Rate of Growth		4.71 %		5.13 %		4.77 %

NOTES: (1) The Rocky Mountain Region includes Montana, Colorado, Idaho, Utah and Wyoming.

(2) Numbers include revisions made by the U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.

SOURCE: U.S. Department of Commerce - Bureau of Economic Analysis

**STATE OF MONTANA
PUBLIC EDUCATION INSTITUTIONS
ENROLLMENT (1)
Last Ten Fiscal Years**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
TOTAL GRADES PRE-K-12 (a)	152,207	152,191	151,149	152,898	155,263	159,991	163,020	164,341	165,547	164,592
MONTANA UNIVERSITY SYSTEM (b)										
University of Montana	7,552	7,977	8,587	8,852	9,482	9,602	9,655	9,720	9,910	10,269
Montana State University	9,287	9,371	9,543	9,501	9,491	9,946	10,018	10,022	10,285	10,349
Montana Tech of the UM	1,582	1,546	1,499	1,612	1,694	1,728	1,763	1,660	1,679	1,718
Western Montana College of the UM	828	954	877	915	974	969	1,006	1,065	1,082	1,031
Montana State University -Billings	3,303	3,287	3,354	3,408	3,139	3,240	3,267	3,252	3,276	3,221
Montana State University - Northern	1,551	1,548	1,581	1,765	1,907	1,603	1,675	1,654	1,495	1,501
TOTAL UNIVERSITIES	24,103	24,683	25,441	26,053	26,687	27,088	27,384	27,373	27,727	28,089
COLLEGES OF TECHNOLOGY (b)										
College of Technology - Billings	398	356	334	280	291	453	427	414	436	462
Division of Technology - Butte	395	354	280	248	251	313	347	320	329	363
MSU College of Technology - GF	473	525	503	479	466	556	605	686	727	714
UM College of Technology - Helena	577	506	436	418	434	440	432	452	468	543
College of Technology - Missoula	487	482	446	454	435	551	573	630	629	749
TOTAL COLLEGES OF TECHNOLOGY	2,330	2,223	1,999	1,879	1,877	2,313	2,384	2,502	2,589	2,831

NOTE: (1) The University System and Colleges of Technology enrollment is based on fiscal year full-time equivalent enrollment.

SOURCES: (a) Montana Office of Public Instruction
(b) Montana Commissioner of Higher Education

STATE OF MONTANA
DEMOGRAPHIC STATISTICS
Last Ten Years

Fiscal Year	Population (1) (3) (a)	Per Capita Income (1) (3) (a)	Public School Enrollment Pre-K-12 (2) (b)	Montana University System Enrollment (2) (b)	Average Montana Unemployment Rate (c)	Average U.S. Unemployment Rate (c)	Average Civilian Labor Force (c)	Average Total Employment (c)	Average Unemployment (c)
1988	800,000	12,622	152,207	24,103	8.1	5.8	404,420	371,620	32,800
1989	800,000	12,939	152,191	24,683	6.7	5.4	399,650	372,970	26,680
1990	799,000	14,192	151,149	25,441	5.5	5.3	408,025	385,608	22,430
1991	808,000	15,042	152,898	26,053	6.6	6.2	401,625	375,333	26,292
1992	823,000	15,945	155,263	26,687	6.7	7.4	408,125	379,292	28,833
1993	841,000	16,569	159,991	27,088	6.5	7.2	417,000	393,200	24,700
1994	857,000	17,614	163,020	29,768	4.1	6.0	445,100	426,100	19,000
1995	870,000	17,698	164,341	29,875	5.5	5.6	443,500	419,500	24,000
1996	879,000	18,443	165,547	30,316	5.3	5.3	456,600	432,900	23,700
1997	N/A	19,047	164,592	30,920	5.0	5.0	465,200	442,600	22,600

N/A - Data not available

- NOTES: (1) Based on calendar year.
(2) Based on academic year - includes public schools (pre-K-12) and State-owned universities and colleges.
(3) Numbers include revisions made by U.S. Department of Commerce, Bureau of Economic Analysis for prior years shown.

- SOURCES: (a) U.S. Department of Commerce - Bureau of Economic Analysis
(b) Montana Office of Public Instruction - public schools
Montana Commissioner of Higher Education - universities and colleges
(c) Montana Department of Labor and Industry - Research Bureau

STATE OF MONTANA
EMPLOYMENT IN MONTANA INDUSTRIES (1)
(Thousands of Persons)
Last Ten Years

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Durable Goods	12.7	12.9	13.7	14.0	13.3	14.1	14.2	14.3	14.4	14.8
Non-Durable Goods	8.2	8.1	8.3	8.4	8.4	8.5	8.8	8.8	8.9	9.0
Mining	5.7	5.7	6.3	6.3	6.0	5.8	5.7	5.4	5.3	5.4
Contract Construction	8.8	8.6	9.7	10.4	11.2	13.4	13.7	15.2	16.2	17.0
Transportation	11.4	11.4	12.3	12.4	12.5	12.5	12.5	13.0	13.1	9.0
Communications/Utilities	8.1	8.2	7.7	7.7	7.8	7.6	7.8	7.8	7.7	11.7
Wholesale Trade	15.0	14.8	15.6	15.8	16.0	16.5	16.9	17.8	18.4	18.4
Retail Trade	57.6	57.9	62.0	62.6	65.1	68.8	70.3	75.0	77.9	79.3
Finance/Insurance/Real Estal	13.2	13.3	13.2	13.3	13.8	14.3	14.8	15.7	15.6	16.0
Medical/Health Services	23.1	23.1	24.7	26.0	26.4	27.7	28.8	30.7	31.2	32.1
Other Services	31.3	32.0	46.9	49.6	50.6	54.0	58.7	61.0	65.1	69.7
Federal Government	12.7	13.2	13.6	13.9	13.0	13.3	13.3	13.7	13.1	12.8
State Colleges/Universities	8.6	8.6	9.8	9.9	10.2	10.6	10.8	11.2	11.4	11.6
Other State Government	10.4	10.3	10.8	11.0	11.3	11.3	11.0	10.9	11.0	11.1
Local Education	22.8	22.8	22.7	22.7	23.2	24.4	25.3	25.6	26.3	26.1
Other Local Government	14.8	15.0	13.2	13.4	13.4	14.4	13.9	14.6	15.0	14.9
Total Non-Farm Wage/ Salary Jobs (2)	264.4	265.9	290.5	297.4	302.2	317.2	326.5	340.7	350.6	358.9

- SOURCES: (1) Montana Department of Labor and Industry - Research and Analysis Bureau
(2) Establishment Data - a count of jobs by where people work

**STATE OF MONTANA
MAJOR PRIVATE EMPLOYERS IN MONTANA *
(Listed Alphabetically)**

1. Benefis Healthcare (hospital services)
2. Billings Deaconess Medical Center and Clinic (hospital/other health services)
3. Buttrely Food & Drug Company (retail trade services)
4. K-Mart Corporation (retail trade services)
5. Montana Power Company (utility services, mining)
6. Plum Creek Timber and Manufacturing (wood products manufacturing)
7. Providence Services (hospital services)
8. Town Pump (retail trade services)
9. United Staffing (temporary help services)
10. Wal-Mart Stores Incorporated (retail trade services)

SOURCE: Montana Department of Labor and Industry

** The three largest Montana employers are public: Montana State Government (18,970 employees), Montana Local Government units (37,580 employees) and the U.S. Government (12,867 employees). Information based on 1996 data.*

**STATE OF MONTANA
(The Treasure State)
"Big Sky Country"
MISCELLANEOUS STATISTICS
June 30, 1997**

Date of Statehood (1)	November 8, 1889 - 41st state
Form of Government (2)	Legislative-Executive-Judicial
Land Area - 4th largest state (1)	145, 392 square miles
Population Density (based on 1996 population)	6 persons per square mile
Miles of Paved Public Roads (3)	17,299
Higher Education (4):	
State-Owned Universities and Colleges	6
Colleges of Technology	5
Recreation (5):	
Number of State Parks	41
Number of Managed Sites (camping/fishing)	353
National Parks (Glacier and Yellowstone)	2
State Employees (full-time equivalent) (6)	15,121

*SOURCES: (1) Official Montana 1994-95 Highway Map
(2) Montana Code Annotated
(3) Montana Department of Transportation
(4) Montana Commissioner of Higher Education
(5) Montana Department of Fish, Wildlife & Parks
(6) State of Montana Office of Budget and Program Planning*