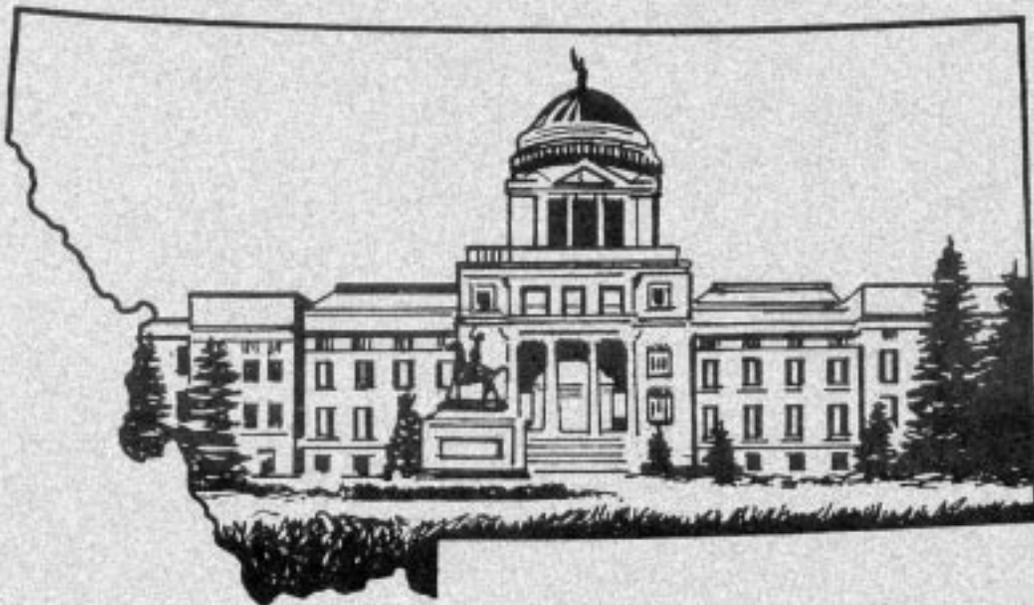


Montana



Comprehensive Annual Financial Report

June 30, 1998

Artwork courtesy of the Montana Publications and Graphics Division

**MONTANA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
for the fiscal year ended June 30, 1998**

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**STATE OF MONTANA
SELECTED STATE OFFICIALS**

EXECUTIVE

Marc Racicot

Governor

Judy Martz

Lieutenant Governor

JUDICIAL

J. A. Turnage

Chief Justice

LEGISLATIVE

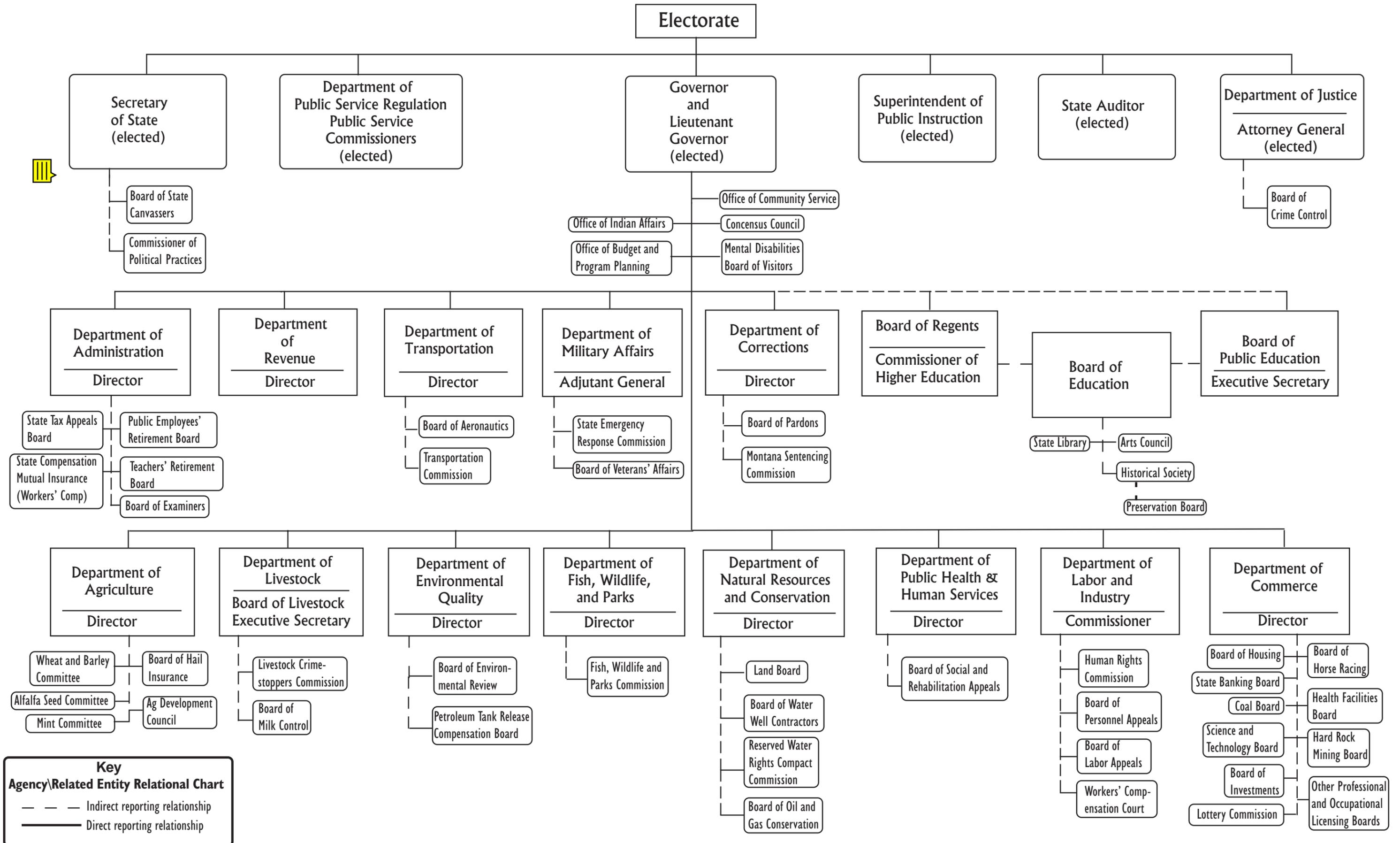
Gary Aklestad

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, 1998**



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**STATE OF MONTANA
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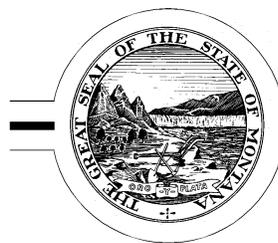
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DEPARTMENT OF ADMINISTRATION

DIRECTOR'S OFFICE



MARC RACICOT, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

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HELENA, MONTANA 59620-0101

November 5, 1998

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, 1998. 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), Public Employees' Retirement Division, 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's growth rate in the 1990s has steadily converged on its predicted long-term sustainable rate of 2 percent per year, and long-term forecasts project this growth to continue through the year 2010. Montana's non-farm labor income average annual growth rate declined 0.2 percent to 2.5 percent in 1997, down from 3.2 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 fast growth in high-tech industries and would eventually end.

Personal income increased by 4.2 percent in 1997 which is nearly twice the inflation rate of 2.3 percent. Montana's non-farm wage and salary jobs increased by 7,600 in 1997. The job market is expected to increase at a rate of 9,400 jobs per year between 1997 and 2006. Most job growth is projected to be in the services-producing segment of the Montana economy, which is comprised of industries that do not produce a physical or tangible product such as eating and drinking establishments, health services, business services, social services, public educational services, general merchandise stores and recreational services.

Although Montana's population continues to increase, the annual growth rate has begun a projected slow down. The 1997 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 1.5 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.

"AN EQUAL OPPORTUNITY EMPLOYER"

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 60 million of the state's 93 million acres are used for farming and ranching. Montana agriculture generates about \$2 billion in cash receipts. Total revenues have remained constant for approximately 40 years, but the mix of revenues has changed. Livestock prices rebounded dramatically in 1997 which may reflect a bottoming of the current cattle cycle. If so, Montana should see continued strength in cattle prices over the next few years. Wheat prices have been above average 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 five years, forcing Montana producers to replace the income lost from government payments with income from the market place.

Much of Montana's manufacturing industry is tied to the state's natural resources. The State's manufacturing sector produces more than \$5 billion in output annually and employs 30,000 workers earning \$870 million in annual labor income in 1997. The largest component, wood, paper and furniture products manufacturing, is based primarily on Montana's timber resource and contributes approximately 40 percent of the state's manufacturing labor income and 37 percent of employment. During the first half of 1997, record prices for lumber led to increased production and employment. However, in the second half of 1997, Japan and a number of other Asian countries experienced sharp declines in economic activity which contributed to reduced global demand, and the lumber prices fell 10 to 25 percent below June 1997 levels by the end of the year. In late 1997, three small to medium sawmills announced closures due to reduced timber availability and large swings in lumber prices. Overall, with growing global demand, the long-term market outlook for Montana's wood and paper products industry is positive. However, timber availability remains the major downside risk for the wood products industry.

The overall outlook for manufacturing is for stability. On the positive side, a number of new facilities came on line in 1997. A major addition in 1998, the Advanced Silicon plant in Silverbow County, will employ several hundred workers by the end of 1999.

Major Initiatives

In FY98 General Fund revenues rose \$22 million over projections due primarily to increased income tax revenues. Federal tax reform may be responsible for a portion of this increase as well as a tax paid through a profit sharing settlement agreement reached between the Columbia Falls aluminum plant and its employees. Current projections call for General Fund revenues to exceed FY99 estimates by \$16 million.

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. In FY98 school enrollments dropped slightly below projected levels with corresponding savings in state aid anticipated in FY99.

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 equipment taxes in the nation which was based on assessed value, 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. However, a lawsuit was filed in District Court which claimed the phase-in provision is unconstitutional. On July 26, 1998, the District Court in Lewistown ruled the provision is unconstitutional because it violates the due process and equal protection clauses of the Montana and United States Constitutions and the equalization clause of the Montana Constitution. The State of Montana anticipates appealing the decision to the Montana Supreme Court.

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. However, in FY98 previous expectations of correctional population growth are being revised downward.

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. In FY98 welfare (TANF and Medicaid) caseloads fell below levels originally anticipated which resulted in reversions of nearly \$4 million.

In March 1998 the Board of Examiners approved the sale of \$41.39 million in general obligation bonds 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, 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.

Technology Issues for the Year 2000

Every organization is faced with a potential problem on January 1, 2000, when the calendars on computer hardware and software change from the year 1999 to the year 2000 and on certain other dates (for example, but not limited to, leap year and 9/9/99) (the "Y2K Problem"). The Y2K Problem occurs when computer hardware and software that use two-digit years misinterpret the year 2000 to be "00", zero, 1900 or some other erroneous date. The actions that will be initiated by computer hardware and software which are programmed in this manner are uncertain.

The Department of Administration is coordinating the State of Montana's response to the Y2K Computer Problem. The State's approach to the Y2K Problem has been to establish the Year 2000 Compliance Project. This project involves resources from all areas of Information Services Division (ISD), working together with IT personnel from many other agencies to complete this project before the year 2000 deadline. Agencies are responsible for making their own computer systems Y2K compliant. They report progress to ISD via a special web site.

Currently the State of Montana has over 700 systems and 250 million lines of code affected by the Y2K Problem. In October of 1996, a Y2K coordinator was appointed to manage the Year 2000 Compliance Project. Of the 212 high priority systems run by the State of Montana, 85 are Year 2000 compliant as of September 30, 1998, and 120 systems are projected to be compliant by December 1998. The remaining high priority systems are expected to be Year 2000 compliant by October 1999. Currently, 38 percent of all the State of Montana's systems are Year 2000 compliant.

While institutions are generally aware of the Y2K Problem and are working to address and prevent such problems, no assurances can be made that all such problems will be successfully resolved and that the Y2K Problem will not affect the State of Montana or any other entity.

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 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 7.5 percent from fiscal year 1997 to fiscal year 1998. Revenues from various sources for fiscal year 1998, 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>1998 Percent of Total</u>	<u>Increase (Decrease) from 1997</u>	<u>Percent Increase (Decrease)</u>
Licenses/Permits	\$ 116,706	5.0%	\$ 3,945	3.5%
Taxes	1,120,908	48.0	79,067	7.6
Charges for Services/Etc.	128,298	5.5	34,669	37.0
Investment Earnings	33,370	1.4	4,629	16.1

Securities Lending Income	6,737	0.2	(1,609)	(19.3)
Sale of Documents/Etc.	8,211	0.3	2,383	40.9
Rentals/Leases/Royalties	210	-	(2)	(.9)
Contributions/Premiums	4,414	0.2	203	4.8
Grants/Contracts/Donations	10,813	0.5	3,054	39.4
Federal	903,877	38.7	50,826	6.0
Federal Indirect Cost Recoveries	1,916	0.1	(21)	(1.1)
Other Revenues	<u>1,491</u>	<u>0.1</u>	<u>519</u>	53.4
Total Revenues	<u>\$2,336,951</u>	<u>100.0</u>	<u>\$ 177,663</u>	

An explanation of significant changes by revenue source follows:

Licenses/Permits - The increase in revenue was primarily due to a \$3.9 million increase in diesel fuel license tax collections.

Taxes - The increase in revenues was primarily due to 1) a \$37.9 million increase in individual income tax receipts; 2) a \$6.7 million increase in corporate income tax collections; 3) a \$26 million increase in video gaming taxes, \$1.1 of which is an actual increase in revenues and the remainder is because the portion of video gaming taxes which will be distributed to the cities and towns in which licensed video gaming machines are located is now recorded in a state special revenue fund instead of an expendable trust fund; and 4) a \$3.7 million increase in Oil Production Tax, \$6.7 million increase in Natural Gas Production Tax and a \$1.4 million decrease in Coal Production Tax.

Charges for Services/Fines/Forfeits/Settlements - The increase in revenue was primarily due to the first time recording of \$19.2 million in federal re-insurance revenue for the Montana Guaranteed Student Loan Program and a \$15 million settlement from the Atlantic Richfield Company.

Investment Earnings - The increase in revenues was due to higher interest earnings, both in long term interest earnings and short term investment pool earnings. Of the total increase of \$4.629 million, \$3.095 million was in the General Fund.

Sale of Documents/Mdse./Property - The increase in revenue was primarily due to an increase 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 increase in revenue was primarily due to a \$2.6 million increase in fees collected by the Department of Environmental Quality for an environmental impact study and a \$.4 million increase in Montana Job Training Partnership grant funds.

Federal - The increase in revenue was primarily due to 1) a \$16.3 million increase in highway trust fund money distributed to the State; 2) a \$3 million increase in U. S. mineral leasing royalties received by the State; 3) a \$1 million increase in Community Development Block Grant funds; 4) a \$2 million increase in Job Training Partnership Act funds; 5) a \$3.8 million increase in Education for Economic Security Act funds; 6) a \$6 million increase in Child Care Matching Grant funds; 7) a \$2.6 million increase in HUD Low Income Housing Assistance; 8) a \$2.1 million increase in Unemployment Insurance Reimbursement Grant Funds and 9) a \$18.5 million increase in Medical Assistance Program funds offset by a \$2.6 million decrease in Food Stamp Benefits and a \$2.9 million decrease in Child Care Development Block Grant funds.

Total expenditures for all general governmental functions increased 7.6 percent from fiscal year 1997 to fiscal year 1998. Expenditures by function for fiscal year 1998, 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)	1998 Percent of Total	Increase (Decrease) from 1997	Percent Increase (Decrease)
General Government	\$ 125,612	5.3%	\$ 43,966	53.8 %
Public Safety/Corrections	177,320	7.5	49,073	38.3
Transportation	332,626	14.1	7,444	2.3
Health/Social Services	811,041	34.3	22,612	2.9
Education/Cultural	594,972	25.2	39,362	7.1
Resource Development/Recreation	90,229	3.8	(2,743)	(3.0)
Economic Development/Assistance	110,439	4.7	4,687	4.4
Securities Lending	6,542	.3	(1,345)	(17.1)
Debt Service	43,882	1.9	4,845	12.4
Capital Outlay	68,714	2.9	(1,468)	(2.1)
Total Expenditures	<u>\$2,361,377</u>	<u>100.0</u>	<u>\$ 166,433</u>	

An explanation of significant changes by expenditure function follows:

General Government - The expenditure increase was primarily due to a change in fund type from agency fund to special revenue fund for oil and gas expenditures and corporation tax expenditures in the Department of Revenue.

Also, the Forest Reserve expenditures were moved from an agency fund to a special revenue fund in FY98. In addition, approximately \$11 million was spent on information technology systems for Department of Revenue and Department of Administration.

Public Safety/Corrections - The expenditure increase was primarily due to 1) a \$12.2 million increase in Department of Corrections to pay for expanded juvenile programs and services, increased facilities for adult male inmates and new probation and parole officers; 2) a change in fund type from expendable trust fund to special revenue fund to record \$23.8 million to distribute video gaming tax ; and 3) increases in crime control program grants and Department of Justice general operations.

Transportation - Expenditure increases were primarily due to an increase in general operating costs of the Montana Department of Transportation.

Health/Social Services - The expenditure increase was primarily due to increases in Medicaid benefits paid to welfare recipients offset by a decrease in Petroleum Tank Cleanup funds as well as a decrease in Remediation funds paid by Department of Environmental Quality.

Education - The expenditure increase was primarily due to increases in distributions to public schools as a result of increased enrollment as well as a \$12.5 million one time general fund appropriation for school technology needs, the first time recording of \$19.2 million in federal re-insurance expenditures for the Montana Guaranteed Student Loan Program and small increases in student assistance payments and Carl Perkins program costs.

Resource Development/Recreation - The expenditure decrease was due to less funds spent on forest fires by Department of Natural Resources and Conservation offset by an increase in general operations spending by Fish, Wildlife and Parks.

Economic Development/Assistance - The expenditure increase was primarily for grants in the Community Development Bureau of Department of Commerce.

Debt Service - The expenditure increase was primarily due to 1) increased interest cost of \$2.3 million from issuance of \$110.7 million in Tax and Revenue Anticipation Notes in FY98; 2) increased debt service costs due to payment of debt service on General Obligation bonds issued in FY98 and 3) 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.

General Fund Balance

The unreserved undesignated fund balance of the General Fund increased from \$30.315 million at June 30, 1997, to \$44.309 million at June 30, 1998. This represents an increase of \$13.994 million, or 46.16 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 Warehouse 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 1998:

State Liquor Warehouse - 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 1998, \$17.911 million was transferred to the General Fund, compared to \$15.169 million in fiscal year 1997.

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 1998 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 continues to improve.

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 (Aa3) 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 \$96.62 million at June 30, 1997, to \$187.005 million at June 30, 1998.

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 1997 Assessed Value</u>	<u>State Debt Per Capita*</u>
General Obligation Debt	\$187.005	0.46%	\$212.75

* Based on 1997 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 \$384.3 million, an increase of 4.3 percent from the \$368.6 million earned last year. The book value of Board-managed investments increased by \$4 million or less than 1.0 percent to \$5.31 billion at fiscal year-end 1998. 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, will issue \$68.6 million in Tax and Revenue Anticipation Notes in October 1998. These notes will be redeemed by the State in June 1999.

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.

At June 30, 1998, liabilities for the State Fund - Old exceeded assets by \$70.6 million. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, decreased to \$194.4 million. This represents a decrease of \$11.3 million in estimated claims liability from fiscal year 1997. The percentage of this liability belonging to the state as a participant is unknown. For the State Fund - New, assets exceeded liabilities by \$142.2 million at June 30, 1998. The actuarially determined liability for unpaid claims, including those which were incurred but not reported, was \$310,687,327 presented at face value. In prior years, the unpaid claims and claim adjustments on indemnity losses were stated at their net present value in the financial statements.

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, 1998, the plan reported retained earnings of \$28.53 million, an increase of \$3.10 million over June 30, 1997.

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, 1998, the plan reported retained earnings of \$0.32 million, a decrease of \$.18 million over June 30, 1997.

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, 1991 through June 30, 1998, a liability of \$13.8 million, discounted at 11 percent, is recorded in the accompanying financial statements for estimated claims including those incurred but not reported. This represents an increase of \$1 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 1998.

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, 1997. This was the eleventh 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

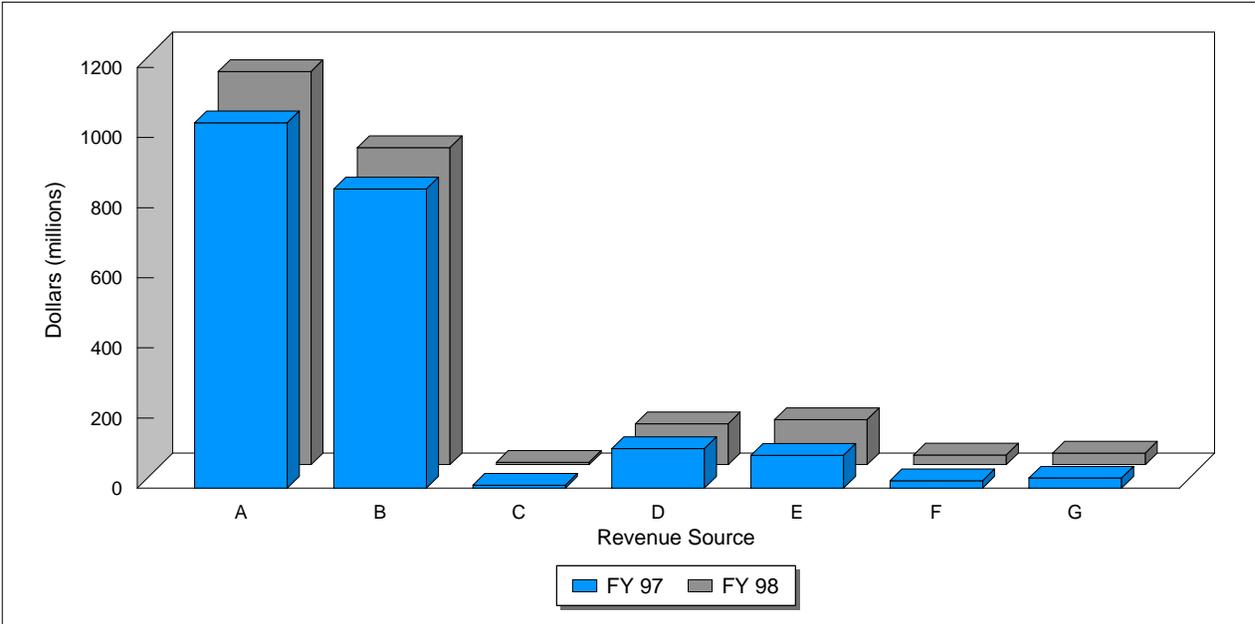
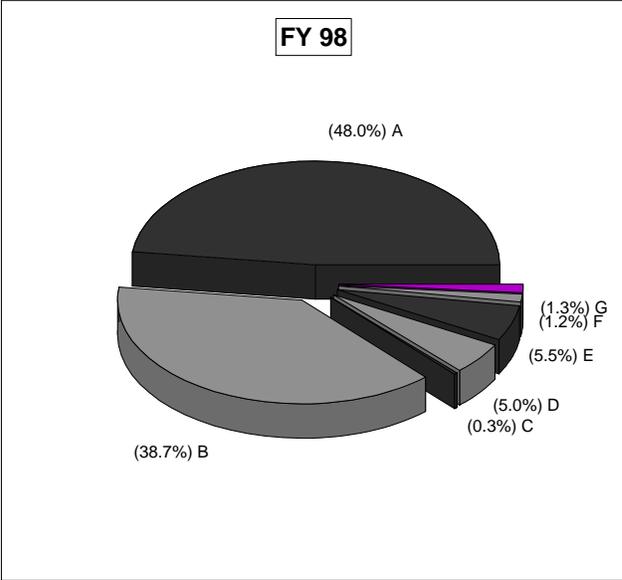
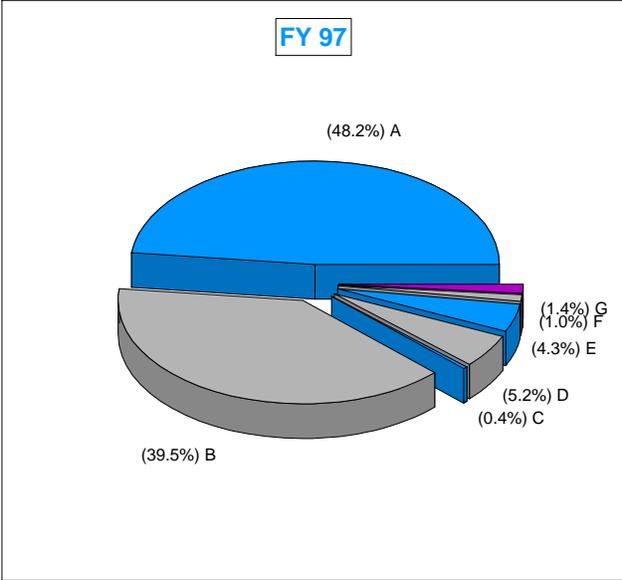
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire staff of the Accounting Bureau and the cooperation of accounting personnel at the individual State agencies. I would like to express my appreciation to Accounting Bureau 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

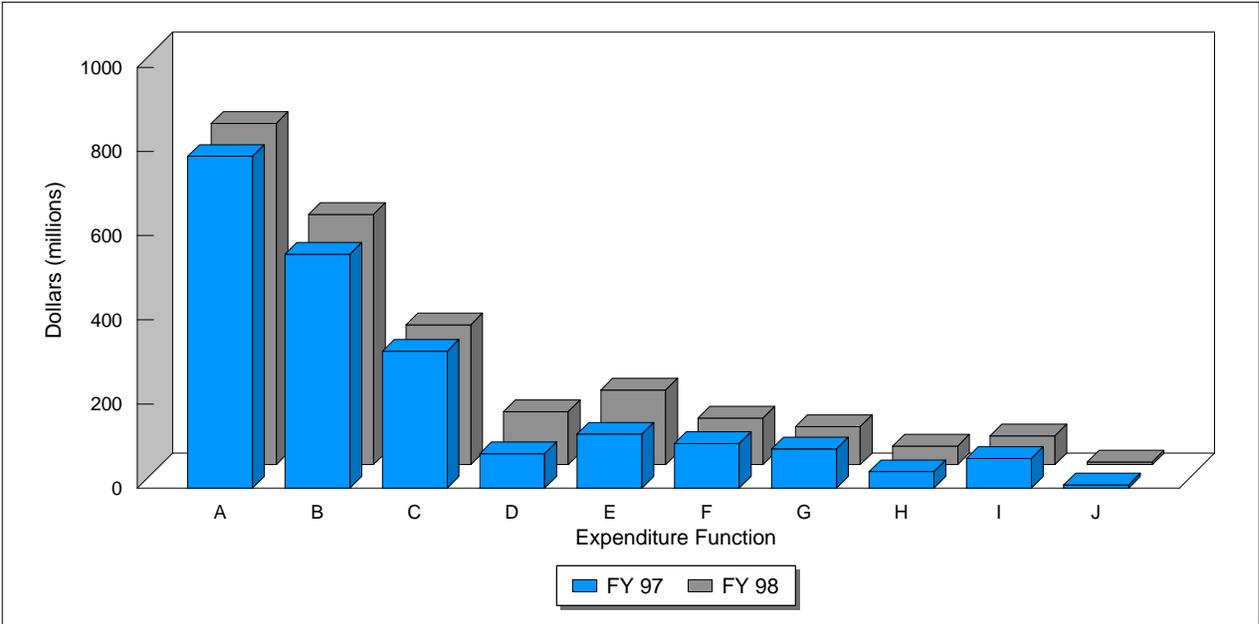
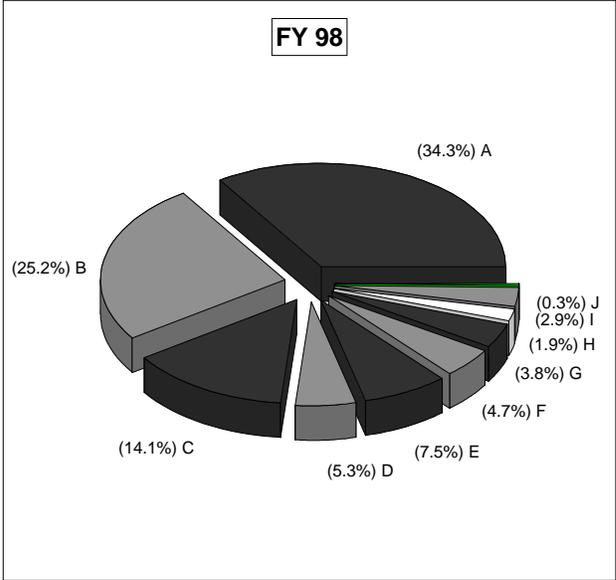
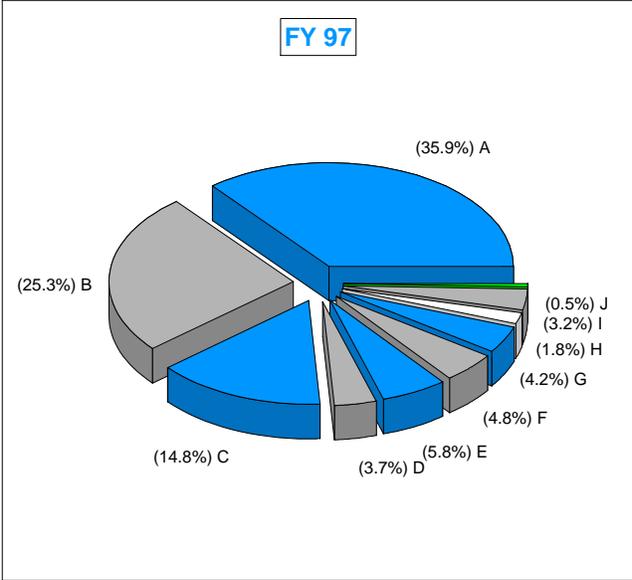
State of Montana Revenues by Source All Governmental Fund Types



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, 1997

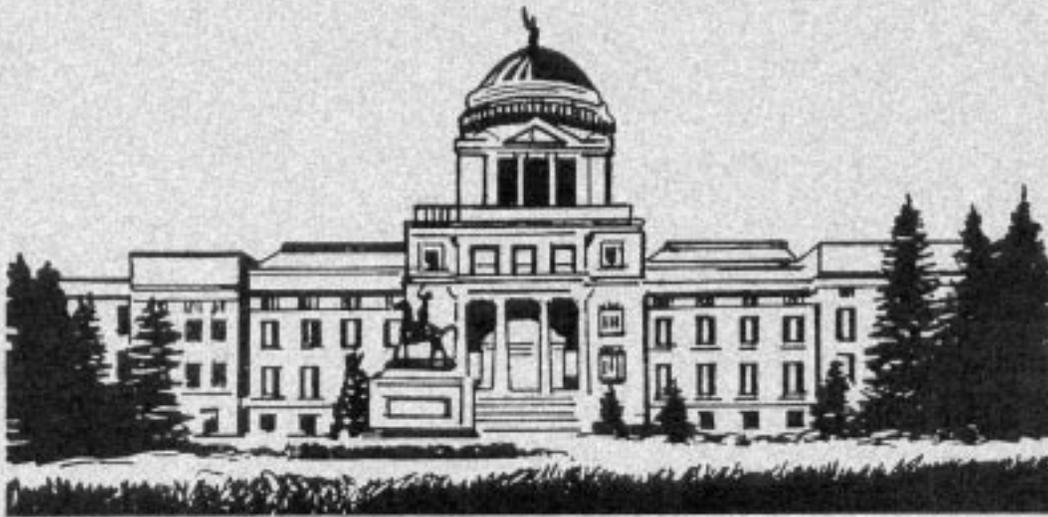
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Douglas R. Ellsworth
President

Jeffrey L. Essler
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.

Artwork courtesy of the Montana Publications and Graphics Division



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 Units - Pension Trust Funds, and Combining Balance Sheet - Component Units - All Higher Education Funds of the state of Montana as of June 30, 1998, 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, Statement of Changes in Plan Net Assets - Investment Trust Fund, Combining Statement of Changes in Plan Net Assets - Component Units - Pension Trust Funds, 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 5.46 percent, liabilities of 7.15 percent, and total operating revenues and expenses/transfers-out of 29.37 and 30.25 percent, respectively, in the Enterprise Fund. This financial activity was audited by other auditors whose report thereon has 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 report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, 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, 1998, 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 component unit pension trust funds and investment trust fund, 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 our report dated November 5, 1998, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report 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

November 5, 1998

STATE OF MONTANA
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Units
 June 30, 1998
 (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)	\$ 61,804	\$ 223,831	\$ 34,958	\$ 88,231	\$ 19,594	\$ 17,665
Receivables (Net of Uncollectibles)	76,143	57,662	1,352	1,022	18,409	975
Interfund Loans Receivable (Note 13)	24,981	35,485	-	-	-	176
Due from Other Governments	6,329	121,835	-	-	-	18
Due from Primary Government (Note 13)	-	-	-	-	-	-
Due from Component Units (Note 13)	6,949	644	-	-	92	693
Due from Other Funds (Note 13)	75,722	35,416	304	918	328	4,147
Inventories	2,040	49,505	-	-	5,481	881
Equity in Pooled Investments (Note 4)	-	10,064	-	-	-	-
Long-Term Loans/Notes Receivable	9	44,486	37,052	-	50,765	-
Advances to Other Funds (Note 13)	9,931	263	-	-	-	-
Investments (Note 4)	-	42,275	2,769	-	15,295	38,595
Securities Lending Collateral (Note 4)	-	10,255	2,228	4,886	1,470	11,284
Land	-	-	-	-	800	236
Buildings/Improvements	-	-	-	-	5,390	-
Equipment	-	-	-	-	2,629	123,688
Other Fixed Assets	-	-	-	-	1,385	-
Construction in Progress	-	-	-	-	29	2,662
Accumulated Depreciation	-	-	-	-	(5,263)	(70,417)
Intangible Assets	-	-	-	-	52	14
Deferred Charges	-	-	-	-	1,199	-
Other Assets	5,265	2,078	-	5	1,992	188
Other Debits:						
Amount Available - Debt Service Funds	-	-	-	-	-	-
Resources to be Provided in Future Years	-	-	-	-	-	-
TOTAL ASSETS/OTHER DEBITS	\$ 269,173	\$ 633,799	\$ 78,663	\$ 95,062	\$ 119,647	\$ 130,805

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 FUNDS	HIGHER EDUCATION FUNDS	
\$ 800,250	\$ -	\$ -	\$ 30,250	\$ 98,717	\$ 150,896	
86,164	-	-	26,810	31,513	43,471	
-	-	-	-	-	4,250	
1	-	-	-	-	4,537	
-	-	-	477	7,349	1,420	
499	-	-	-	-	-	
11,341	-	-	1,668	7,113	19,728	
-	-	-	42	-	3,967	
1,021,937	-	-	-	4,417,719	3,498	
2,753	-	-	437,252	639	262	
30	-	-	-	-	530	
235,903	-	-	713,663	359,350	3,916	
184,795	-	-	99,083	324,081	3,472	
49,398	63,012	-	-	60	13,541	
-	316,328	-	-	435	439,667	
-	62,307	-	2,317	152	92,357	
-	49,680	-	-	-	83,013	
-	23,362	-	-	-	66,019	
-	-	-	(1,329)	(338)	-	
-	-	-	7,035	161	3,341	
-	-	-	5,867	-	2,282	
20,130	-	-	428	-	6,201	
-	-	36,421	-	-	-	
-	-	387,126	-	-	-	
<u>\$ 2,413,201</u>	<u>\$ 514,689</u>	<u>\$ 423,547</u>	<u>\$ 1,323,563</u>	<u>\$ 5,246,951</u>	<u>\$ 946,368</u>	

(Continued on Next Page)

STATE OF MONTANA
 Combined Balance Sheet - Continued
 All Fund Types, Account Groups and Discretely Presented Component Units
 June 30, 1998
 (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	\$ 91,097	\$ 141,199	\$ 260	\$ 6,218	\$ 4,191	\$ 4,695
Lottery Prizes Payable	-	-	-	-	3,202	-
Interfund Loans Payable (Note 13)	-	58,729	-	-	75	1,315
Advances from Other Funds (Note 13)	-	10,204	-	-	-	-
Due to Other Governments	30,654	7,357	-	-	13	3
Due to Primary Government (Note 13)	-	-	-	-	-	-
Due to Component Units (Note 13)	5,859	1,122	-	30	3	12
Due to Other Funds (Note 13)	23,321	22,236	2,702	467	9,001	1,211
Deferred Revenue	28,382	48,301	-	-	3,398	171
Lease/Installment Purchase Payable (Note 11)	-	-	-	-	1	2,903
Bonds/Notes Payable (Net) (Note 12)	-	-	-	-	63,551	5,432
Property Held in Trust	1,127	2,047	-	-	281	111
Securities Lending Liability (Note 4)	-	10,255	2,228	4,886	1,470	11,284
Compensated Absences Payable (Note 1)	-	-	-	-	719	3,005
Estimated Insurance Claims (Note 9)	-	-	-	-	1,492	22,214
Early Retirement Benefits Payable (Note 12)	-	-	-	-	-	-
Arbitrage Rebate Tax Payable	-	-	-	-	568	-
Other Liabilities	1	13	-	-	-	-
Total Liabilities	180,441	301,463	5,190	11,601	87,965	52,356
Equity/Other Credits:						
Investment in General Fixed/Plant Assets	-	-	-	-	-	-
Contributed Capital (Note 17)	-	-	-	-	4,420	7,218
Retained Earnings:						
Reserved for Debt Service	-	-	-	-	-	-
Reserved for Statutory Commitment	-	-	-	-	-	-
Unreserved	-	-	-	-	27,262	71,231
Fund Balances:						
Reserved for Encumbrances	3,462	36,650	-	331	-	-
Reserved for Inventories	2,040	24,219	-	-	-	-
Reserved for Long-Term Loans	9	44,486	37,052	-	-	-
Reserved for Long-Term Advances (Note 13)	9,931	263	-	-	-	-
Reserved for Debt Service	-	-	8,494	-	-	-
Reserved for Trusts/Endowments (Note 15)	-	18,782	-	-	-	-
Reserved for Construction	-	-	-	-	-	-
Reserved for Pool Participants	-	-	-	-	-	-
Reserved for Employee Pension Benefits	-	-	-	-	-	-
Unreserved, Designated	28,981	7,645	27,927	-	-	-
Unreserved, Undesignated	44,309	200,291	-	83,130	-	-
Total Equity/Other Credits	88,732	332,336	73,473	83,461	31,682	78,449
TOTAL LIABILITIES/EQUITY/OTHER CREDITS	\$ 269,173	\$ 633,799	\$ 78,663	\$ 95,062	\$ 119,647	\$ 130,805

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	HIGHER EDUCATION FUNDS
\$ 20,396	\$	-	\$ -	\$ 6,136	\$ 6,057	\$ 28,840
-		-	-	-	-	-
523		-	-	-	-	4,250
20		-	-	-	-	530
2,124		-	-	-	56	668
-		-	-	840	6,590	1,447
2,220		-	-	-	-	-
76,472		-	-	1,554	1,424	18,297
33		-	-	15,670	67	11,834
-		-	2,178	-	-	975
-		-	372,050	523,413	-	223,763
231,242		-	-	463	-	5,182
184,795		-	-	99,083	324,081	3,472
-		-	48,776	833	162	30,598
-		-	-	505,088	-	-
-		-	388	-	-	59
-		-	155	252	-	-
3,274		-	-	-	-	-
521,099		-	423,547	1,153,332	338,437	329,915
-		514,689	-	-	-	535,255
-		-	-	154,468	-	-
-		-	-	96,978	-	-
-		-	-	10,000	-	-
-		-	-	(91,215)	-	-
18		-	-	-	-	593
-		-	-	-	-	-
2,731		-	-	-	-	-
-		-	-	-	-	-
-		-	-	-	-	1,655
1,278,075		-	-	-	-	33,927
-		-	-	-	-	16,691
431,124		-	-	-	-	-
-		-	-	-	4,908,514	-
-		-	-	-	-	-
180,154		-	-	-	-	28,332
1,892,102		514,689	-	170,231	4,908,514	616,453
\$ 2,413,201	\$	514,689	\$ 423,547	\$ 1,323,563	\$ 5,246,951	\$ 946,368

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, 1998
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	FUND TYPE EXPENDABLE TRUST
REVENUES:					
Licenses/Permits	\$ 28,625	\$ 88,081	\$ -	-	\$ -
Taxes:					
Natural Resource	19,281	30,684	783	4,132	-
Individual Income	444,161	-	-	-	-
Corporate Income	69,725	8,204	-	-	-
Property	201,549	7,526	-	-	-
Fuel	-	176,204	-	-	-
Payroll	688	-	-	-	-
Other (Note 1)	90,686	65,214	-	2,071	-
Charges for Services/Fines/Forfeits/Settlements	20,763	105,759	1,484	292	185
Investment Earnings	18,071	8,735	5,268	1,296	18,917
Securities Lending Income	5,979	513	176	69	904
Sale of Documents/Mdse./Property	241	5,466	2,504	-	-
Rentals/Leases/Royalties	70	140	-	-	-
Contributions/Premiums	-	4,414	-	-	69,044
Grants/Contracts/Donations	1,199	9,614	-	-	754
Federal	23,271	880,483	123	-	3,938
Federal Indirect Cost Recoveries	86	1,830	-	-	-
Other Revenues	259	1,153	-	79	-
Total Revenues	924,654	1,394,020	10,338	7,939	93,742
Intrafund Revenues	(87)	(3,796)	-	-	-
Net Revenues	924,567	1,390,224	10,338	7,939	93,742
EXPENDITURES:					
Current:					
General Government	60,782	52,884	-	11,946	7,125
Public Safety/Corrections	96,053	80,823	-	444	-
Transportation	431	332,195	-	-	10
Health/Social Services	223,165	587,876	-	-	-
Education/Cultural	496,113	98,859	-	-	158
Resource Development/Recreation	14,288	75,908	-	33	535
Economic Development/Assistance	14,872	95,335	-	232	59,078
Debt Service:					
Principal Retirement	920	1,049	23,429	-	20
Interest/Fiscal Charges	4,180	1,172	13,097	35	8
Capital Outlay	3,558	15,877	-	49,279	53
Securities Lending	5,802	500	173	67	883
Total Expenditures	920,164	1,342,478	36,699	62,036	67,870
Intrafund Expenditures	(87)	(3,796)	-	-	-
Net Expenditures	920,077	1,338,682	36,699	62,036	67,870
Excess of Rev. Over (Under) Expend.	4,490	51,542	(26,361)	(54,097)	25,872
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	6,767	-	2,029	-
Bond Proceeds	522	17,463	1,326	98,197	-
Refunded Bond Proceeds	-	-	14,855	-	-
Refunded Bond Escrow Payments	-	-	(14,855)	-	-
Inception of Lease/Installment Contract	898	704	-	-	-
General Fixed Asset Sale Proceeds	168	84	-	-	-
Operating Transfers In (Note 13)	126,773	33,418	30,103	19,090	-
Transfers from Component Units (Note 13)	10,000	-	-	-	-
Operating Transfers Out (Note 13)	(5,133)	(51,371)	(3,053)	(3,125)	(388)
Operating Transfers to Component Units (Note 13)	(101,789)	(14,030)	-	-	-
Total Other Financing Sources (Uses)	31,439	(6,965)	28,376	116,191	(388)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	35,929	44,577	2,015	62,094	25,484
FUND BALANCES - JULY 1 - as Previously Reported	41,749	291,323	66,840	22,227	127,026
Prior Period Adjustments (Note 3)	10,185	8,676	3,771	-	153,115
FUND BALANCES - July 1 - As Restated	51,934	299,999	70,611	22,227	280,141
Increase (Decrease) in Inventories	249	850	-	-	-
Residual Equity Transfers (Note 13)	620	(13,090)	847	(860)	15,340
FUND BALANCES - JUNE 30	\$ 88,732	\$ 332,336	\$ 73,473	\$ 83,461	\$ 320,965

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, 1998
(Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:						
Licenses/Permits	\$ 29,694	\$ 28,625	\$ (1,069)	\$ 86,766	\$ 88,081	\$ 1,315
Taxes:						
Natural Resource	23,563	19,281	(4,282)	38,749	30,684	(8,065)
Individual Income	423,685	444,161	20,476	-	-	-
Corporate Income	70,402	69,725	(677)	10,000	8,204	(1,796)
Property	233,397	201,549	(31,848)	7,361	7,526	165
Fuel	-	-	-	180,971	176,204	(4,767)
Payroll	695	688	(7)	-	-	-
Other	91,631	90,686	(945)	59,061	65,214	6,153
Charges for Services/Fines/Forfeits	21,141	20,763	(378)	57,256	105,759	48,503
Investment Earnings	14,667	18,071	3,404	6,093	8,735	2,642
Sale of Documents/Merchandise/Property	192	241	49	4,844	5,466	622
Rentals/Leases/Royalties	94	70	(24)	120	140	20
Contributions/Premiums	-	-	-	8,824	4,414	(4,410)
Grants/Contracts/Donations	1,086	1,199	113	10,711	9,614	(1,097)
Federal	21,015	23,271	2,256	929,120	880,483	(48,637)
Federal Indirect Cost Recoveries	60	86	26	1,723	1,830	107
Other Revenues	162	259	97	956	1,153	197
Total Revenues	931,484	918,675	(12,809)	1,402,555	1,393,507	(9,048)
EXPENDITURES:						
Current:						
General Government	63,680	61,294	2,386	84,134	53,641	30,493
Public Safety/Corrections	97,552	96,215	1,337	129,888	82,281	47,607
Transportation	378	430	(52)	364,990	337,860	27,130
Health/Social Services	225,853	221,181	4,672	578,693	523,203	55,490
Education/Cultural	545,243	496,157	49,086	156,064	99,658	56,406
Resource Development/Recreation	14,968	14,660	308	120,547	73,202	47,345
Economic Development/Assistance	15,399	14,907	492	122,104	92,153	29,951
Debt Service:						
Principal Retirement	900	900	-	1,018	1,018	-
Interest/Fiscal Charges	4,194	4,194	-	1,104	1,096	8
Capital Outlay	3,980	3,243	737	26,511	14,066	12,445
Total Expenditures	972,147	913,181	58,966	1,585,053	1,278,178	306,875
Excess of Rev. Over (Under) Expend.	(40,663)	5,494	46,157	(182,498)	115,329	297,827
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	-	-	-	9,643	6,767	(2,876)
Bond Proceeds	-	522	522	16,290	17,463	1,173
General Fixed Asset Sale Proceeds	100	168	68	55	84	29
Operating Transfers In	94,392	115,054	20,662	24,071	27,182	3,111
Transfers from Component Units	10,000	10,000	-	-	-	-
Operating Transfers Out	(7,116)	(5,146)	1,970	(53,919)	(32,740)	21,179
Transfers to Component Units	(101,789)	(101,789)	-	(14,030)	(14,030)	-
Total Other Financing Sources (Uses)	(4,413)	18,809	23,222	(17,890)	4,726	22,616
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(45,076)	24,303	69,379	(200,388)	120,055	320,443
RECONCILIATION OF BUDGETARY/GAAP REPORTING:						
1. Adjust expenditures for encumbrances	-	(7,659)	(7,659)	-	(18,311)	(18,311)
2. Adjustments for appropriated loans/other nonbudgeted activity	-	19,108	19,108	-	(57,180)	(57,180)
3. Intrafund elimination - Transfers In	-	(87)	(87)	-	(3,796)	(3,796)
4. Intrafund elimination - Transfers Out	-	87	87	-	3,796	3,796
5. Securities Lending Income	-	5,979	5,979	-	513	513
6. Securities Lending Costs	-	(5,802)	(5,802)	-	(500)	(500)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(45,076)	35,929	81,005	(200,388)	44,577	244,965
UNRESERVED FUND BALANCES - JULY 1						
Residual Equity Transfers (Note 13)	30,145	30,315	170	172,800	176,724	3,924
Prior Period Adjustments (Note 3)	5,494	620	(4,874)	(2,371)	(13,090)	(10,719)
Decrease (Increase):						
Encumbrances Reserve	-	(1,149)	(1,149)	-	584	584
Advances to Other Funds Reserve	-	(2,601)	(2,601)	-	-	-
Long-Term Loans Reserve	-	(9)	(9)	-	(5,552)	(5,552)
Trusts/Endowments Reserve (Note 15)	-	-	-	-	(3,983)	(3,983)
UNRESERVED FUND BALANCES - JUNE 30	\$ (9,437)	\$ 73,290	\$ 82,727	\$ (29,959)	\$ 207,936	\$ 237,895

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

STATE OF MONTANA
Statement of Changes in Plan Net Assets
Investment Trust Fund
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	<u>STIP TRUST</u>
ADDITIONS:	
Contributions	\$ 714,885
Investment Earnings	19,596
Securities Lending Income	917
Total Additions	<u>735,398</u>
DEDUCTIONS:	
Local Government Stip Distributions	624,474
Securities Lending Expense	894
Total Deductions	<u>625,368</u>
Net Increase (Decrease)	<u>110,030</u>
Net Assets Held in Trust for Pool Participants - July 1 - As Previously Reported	-
Prior Period Adjustments (Note 3)	321,094
Net Assets Held in Trust for Pool Participants - July 1 - As Restated	<u>321,094</u>
Net Assets Held in Trust for Pool Participants - June 30	<u>\$ 431,124</u>

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, 1998
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	COMPONENT UNITS
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PROPRIETARY FUND TYPES
OPERATING REVENUES:				
Charges for Services	\$ 76,171	\$ 69,189	\$ 6,143	434
Investment Earnings	1,541	3,297	122,544	60,212
Securities Lending Income	205	1,099	7,843	5,379
Financing Income	2,915	-	-	31,917
Contributions/Premiums	6,639	75,752	-	76,348
Grants/Contracts/Donations	-	-	1	-
Taxes	10,590	-	18,679	51,963
Rentals/Leases/Royalties	-	-	22,605	-
Other Operating Revenues	4,496	880	13	61
Total Operating Revenues	102,557	150,217	177,828	226,314
Intrafund Revenues	-	(258)	-	-
Net Operating Revenues	102,557	149,959	177,828	226,314
OPERATING EXPENSES:				
Personal Services	6,357	22,869	-	9,206
Contractual Services	5,980	10,874	-	5,498
Supplies/Materials	32,589	14,812	-	379
Benefits/Claims (Note 3)	7,008	69,920	-	57,985
Depreciation	382	8,269	-	234
Amortization	8	22	-	235
Utilities/Rent	441	5,331	-	188
Communications	1,021	10,246	-	518
Travel	173	417	1	153
Repair/Maintenance	355	5,255	-	234
Grants	-	-	10	-
Lottery Prize Payments	15,239	-	-	-
Interest Expense	2,800	350	-	34,009
Securities Lending Expense	200	1,072	7,663	5,246
Arbitrage Rebate Tax	153	-	-	93
Other Operating Expenses	2,126	1,716	5	1,604
Total Operating Expenses	74,832	151,153	7,679	115,582
Intrafund Expenses	-	(258)	-	-
Net Operating Expenses	74,832	150,895	7,679	115,582
Operating Income (Loss)	27,725	(936)	170,149	110,732
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) Sale of Fixed Assets	(237)	267	-	(39)
Increase (Decrease) Value of Livestock	(201)	-	-	-
Federal Indirect Cost Recoveries	-	2,374	-	-
Total Nonoperating Revenues (Expenses)	(438)	2,641	-	(39)
Income (Loss) Before Operating Transfers	27,287	1,705	170,149	110,693
Operating Transfers In (Note 13)	70	433	24	1
Operating Transfers Out (Note 13)	(24,524)	(647)	(122,794)	(1)
Operating Transfers to Primary Government (Note 13)	-	-	-	(10,000)
Operating Transfers to Component Units (Note 13)	-	-	(1,977)	-
Net Income (Loss)	2,833	1,491	45,402	100,693
RETAINED EARNINGS/FUND BALANCES - July 1				
As Previously Reported	27,494	75,078	1,083,276	(23,894)
Prior Period Adjustments (Note 3)	(65)	(5,338)	11,335	2,764
RETAINED EARNINGS/FUND BALANCES - July 1				
As Restated	27,429	69,740	1,094,611	(21,130)
Residual Equity Transfers (Note 13)	(3,000)	-	-	(63,800)
RETAINED EARNINGS/FUND BALANCES - JUNE 30	\$ 27,262	\$ 71,231	\$ 1,140,013	\$ 15,763

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, 1998
(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	\$ 83,367	\$ 144,271	\$ 6,054	\$ 77,685
Collections of Principal and Interest on Loans	-	-	-	89,666
Cash Payments for Loans	-	-	-	(81,860)
Payments to Suppliers for Goods and Services	(45,421)	(47,604)	-	(7,818)
Payments to Employees	(6,660)	(23,485)	-	(9,385)
Grant Receipts	-	2,446	-	-
Grant Payments	-	-	(15)	-
Cash Payments for Claims	(7,174)	(69,670)	-	(73,665)
Collections of Notes Receivable	-	-	-	32
Collections of Payroll Taxes	-	-	-	51,848
Cash Payments for Prizes	(15,004)	-	-	-
Scholarship/Fellowship Payments	-	-	(5)	-
Other Operating Revenues	3,089	715	13	50
Net Cash Provided by (Used for) Operating Activities	12,197	6,673	6,047	46,553
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes	(6,595)	(942)	-	(78,834)
Proceeds from Issuance of Bonds and Notes	19,622	3,848	-	51,371
Payment of Bond Issuance Costs	(263)	-	-	(687)
Collection of Taxes	10,590	-	19,640	-
Transfers to Primary Government	-	-	-	(10,000)
Transfers to Other Funds	(21,631)	(598)	(85,830)	-
Transfers to Component Units	-	-	(1,977)	-
Transfers from Other Funds	61	617	24	-
Proceeds from Interfund Loans	75	3,486	42	-
Payment of Interfund Loans	-	(2,007)	(589)	-
Residual Equity Transfers to Other Funds	(3,000)	-	-	(63,800)
Residual Equity Transfers from Other Funds	-	-	-	-
Contributed Capital Transfers from Other Funds	1	-	-	63,800
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,140)	4,404	(68,690)	(38,150)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Fixed Assets	(453)	(13,744)	-	(1,324)
Proceeds from Sale of Fixed Assets	18	4,516	-	2
Principal and Interest Payments on Bonds and Notes	(1)	(1,741)	-	-
Net Cash Used for Capital and Related Financing Activities	(436)	(10,969)	-	(1,322)
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Investments	(10,839)	(13,631)	(53,874)	(782,617)
Proceeds from Sales or Maturities of Investments	16,116	10,294	20,406	707,814
Proceeds from Securities Lending Transactions	219	1,126	7,877	5,360
Interest and Dividends on Investments	1,212	2,877	70,511	44,883
Payment of Securities Lending Costs	(214)	(1,100)	(7,669)	(5,238)
Collections of Principal and Interest on Loans	10,487	-	-	20
Cash Payments for Loans	(25,332)	-	-	-
Arbitrage Rebate Tax	(5)	-	-	(156)
Collection of Rents/Leases/Royalties	-	-	22,608	-
Net Cash Provided by (Used for) Investing Activities	(8,356)	(434)	59,859	(29,934)
Net Increase (Decrease) in Cash and Cash Equivalents	2,265	(326)	(2,784)	(22,853)
Cash and Cash Equivalents, July 1	17,329	17,991	53,956	53,103
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 19,594	\$ 17,665	\$ 51,172	\$ 30,250

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)	\$ 27,725	\$ (936)	\$ 170,149	\$ 110,732
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation	382	8,269	-	234
Amortization	8	22	-	235
Taxes	(10,590)	-	(18,679)	-
Interest Expense	2,800	350	-	34,009
Securities Lending Expense	200	1,072	7,663	5,246
Interest on Investments	(1,541)	(3,297)	(122,544)	(60,260)
Securities Lending Income	(205)	(1,099)	(7,843)	(5,379)
Financing Income	(2,915)	-	-	-
Federal Indirect Cost Recoveries	-	2,374	-	-
Arbitrage Rebate Tax	153	-	-	93
Rentals/Leases/Royalties	-	-	(22,605)	-
Change in Assets and Liabilities:				
Decr (Incr) in Accounts Receivable	(925)	30	-	2,281
Decr (Incr) in Due From Other Governments	-	2	-	-
Decr (Incr) in Due From Other Funds	221	(224)	(85)	218
Decr (Incr) in Due From Primary Government	-	-	-	(292)
Decr (Incr) in Due From Component Units	(76)	404	-	-
Decr (Incr) in Inventories	40	43	-	7
Decr (Incr) in Intangible Assets	(4)	-	-	-
Decr (Incr) in Long-term Loans/Notes Receivable	12	-	-	(24,025)
Incr (Decr) in Deferred Charges	-	-	-	104
Decr (Incr) in Other Assets	(68)	(47)	-	(114)
Incr (Decr) in Accounts Payable	(3,018)	2,086	(4)	462
Incr (Decr) in Lottery Prizes Payable	151	-	-	-
Incr (Decr) in Due to Other Funds	(252)	(696)	(82)	(313)
Incr (Decr) in Due to Other Governments	-	3	-	-
Incr (Decr) in Due to Primary Government	-	-	-	205
Incr (Decr) in Due to Component Units	(2)	(33)	77	-
Incr (Decr) in Non-Capital Leases Payable	-	308	-	-
Incr (Decr) in Deferred Revenue	279	(665)	-	(1,019)
Incr (Decr) in Property Held in Trust	7	90	-	(233)
Incr (Decr) in Compensated Absences Payable	14	139	-	59
Incr (Decr) in Estimated Insurance Claims	(199)	(1,522)	-	(15,697)
Net Cash Provided by (Used For)				
Operating Activities	\$ 12,197	\$ 6,673	\$ 6,047	\$ 46,553
SCHEDULE OF NONCASH TRANSACTIONS:				
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ 1,600	\$ -	\$ -
Asset Acquisitions from Contributed				
Capital Transfers from Other Funds	1,143	242	-	-
Asset Disposals from Contributed Capital	-	(248)	-	-
Total Noncash Transactions	\$ 1,143	\$ 1,594	\$ -	\$ -
RECONCILIATION FOR NONEXPENDABLE TRUST:				
Cash and Cash Equivalents, June 30		\$	51,172	
Cash and Cash Equivalents, Expendable Trust, Investment Trust and Agency			749,078	
Cash and Cash Equivalents per Combined Balance Sheet, Trust and Agency		\$	<u>800,250</u>	

STATE OF MONTANA
Combining Balance Sheet
Component Units - Proprietary Fund Types
June 30, 1998
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 3,351	\$ 458	\$ 17,130	\$ 9,311	30,250
Receivables (Net)	4,711	122	17,460	4,517	26,810
Due from Primary Government (Note 13)	-	1	6	470	477
Due from Other Funds (Note 13)	-	-	1,620	48	1,668
Inventories	-	-	42	-	42
Long-Term Loans/Notes Receivable	437,162	90	-	-	437,252
Investments (Note 4)	174,264	953	427,036	111,410	713,663
Securities Lending Collateral (Note 4)	110	305	98,072	596	99,083
Equipment	79	4	2,234	-	2,317
Accumulated Depreciation	(27)	(1)	(1,301)	-	(1,329)
Intangible Assets	91	-	6,944	-	7,035
Deferred Charges	5,867	-	-	-	5,867
Other Assets	37	1	390	-	428
TOTAL ASSETS	\$ 625,645	\$ 1,933	\$ 569,633	\$ 126,352	1,323,563
LIABILITIES/FUND EQUITY:					
Liabilities:					
Accounts Payable	\$ 4,810	\$ 3	\$ 1,317	\$ 6	6,136
Due to Primary Government (Note 13)	39	6	705	90	840
Due to Other Funds (Note 13)	4	-	1	1,549	1,554
Deferred Revenue	-	1	15,411	258	15,670
Bonds/Notes Payable (Net) (Note 12)	523,413	-	-	-	523,413
Property Held In Trust	1	-	462	-	463
Securities Lending Liability (Note 4)	110	305	98,072	596	99,083
Compensated Absences Payable	38	27	731	37	833
Estimated Insurance Claims (Note 9)	-	-	310,687	194,401	505,088
Arbitrage Rebate Tax Payable	252	-	-	-	252
Total Liabilities	528,667	342	427,386	196,937	1,153,332
Fund Equity:					
Contributed Capital (Note 17)	-	-	-	154,468	154,468
Retained Earnings:					
Reserved for Debt Service	96,978	-	-	-	96,978
Reserved for Statutory Commitment	-	-	10,000	-	10,000
Unreserved	-	1,591	132,247	(225,053)	(91,215)
Total Fund Equity	96,978	1,591	142,247	(70,585)	170,231
TOTAL LIABILITIES/FUND EQUITY	\$ 625,645	\$ 1,933	\$ 569,633	\$ 126,352	1,323,563

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, 1998
(Expressed in Thousands)

	HOUSING AUTHORITY	HEALTH FACILITIES AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)	TOTALS
OPERATING REVENUES:					
Charges for Services	\$ 80	\$ 316	\$ 38	\$ -	434
Investment Earnings	12,769	90	44,919	2,434	60,212
Securities Lending Income	5	29	5,309	36	5,379
Financing Income	31,917	-	-	-	31,917
Contributions/Premiums	-	-	76,348	-	76,348
Payroll Taxes	-	-	-	51,963	51,963
Other Operating Revenues	12	-	49	-	61
Total Operating Revenues	44,783	435	126,663	54,433	226,314
OPERATING EXPENSES:					
Personal Services	474	108	7,930	694	9,206
Contractual Services	1,989	11	3,342	156	5,498
Supplies/Materials	38	4	313	24	379
Benefits/Claims (Note 3)	-	-	54,638	3,347	57,985
Depreciation	11	1	222	-	234
Amortization	23	-	212	-	235
Utilities/Rent	38	5	134	11	188
Communications	25	4	459	30	518
Travel	46	17	84	6	153
Repair/Maintenance	51	-	166	17	234
Interest Expense	34,007	-	-	2	34,009
Securities Lending Expense	5	28	5,178	35	5,246
Arbitrage Rebate Tax	93	-	-	-	93
Other Operating Expenses	87	20	183	1,314	1,604
Total Operating Expenses	36,887	198	72,861	5,636	115,582
Operating Income (Loss)	7,896	237	53,802	48,797	110,732
NONOPERATING REVENUES (EXPENSES):					
Gain (Loss) Sale of Fixed Assets	(39)	-	-	-	(39)
Total Nonoperating Revenues (Expenses)	(39)	-	-	-	(39)
Income (Loss) Before Operating Transfers	7,857	237	53,802	48,797	110,693
Operating Transfers In	-	-	-	1	1
Operating Transfers Out	-	-	-	(1)	(1)
Operating Transfers to Primary Government	-	-	(10,000)	-	(10,000)
Net Income (Loss)	7,857	237	43,802	48,797	100,693
RETAINED EARNINGS - JULY 1 -					
As Previously Reported	89,097	1,360	159,499	(273,850)	(23,894)
Prior Period Adjustments (Note 3)	24	(6)	2,746	-	2,764
RETAINED EARNINGS - JULY 1 -					
As Restated	89,121	1,354	162,245	(273,850)	(21,130)
Residual Equity Transfers (Note 13)	-	-	(63,800)	-	(63,800)
RETAINED EARNINGS - JUNE 30	\$ 96,978	\$ 1,591	\$ 142,247	\$(225,053)	\$ 15,763

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, 1998
(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	\$ 46	\$ 318	\$ 77,321	\$ -	77,685
Collections of Principal and Interest on Loans	89,666	-	-	-	89,666
Cash Payments for Loans	(81,860)	-	-	-	(81,860)
Payments to Suppliers for Goods and Services	(2,261)	(62)	(3,821)	(1,674)	(7,818)
Payments to Employees	(466)	(107)	(8,022)	(790)	(9,385)
Cash Payments for Claims	-	-	(59,081)	(14,584)	(73,665)
Collection of Notes Receivable	-	-	-	32	32
Collection of Payroll Taxes	-	-	-	51,848	51,848
Other Operating Revenues	12	-	38	-	50
Net Cash Provided by (Used for) Operating Activities	5,137	149	6,435	34,832	46,553
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payment of Principal and Interest on Bonds and Notes	(78,832)	-	-	(2)	(78,834)
Proceeds from Issuance of Bonds and Notes	51,371	-	-	-	51,371
Payment of Bond Issuance Costs	(687)	-	-	-	(687)
Transfers to Primary Government	-	-	(10,000)	-	(10,000)
Residual Equity Transfers to Other Funds	-	-	(63,800)	-	(63,800)
Residual Equity Transfers from Other Funds	-	-	-	-	-
Contributed Capital Transfers to Other Funds	-	-	-	-	-
Contributed Capital Transfers from Other Funds	-	-	-	63,800	63,800
Net Cash Provided by (Used for) Noncapital Financing Activities	(28,148)	-	(73,800)	63,798	(38,150)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Fixed Assets	(98)	(2)	(1,224)	-	(1,324)
Proceeds from Sale of Fixed Assets	-	-	2	-	2
Net Cash Used for Capital and Related Financing Activities	(98)	(2)	(1,222)	-	(1,322)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(552,869)	(552)	(115,651)	(113,545)	(782,617)
Proceeds from Sales or Maturities of Investments	566,407	300	138,816	2,291	707,814
Proceeds from Securities Lending Transactions	5	29	5,290	36	5,360
Interest and Dividends on Investments	9,756	83	34,242	802	44,883
Payment of Securities Lending Costs	(5)	(29)	(5,169)	(35)	(5,238)
Collections of Principal and Interest on Loans	-	20	-	-	20
Arbitrage Rebate Tax	-	-	-	(156)	(156)
Net Cash Provided by (Used for) Investing Activities	23,294	(149)	57,528	(110,607)	(29,934)
Net Increase (Decrease) in Cash and Cash Equivalents	185	(2)	(11,059)	(11,977)	(22,853)
Cash and Cash Equivalents, July 1	3,166	460	28,189	21,288	53,103
Cash and Cash Equivalents, June 30	\$ 3,351	\$ 458	\$ 17,130	\$ 9,311	\$ 30,250

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)	\$ 7,896	\$ 237	\$ 53,802	\$ 48,797	110,732
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	11	1	222	-	234
Amortization	23	-	212	-	235
Interest Expense	34,007	-	-	2	34,009
Securities Lending Expense	5	28	5,178	35	5,246
Interest on Investments	(12,769)	(90)	(44,967)	(2,434)	(60,260)
Securities Lending Income	(5)	(29)	(5,309)	(36)	(5,379)
Arbitrage Rebate Tax	93	-	-	-	93
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	-	2	1,995	284	2,281
Decr (Incr) in Due From Other Funds	1	-	225	(8)	218
Decr (Incr) in Due From Primary Government	-	(1)	8	(299)	(292)
Decr (Incr) in Inventories	-	-	7	-	7
Decr (Incr) in Long-Term Loans/Notes Receivable	(24,025)	-	-	-	(24,025)
Incr (Decr) in Deferred Charges	104	-	-	-	104
Decr (Incr) in Other Assets	(223)	(1)	110	-	(114)
Incr (Decr) in Accounts Payable	24	-	447	(9)	462
Incr (Decr) in Due to Other Funds	(43)	-	-	(270)	(313)
Incr (Decr) in Due to Primary Government	41	(2)	85	81	205
Incr (Decr) in Deferred Revenue	-	-	(977)	(42)	(1,019)
Incr (Decr) in Property Held in Trust	-	-	(233)	-	(233)
Incr (Decr) in Compensated Absences Payable	(3)	4	50	8	59
Incr (Decr) in Estimated Insurance Claims	-	-	(4,420)	(11,277)	(15,697)
Net Cash Provided by (Used for) Operating Activities	\$ 5,137	\$ 149	\$ 6,435	\$ 34,832	46,553

STATE OF MONTANA
Combining Statement of Plan Net Assets
Component Units - Pension Trust Funds
June 30, 1998
(Expressed in Thousands)

	PUBLIC EMPLOYEES RETIREMENT DIVISION			
	TRS	PERS	MUNICIPAL POLICE	FIRE-FIGHTERS UNIFIED
ASSETS:				
Cash/Cash Equivalents (Note 4)	\$ 35,044	\$ 49,623	\$ 2,543	\$ 3,363
Receivables (Net):				
Employer Contributions	5,342	1,020	167	90
Employee Contributions	5,103	1,900	96	50
Interest	7,171	8,686	361	339
Other Receivables	2	13	1	6
Due from Primary Government (Note 13)	26	1,764	5,265	-
Due from Other Funds (Note 13)	532	1,768	-	4,796
Long-Term Notes/Loans Receivable	-	639	-	-
Investments, at Fair Value:				
Equity in Pooled Investments (Note 4)	1,802,423	2,187,721	97,914	92,533
Other Investments (Note 4)	159,858	189,687	2,179	1,634
Securities Lending Collateral (Note 4)	131,322	160,335	7,288	6,830
Land	35	25	-	-
Buildings/Improvements	158	277	-	-
Equipment	137	15	-	-
Accumulated Depreciation	(167)	(171)	-	-
Intangible Assets	160	1	-	-
TOTAL ASSETS	\$ 2,147,146	\$ 2,603,303	\$ 115,814	\$ 109,641
LIABILITIES:				
Accounts Payable	\$ 34	\$ 4,901	\$ 400	\$ 337
Due to Primary Government (Note 13)	6,530	60	-	-
Due to Other Governments	56	-	-	-
Due to Other Funds (Note 13)	-	1,288	34	27
Deferred Revenue	-	45	3	9
Securities Lending Liability (Note 4)	131,322	160,335	7,288	6,830
Compensated Absences Payable (Note 1)	46	116	-	-
TOTAL LIABILITIES	137,988	166,745	7,725	7,203
Fund Balances Reserved for Employees' Pension Benefits	<u>\$ 2,009,158</u>	<u>\$ 2,436,558</u>	<u>\$ 108,089</u>	<u>\$ 102,438</u>

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

	SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE-FIGHTERS	TOTALS
\$	3,604	\$ 1,573	\$ 797	\$ 950	\$ 1,220	98,717
	132	-	-	-	-	6,751
	138	-	-	-	-	7,287
	366	244	129	93	61	17,450
	1	-	-	2	-	25
	8	190	40	56	-	7,349
	2	-	-	15	-	7,113
	-	-	-	-	-	639
	99,164	65,036	34,431	25,104	13,393	4,417,719
	2,179	1,634	1,089	545	545	359,350
	7,470	4,965	2,649	1,892	1,330	324,081
	-	-	-	-	-	60
	-	-	-	-	-	435
	-	-	-	-	-	152
	-	-	-	-	-	(338)
	-	-	-	-	-	161
\$	113,064	\$ 73,642	\$ 39,135	\$ 28,657	\$ 16,549	5,246,951
\$	83	\$ 156	\$ 81	\$ 50	\$ 15	6,057
	-	-	-	-	-	6,590
	-	-	-	-	-	56
	24	13	3	12	23	1,424
	3	1	-	6	-	67
	7,470	4,965	2,649	1,892	1,330	324,081
	-	-	-	-	-	162
	7,580	5,135	2,733	1,960	1,368	338,437
\$	105,484	\$ 68,507	\$ 36,402	\$ 26,697	\$ 15,181	4,908,514

STATE OF MONTANA
Combining Statement of Changes in Plan Net Assets
Component Units - Pension Trust Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	PUBLIC EMPLOYEES RETIREMENT DIVISION			
	TRS	PERS	MUNICIPAL POLICE	FIRE-FIGHTERS UNIFIED
ADDITIONS:				
Contributions/Premiums:				
Employer	\$ 44,476	\$ 45,245	\$ 2,635	\$ 2,145
Employee	41,938	48,527	1,960	1,560
Other Contributions	200	354	5,266	4,793
Net Investment Earnings:				
Investment Earnings	288,213	348,553	14,921	14,168
Administrative Investment Expense	(1,409)	(1,709)	(47)	(39)
Securities Lending Income	9,305	11,315	508	479
Securities Lending Expense	(8,973)	(10,911)	(491)	(463)
Other Additions	18	61	-	-
Total Additions	373,768	441,435	24,752	22,643
DEDUCTIONS:				
Benefits	94,206	87,379	7,697	6,495
Refunds	4,826	12,136	319	24
Administrative Expenses:				
Personal Services	430	622	-	-
Contractual Services	185	368	-	-
Supplies/Materials	71	55	-	-
Depreciation	4	13	-	-
Amortization	49	1	-	-
Utilities/Rent	26	68	-	-
Communications	34	56	-	-
Travel	29	18	-	-
Repair/Maintenance	25	9	-	-
Other Operating Expenses	29	23	33	27
Local Assistance	-	-	-	-
Total Deductions	99,914	100,748	8,049	6,546
Net Increase (Decrease)	273,854	340,687	16,703	16,097
Fund Balances Reserved for Employees'				
Pension Benefits - July 1 - As Previously Reported	1,735,370	2,095,963	91,386	86,341
Prior Period Adjustments	(66)	(92)	-	-
Fund Balances Reserved for Employees'				
Pension Benefits - July 1 - As Restated	1,735,304	2,095,871	91,386	86,341
Fund Balances Reserved for Employees'				
Pension Benefits - June 30	\$ 2,009,158	\$ 2,436,558	\$ 108,089	\$ 102,438

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

	SHERIFFS	HIGHWAY PATROL	JUDGES	GAME WARDENS	VOLUNTEER FIRE-FIGHTERS	TOTALS
\$	1,969 \$	2,677 \$	843 \$	818 \$	- \$	100,808
	2,088	645	229	776	-	97,723
	74	7	-	14	928	11,636
	15,112	10,036	5,300	3,855	1,883	702,041
	(48)	(34)	(21)	(12)	(9)	(3,328)
	515	344	183	131	83	22,863
	(498)	(333)	(177)	(127)	(81)	(22,054)
	-	-	-	-	-	79
	19,212	13,342	6,357	5,455	2,804	909,768
	1,743	3,771	1,304	1,122	773	204,490
	203	179	7	34	-	17,728
	-	-	-	-	-	1,052
	-	-	-	-	-	553
	-	-	-	-	-	126
	-	-	-	-	-	17
	-	-	-	-	-	50
	-	-	-	-	-	94
	-	-	-	-	-	90
	-	-	-	-	-	47
	-	-	-	-	-	34
	24	13	3	12	23	187
	-	-	-	-	13	13
	1,970	3,963	1,314	1,168	809	224,481
	17,242	9,379	5,043	4,287	1,995	685,287
	88,242	59,128	31,359	22,410	13,186	4,223,385
	-	-	-	-	-	(158)
	88,242	59,128	31,359	22,410	13,186	4,223,227
\$	105,484 \$	68,507 \$	36,402 \$	26,697 \$	15,181 \$	4,908,514

STATE OF MONTANA
Combining Balance Sheet
Component Units - All Higher Education Funds
June 30, 1998
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
ASSETS:				
Cash/Cash Equivalents	\$ 13,593	\$ 15,950	\$ 13,008	\$ 5,259
Receivables (Net)	3,825	779	771	10,338
Interfund Loans Receivable (Note 13)	600	3,420	-	80
Due from Other Governments	1	-	-	4,530
Due from Primary Government (Note 13)	84	182	49	783
Due from Other Funds (Note 13)	4,989	7,529	451	759
Inventories	77	1,627	2,263	-
Equity in Pooled Investments (Note 4)	-	-	-	-
Long-Term Notes/Loans Receivable	-	-	-	-
Advances to Other Funds	-	5	5	-
Investments (Note 4)	-	42	-	61
Securities Lending Collateral (Note 4)	118	533	750	187
Land	-	-	-	-
Buildings/Improvements	-	-	-	-
Equipment	-	-	-	-
Other Fixed Assets	-	-	-	-
Construction in Progress	-	-	-	-
Intangible Assets	-	-	-	-
Deferred Charges	-	-	-	-
Other Assets	2,806	2,005	634	468
TOTAL ASSETS	\$ 26,093	\$ 32,072	\$ 17,931	\$ 22,465
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 11,014	\$ 5,368	\$ 1,812	\$ 4,220
Interfund Loans Payable (Note 13)	230	-	155	3,600
Advances from Other Funds	-	17	134	5
Due to Other Governments	340	13	-	79
Due to Primary Government (Note 13)	426	430	16	38
Due to Other Funds (Note 13)	5,864	1,901	1,154	6,366
Deferred Revenue	6,803	789	787	3,116
Lease/Installment Purchase Payable (Note 11)	-	-	-	-
Bonds/Notes Payable (Note 12)	-	75	-	-
Property Held in Trust	52	62	374	126
Securities Lending Liability (Note 4)	118	533	750	187
Early Retirement Benefits Payable (Note 12)	56	-	3	-
Compensated Absences Payable (Note 1)	23,359	5,088	1,980	171
Total Liabilities	48,262	14,276	7,165	17,908
Fund Balances:				
Net Investment in Plant	-	-	-	-
Reserved For:				
Encumbrances	558	15	10	10
Debt Service	-	-	-	-
Student Loans/Endowments	-	-	-	-
Construction	-	-	-	-
Unreserved	(22,727)	17,781	10,756	4,547
Total Fund Balances	(22,169)	17,796	10,766	4,557
TOTAL LIABILITIES/FUND BALANCES	\$ 26,093	\$ 32,072	\$ 17,931	\$ 22,465

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	
\$ 2,624	\$ 2,375	\$ 2,710	\$ 73,191	\$ 19,596	\$ 2,590	\$ -	150,896	
27,010	12	143	367	122	104	-	43,471	
-	-	-	150	-	-	-	4,250	
6	-	-	-	-	-	-	4,537	
2	-	5	155	-	160	-	1,420	
21	7	4,491	394	252	835	-	19,728	
-	-	-	-	-	-	-	3,967	
-	3,210	288	-	-	-	-	3,498	
262	-	-	-	-	-	-	262	
-	-	-	42	239	239	-	530	
-	801	-	-	3,012	-	-	3,916	
125	406	133	212	881	127	-	3,472	
-	-	-	-	-	-	13,541	13,541	
-	-	-	-	-	-	439,667	439,667	
-	-	-	-	-	-	92,357	92,357	
-	-	-	-	-	-	83,013	83,013	
-	-	-	37,318	3,137	-	25,564	66,019	
-	-	-	-	-	-	3,341	3,341	
-	-	-	-	-	2,282	-	2,282	
-	-	252	36	-	-	-	6,201	
<u>\$ 30,050</u>	<u>\$ 6,811</u>	<u>\$ 8,022</u>	<u>\$ 111,865</u>	<u>\$ 27,239</u>	<u>\$ 6,337</u>	<u>\$ 657,483</u>	<u>946,368</u>	
\$ 3	\$ -	\$ 649	\$ 3,506	\$ 431	\$ 1,837	\$ -	28,840	
-	-	-	265	-	-	-	4,250	
-	-	-	-	247	-	127	530	
-	-	236	-	-	-	-	668	
-	-	480	33	23	1	-	1,447	
7	40	1,956	637	268	104	-	18,297	
-	-	-	101	123	115	-	11,834	
-	-	-	-	-	-	975	975	
-	-	-	94,930	5,134	2,498	121,126	223,763	
-	-	4,568	-	-	-	-	5,182	
125	406	133	212	881	127	-	3,472	
-	-	-	-	-	-	-	59	
-	-	-	-	-	-	-	30,598	
<u>135</u>	<u>446</u>	<u>8,022</u>	<u>99,684</u>	<u>7,107</u>	<u>4,682</u>	<u>122,228</u>	<u>329,915</u>	
-	-	-	-	-	-	535,255	535,255	
-	-	-	-	-	-	-	593	
-	-	-	-	-	1,655	-	1,655	
28,504	5,423	-	-	-	-	-	33,927	
-	-	-	15,246	1,445	-	-	16,691	
1,411	942	-	(3,065)	18,687	-	-	28,332	
<u>29,915</u>	<u>6,365</u>	<u>-</u>	<u>12,181</u>	<u>20,132</u>	<u>1,655</u>	<u>535,255</u>	<u>616,453</u>	
<u>\$ 30,050</u>	<u>\$ 6,811</u>	<u>\$ 8,022</u>	<u>\$ 111,865</u>	<u>\$ 27,239</u>	<u>\$ 6,337</u>	<u>\$ 657,483</u>	<u>\$ 946,368</u>	

STATE OF MONTANA
Statement of Changes in Fund Balance
Component Units - All Higher Education Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES/OTHER ADDITIONS:				
Tuition/Fees	\$ 96,346	\$ 10,247	\$ 9,273	\$ -
Federal Grants/Contracts	4,009	24	28	110,087
State Grants/Contracts	-	496	-	7,531
Local Grants/Contracts	-	-	1	2,063
Private Gifts/Grants/Donations	-	1,083	18	17,612
Endowment Income	-	-	-	170
Sales/Services-Educational Activities	935	2,644	16	151
Sales/Services-Designated/Auxiliary Enterprises	2	24,106	52,073	5
Indirect Costs Recovered	51	9,839	-	-
Investment Earnings	1,796	475	1,059	237
Securities Lending Income	40	8	21	5
Acquisition of Long-Lived Assets	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Other Revenues/Additions	435	3,381	950	453
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues/Other Additions	103,614	52,303	63,439	138,314
Intrafund Revenues/Other Additions	-	-	-	(1,304)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Revenues/Other Additions	103,614	52,303	63,439	137,010
EXPENDITURES/OTHER DEDUCTIONS:				
Instruction	108,809	5,677	-	5,379
Research	12,496	9,720	-	41,508
Public Service	6,907	5,167	-	14,826
Academic Support	18,976	9,146	-	2,054
Student Services	16,783	13,478	-	3,541
Institutional Support	17,906	1,432	-	412
Independent Operations	1,844	201	-	-
Scholarships/Fellowships	8,386	393	-	56,246
Auxiliary Enterprises	-	18	51,885	155
Operation/Maintenance of Plant	21,204	700	-	85
Expended for Plant	-	-	-	-
Debt Services	73	278	83	33
Capital Outlay	5,079	3,208	226	6,797
Securities Lending	39	8	20	5
Disposal of Long-Lived Assets	-	-	-	-
Debt Incurred	-	-	-	-
Other Expenditures/Deductions	714	194	72	37
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures/Other Deductions	219,216	49,620	52,286	131,078
Intrafund Expenditures/Other Deductions	-	-	-	(1,304)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Expenditures/Other Deductions	219,216	49,620	52,286	129,774
TRANSFERS IN (OUT)/OTHER ADDITIONS (DEDUCTIONS):				
Transfers from State General Fund	101,773	-	-	-
Millage Transfers	14,030	-	-	-
Mandatory Transfers	573	(238)	(8,574)	3
Nonmandatory Transfers	(1,171)	(846)	(2,070)	(6,273)
Transfers from Primary Government	-	-	239	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Transfers In (Out) (Note 13)	115,205	(1,084)	(10,405)	(6,270)
Move Equity to Investment in Plant	-	-	-	-
Loan Proceeds	-	-	-	-
Bond Proceeds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Transfers In (Out)/Other Additions (Deductions)	115,205	(1,084)	(10,405)	(6,270)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Fund Balances	(397)	1,599	748	966
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - July 1 - As Previously Reported	(22,235)	16,187	10,018	3,465
Prior Period Adjustments (Note 3)	463	-	-	136
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - July 1 - As Restated	(21,772)	16,187	10,018	3,601
Residual Equity Transfers (Note 13)	-	10	-	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - June 30	\$ (22,169)	\$ 17,796	\$ 10,766	\$ 4,557

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	
\$ -	\$ -	2,723	\$ 1,292	\$ 3,951	-	-
910	-	817	-	23	-	-
157	-	-	-	-	-	-
-	-	-	-	-	-	-
-	24	595	3	-	-	-
-	-	-	-	-	-	-
-	-	-	15	-	-	-
2	-	91	60	300	-	-
-	-	-	-	-	-	-
386	382	4,049	977	622	-	-
2	-	5	19	6	-	-
-	-	-	-	-	-	106,110
-	-	-	-	-	-	6,173
525	-	2,047	148	63	-	-
1,982	406	10,327	2,514	4,965	112,283	-
-	-	-	-	(19)	-	-
1,982	406	10,327	2,514	4,946	112,283	-
-	-	86	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
44	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,800	5,459	69	-	-
-	-	1,320	90	16,198	-	-
-	-	4,028	2,172	-	-	-
2	-	5	18	6	-	-
-	-	-	-	-	-	88,724
-	-	-	-	-	-	1,665
376	-	-	-	-	-	-
422	-	7,239	7,739	16,273	90,389	-
-	-	-	-	(19)	-	-
422	-	7,239	7,739	16,254	90,389	-
-	-	-	16	-	-	-
-	-	-	-	-	-	-
-	-	(4,190)	1,293	11,821	-	-
(5)	21	7,595	5,879	(2,693)	-	-
-	-	792	22	924	-	-
(5)	21	4,197	7,210	10,052	-	-
-	-	(22,615)	(2,021)	431	(24,456)	-
-	-	184	-	-	-	-
-	-	540	3,200	425	-	-
(5)	21	(17,694)	8,389	10,908	(24,456)	-
1,555	427	(14,606)	3,164	(400)	(2,562)	-
28,360	5,649	28,047	16,966	2,130	537,817	-
-	289	(1,260)	2	(75)	-	-
28,360	5,938	26,787	16,968	2,055	537,817	-
-	-	-	-	-	-	-
\$ 29,915	\$ 6,365	\$ 12,181	\$ 20,132	\$ 1,655	\$ 535,255	-

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, 1998
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED			
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES:				
Tuition/Fees	\$ 96,346	\$ 10,247	\$ 9,273	\$ -
Federal Grants/Contracts	4,009	24	28	104,226
State Grants/Contracts	-	496	-	7,169
Local Grants/Contracts	-	-	1	1,991
Private Gifts/Grants/Donations	-	1,083	18	16,671
Endowment Income	-	-	-	170
Sales/Services-Educational Activities	935	2,644	16	151
Sales/Services-Designated/Auxiliary Enterprises	2	24,106	52,073	5
Indirect Costs Recovered	51	9,839	-	-
Investment Earnings	1,796	475	1,059	237
Securities Lending Income	40	8	21	5
Other Revenues	435	3,381	950	453
Total Revenues	103,614	52,303	63,439	131,078
Intrafund Revenues	-	-	-	(1,304)
Net Revenues	103,614	52,303	63,439	129,774
EXPENDITURES:				
Educational and General:				
Instruction	108,809	5,677	-	5,379
Research	12,496	9,720	-	41,508
Public Service	6,907	5,167	-	14,826
Academic Support	18,976	9,146	-	2,054
Student Services	16,783	13,478	-	3,541
Institutional Support	17,906	1,432	-	412
Scholarships/Fellowships	8,386	393	-	56,246
Operation/Maintenance of Plant	21,204	700	-	85
Other Expenditures	714	194	72	37
Total Educational and General Expenditures	212,181	45,907	72	124,088
Intrafund Expenditures	-	-	-	(1,304)
Net Educational and General Expenditures	212,181	45,907	72	122,784
Auxiliary Enterprises	-	18	51,885	155
Independent Operations	1,844	201	-	-
Debt Services	73	278	83	33
Capital Outlay	5,079	3,208	226	6,797
Securities Lending	39	8	20	5
Total Expenditures	219,216	49,620	52,286	129,774
TRANSFERS IN (OUT):				
Transfers from State General Fund	101,773	-	-	-
Millage Transfers	14,030	-	-	-
Mandatory Transfers	573	(238)	(8,574)	3
Nonmandatory Transfers	(1,171)	(846)	(2,070)	(6,273)
Transfers from Primary Government	-	-	239	-
Total Transfers In (Out) (Note 13)	115,205	(1,084)	(10,405)	(6,270)
OTHER ADDITIONS (DEDUCTIONS):				
Excess of Restricted Receipts Over Transfers to Revenue	-	-	-	7,236
Total Other Additons (Deductions)	-	-	-	7,236
Net Increase (Decrease) in Fund Balances	\$ (397)	\$ 1,599	\$ 748	\$ 966

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

STATE OF MONTANA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1998

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 59620.

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 59620.

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 fund consists of two separate entities, the New Fund and the Old Fund. 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.

Public Employees' Retirement Division (Pension Trust Funds) - The retirement division is a legally separate entity with a board appointed by the Governor. The division administers eight separate retirement systems for the purpose of providing retirement, disability, death and lump sum payments to each system's members. These include the Public Employees', the Municipal Police Officers', the Game Wardens' and Peace Officers', the Sheriffs', the Judges', the Highway Patrol Officers' and the Firefighters' Unified Retirement Systems as well as the Volunteer Firefighters' Compensation Act.

The Public Employees' Retirement System (PERS) is funded from employer and employee contributions and interest earnings. The PERS also accounts for the administrative costs, paid from investment earnings, of the division. The Municipal Police Officers' Retirement System is funded from member, State and city contributions. The Game Wardens' and Peace Officers' Retirement System is funded by employer and employee contributions as well as fines and forfeitures collected from fish and wildlife violations. The Sheriffs' Retirement System is funded by member and county contributions. The Judges' Retirement System is funded by member and State contributions as well as a percentage of

court fees collected. The Highway Patrol Officers' Retirement System is funded by member and State contributions. The Firefighters' Unified Retirement System is funded by employer and employee contributions as well as a portion of insurance premium taxes collected by the State. The Volunteer Firefighters' Retirement System is funded by contributions by the State of a percentage of fire insurance premium taxes collected.

The division is audited annually by the Legislative Audit Division. Its report is issued under separate cover and is available at 1712 Ninth 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 59620.

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 18). 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; (4) Agency Funds, and (5) Investment Trust 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 1999. 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, Investment 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, Investment 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, 1998, is \$11.765 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.

Proprietary, Pension Trust, Nonexpendable Trust, Investment 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 Rule", 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. Most investments are reported at fair value in the balance sheet. 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. Equity in Pooled Investments - The Montana Board of Investments manages the State's unified investment program which includes four internal investment pools. Participation in the pools is limited to expendable trust funds, nonexpendable trust funds, pension trust funds, the Deferred Compensation plan and higher education endowment and trust funds. The participants' investments in the pools are reported at fair value in the balance sheet within the individual funds. (See Note 4 on Cash/Cash Equivalents and Investments).

J. 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.

The capitalization threshold for recording fixed assets is \$5,000. Purchases under this threshold are recorded as expenditures/expenses in the current period.

K. 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.

L. 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 current 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.

M. 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 financing 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.

N. Bond Discounts/Premiums/Issuance Costs - In governmental funds, bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond proceeds are reported as an other financing source net of any premium or discount. Issuance costs are reported as debt service expenditures whether or not they are withheld from the net bond proceeds. In proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds, which approximates the effective interest method. Bonds payable are recorded net of any applicable premium or discount while issuance costs are reported as deferred charges.

O. 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 1998, 967 hours were contributed to the sick leave pool and 1,166 hours were withdrawn leaving a balance of 4,555 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 percent of unused vacation leave and 25 percent of unused sick leave.

As of June 30, 1998, the State's liability for unused vacation and sick leave for Higher Education Funds was \$30,598,000. The leave liabilities for the remaining agencies at June 30, 1998, were \$53,495,000, an increase of \$1,702,000 over the June 30, 1997, leave liability of \$51,793,000. The following table reflects the change (in thousands):

	<u>Balance July 1, 1997</u>	<u>Leave Earned</u>	<u>Leave Used</u>	<u>Balance June 30, 1998</u>
PRIMARY GOVERNMENT				
Governmental Fund Types and Similar Trust Funds	\$ 47,310	\$ 27,608	\$ 26,142	\$ 48,776
Proprietary Fund Types and Similar Trust Funds	<u>3,675</u>	<u>2,082</u>	<u>2,033</u>	<u>3,724</u>
Total	<u>\$ 50,985</u>	<u>\$ 29,690</u>	<u>\$ 28,175</u>	<u>\$ 52,500</u>
COMPONENT UNITS				
Proprietary Fund Types and Similar Trust Funds	<u>808</u>	<u>855</u>	<u>668</u>	<u>995</u>
Total Non-Higher Education Funds	<u>\$ 51,793</u>	<u>\$ 30,545</u>	<u>\$ 28,843</u>	<u>\$ 53,495</u>

P. 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.

Q. 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 receiving fund in the balance sheet account "Advance From Other Funds."

R. Fund Equity - Contributed capital is recorded in proprietary funds that have received capital from other funds. Reservations 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.

S. 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.

T. 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	Capital Projects Fund	Total
Video Gaming	\$12,256	\$24,826	\$ -	\$ 37,082
Insurance Premium	33,763	-	-	33,763
University System Millage	1,142	14,388	-	15,530
Cigarette/Tobacco	11,323	1,652	2,071	15,046
Inheritance/Estate	15,727	-	-	15,727
Accommodations	105	9,903	-	10,008
Alcoholic Beverage	1,292	3,641	-	4,933
Electrical Energy	4,402	-	-	4,402
Freight Line	2,054	-	-	2,054
Telephone License	5,773	-	-	5,773
Public Contractor	2,291	-	-	2,291
Livestock	-	2,884	-	2,884
Fire Protection	-	1,685	-	1,685
Vehicle	-	1,371	-	1,371
Wheat Sales	-	1,187	-	1,187
Public Service Commission	-	2,154	-	2,154
Consumer Counsel	-	780	-	780
Miscellaneous	<u>558</u>	<u>743</u>	<u>-</u>	<u>1,301</u>
TOTAL OTHER TAXES	<u>\$90,686</u>	<u>\$65,214</u>	<u>\$2,071</u>	<u>\$157,971</u>

2. BUDGETARY REPORTING

A. State Budget Process - The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. 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 at the fund level. 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. The level of budgetary control is established by fund type, except Capital Project Funds, which are at project level. 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 to establish the majority of 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. 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 1998 were not material. There were no material 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 1998, reverted appropriations for all funds were \$236.2 million of which \$6.3 million were for the General Fund and \$43.1 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 31 - Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The implementation of this statement resulted in the recording of prior period adjustments in the governmental, proprietary, non-expendable trust and higher education funds of (in thousands) \$1,744; \$3,992; \$21,446; and \$174, respectively. These adjustments were recorded to restate beginning fund balance as a result of recording investments at fair value rather than amortized cost.

The State implemented GASB Statement 32 - Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The implementation of this statement resulted in the reclassification of the Deferred Compensation fund from an agency fund to an expendable trust fund.

Effective in fiscal year 1998, the state changed its capitalization threshold for fixed assets from \$1,000 to \$5,000. This resulted in the recording of prior period adjustments in the proprietary and pension trust funds of (in thousands) \$5,488 and \$145, respectively. These adjustments were recorded to restate beginning fund balance for the effects of removing all capitalized assets with a value less than the new limit.

B. Other - The Benefits/Claims expenditure amount (in thousands) of \$57,985 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:

	STATE COMPENSATION INSURANCE	
	<u>NEW FUND</u>	<u>OLD FUND</u>
Benefit and Loss Adjustment Exp.	\$ 59,057	\$ 14,624
Incr (Decr) in Actuarially Estimated Claims	<u>(4,419)</u>	<u>(11,277)</u>
Total Benefits/Claims	<u>\$ 54,638</u>	<u>\$ 3,347</u>

4. CASH/CASH EQUIVALENTS AND INVESTMENTS

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

Cash/Cash Equivalents	\$ 1,526,196
Equity in Pooled Investments	\$ 5,453,218
Investments	\$ 1,411,766

Carrying amounts and fair values (Bank Balance for Cash Deposits) for the State's cash/cash equivalents and investments are presented in Tables 1 through 4.

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' investments in the STIP are reported as a cash equivalent.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, the BOI has as policy that STIP will, and does, operate in a manner consistent with the SEC's

rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. Investments held are reported at fair value, annually, and the difference between amortized cost and fair value is reflected as an unrealized gain or loss in the investments managed. The portfolio is carried at amortized cost or book value. State agencies that are allowed to retain their investment earnings within their funds are only allowed to invest in STIP. Local government participation in STIP is also voluntary. Separately issued external investment pool financial statements may be obtained by contacting the Montana Board of Investments, 555 Fuller Avenue, Helena, MT 59620.

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, 1998, 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% - 105% of the fair value of the securities on loan and maintain collateral equal to not less than 100% of the fair value of the loaned security. During fiscal year 1998, 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, 1998, 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)	\$ 1,376	\$ 1,376	Various
Collateral held by State/State's agent	14,502	14,502	Various
2	495	495	Various
3	10,335	10,335	Various
Uncategorized:			
Undeposited Cash	414		
Cash in U.S. Treasury	129,626		
Less: Outstanding Warrants	<u>(36,240)</u>		
TOTAL CASH DEPOSITS	<u>\$120,508</u>		

As of June 30, 1998, the carrying amount of deposits for component units was \$48,397,965 and the bank balance was \$48,133,880. Of the bank balance, \$48,085,592 was fully insured or collateralized with securities held by the component units or their agent's in the unit's name and \$48,288 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>Fair 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	\$ 460,391	\$ -	\$ -	\$ 460,391	\$ 460,338	Various
Commercial Paper	29,244	-	-	29,244	29,245	Various
Corporate Obligations	74,998	-	-	74,998	75,008	Various
Government Securities	103,389	50,311	133,980	287,680	288,293	Various
Repurchase Agreements	129,000	-	-	129,000	129,000	Various
Variable-Rate	323,931	-	-	323,931	323,900	Various
Direct Investments:						
Money Markets				18,696	18,696	Various
Guaranteed Investment Contracts				80,651	80,651	Various
Other				<u>557</u>	<u>557</u>	Various
TOTAL CASH EQUIVALENTS				<u>\$1,405,148</u>	<u>\$1,405,688</u>	
Securities Lending Collateral Investment Pool				<u>\$ 75,879</u>	<u>\$ 75,879</u>	<u>\$ 75,879</u>

* At June 30, 1998, the underlying securities, with fair values of \$50,383,689 and \$134,219,552, respectively, were loaned for securities and cash collateral under a security lending agreement with the State's agent.

As of June 30, 1998 local governments invested \$431,123,531 in the STIP.

As of June 30, 1998, component units of the State of Montana had investments in cash equivalents with a book value and fair value of \$278,740,945.

C. Equity in Pooled Investments - Consists of investments held by pooled investment funds. The Montana Stock Pool (MTCP), Trust Funds 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, the Deferred Compensation Plan and specific trusts established within the state special revenue fund. Purchases are subject to statutory restrictions for quality and size of holdings.

TABLE 3 - EQUITY IN POOLED INVESTMENTS (In Thousands)

	Risk Category 1		Not Categorized*	Carrying Amount	Fair Value
	Securities Not on Loan	On Loan for Securities Collateral*			
MTCP:					
Corporate Stocks	\$1,341,080	\$ -	\$ 22,720	\$ 1,363,800	\$ 2,254,625
Preferred Stocks	1,000	-	-	1,000	970
TFBP:					
Corporate Asset Backed	23,574	-	-	23,574	24,011
Corporate Stocks	537,988	-	1,280	539,268	580,102
US Govt. Mortgage Backed	48,121	-	-	48,121	49,224
US Govt. Direct	88,612	-	125,391	214,003	234,088
Yankee Bonds	81,283	-	-	81,283	85,465
State and Local Government	26,378	-	-	26,378	26,382
RFBP:					
Corporate Asset Backed	37,690	-	-	37,690	38,216
Corporate Stocks	1,027,545	-	10,365	1,037,910	1,105,789
US Govt. Mortgage Backed	99,814	-	-	99,814	102,329
US Govt. Direct	210,834	16,745	218,814	446,393	489,501
Yankee Bonds	141,775	-	12	141,787	146,689
State and Local Government	3,650	-	-	3,650	3,650
MTIP:					
BOI Internal International	49,248	-	12,708	61,956	79,670
Schroder Capital Management	40,647	893	9,715	51,255	40,572
SG Pacific Asset Management	<u>32,157</u>	<u>349</u>	<u>10,425</u>	<u>42,931</u>	<u>34,093</u>
Total Pooled Investments	3,791,396	17,987	411,430	4,220,813	5,295,376
Other Pool Assets (Net)	-	-	-	<u>157,841</u>	<u>157,842</u>
TOTAL EQUITY IN POOLED INVESTMENTS	<u>\$3,791,396</u>	<u>\$17,987</u>	<u>\$ 411,430</u>	<u>\$4,378,654</u>	<u>\$5,453,218</u>
Securities Lending Collateral Investment Pool			<u>\$ 454,100</u>	<u>\$ 454,100</u>	<u>\$ 454,100</u>

* At June 30, 1998, these underlying securities, with fair values of \$19,783,217 and \$437,534,232, respectively, were loaned for securities and cash under a security lending agreement with the State's agent.

As of June 30, 1998, component units of the State of Montana had equity in pooled investments with a book value of \$2,772,055,726 and a fair value of \$4,421,663,045.

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 (BOI) to manage the State's unified investment program. State law specifies which agencies may hold investments outside the administration of the BOI. The BOI, as the State's primary administrator of long-term investments, actively manages 79% of those investments; the Board of Housing, 13%; and the Department of Administration's Personnel Division, 7% for the State's Deferred Compensation Plan. Additionally, the Department of Natural Resources and Conservation manages 1% of total investments for bond related activities.

The BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented in the Balance Sheet at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the BOI's custodial bank or trustee. Amortized cost, or carrying value, represents the original cost adjusted for premium and discount amortization where applicable.

The BOI continued to invest in leveraged buyouts and venture capital in fiscal year 1998. The BOI'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 \$70,645,012 on June 30, 1998.

For the purpose of portfolio diversification, the BOI has committed \$72,618,000 for venture capital investments administered by Brinson Partners. The June 30, 1998, venture capital invested balance totaled \$8,098,964 for the Teachers' Retirement and \$9,898,734 for the Public Employees' Retirement systems.

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

	Risk Category 1		Risk Category 2	Not Categorized*	Carrying Amount	Fair Value
	Securities Not On Loan	On Loan for Securities Collateral*				
PRIMARY GOVERNMENT						
Corporate Bonds	\$ 28,635	\$ -	\$ -	\$ 364	\$ 28,999	\$ 29,433
Corporate Asset-Backed	22,201	-	-	-	22,201	22,235
Government Securities	39,964	10,796	-	14,468	65,228	66,058
Government Mortgage-Backed	2,905	-	-	-	2,905	2,895
Other	1,632	-	-	65	1,697	1,717
Total	<u>\$ 95,337</u>	<u>\$ 10,796</u>	<u>\$ -</u>	<u>\$ 14,897</u>	<u>\$ 121,030</u>	<u>\$ 122,338</u>
COMPONENT UNITS						
Corporate Bonds	\$ 221,584	\$ -	\$ -	\$ 4,059	\$ 225,643	\$ 232,819
Corporate Asset-Backed	97,990	-	-	-	97,990	98,622
Government Securities	58,291	-	78,975	92,332	229,598	235,955
Government Mortgage-Backed	39,899	-	-	-	39,899	40,584
Other	12,419	-	95,289	576	108,284	108,717
Total	<u>430,183</u>	<u>-</u>	<u>174,264</u>	<u>96,967</u>	<u>701,414</u>	<u>716,697</u>
TOTAL	<u>\$ 525,520</u>	<u>\$ 10,796</u>	<u>\$ 174,264</u>	<u>\$ 111,864</u>	<u>\$ 822,444</u>	<u>\$ 839,035</u>

Direct Investments:

PRIMARY GOVERNMENT			
Commercial Loans		115,214	115,214
Deferred Compensation		96,743	97,285
Total		<u>\$ 211,957</u>	<u>\$ 212,499</u>
COMPONENT UNITS			
Real Estate		\$ 5,673	\$ 5,407
Commercial Loans		8,218	8,361
Mortgages		212,295	217,125
Other		89,403	129,359
Total		<u>315,589</u>	<u>360,252</u>
TOTAL INVESTMENTS		<u>\$ 1,349,990</u>	<u>\$ 1,411,786</u>

Securities Lending Collateral Investment Pool		<u>\$ 185,228</u>	<u>\$ 185,228</u>	<u>\$ 185,228</u>
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At June 30, 1998, the underlying securities, with fair values of \$30,116,996 and \$178,620,368, respectively, were loaned for securities and cash collateral under a security lending agreement with the State's agent.

5. FIXED ASSETS

During fiscal year 1998, the capitalization threshold for fixed assets was increased from \$1,000 to \$5,000. As a result of this policy change all fixed assets with a value less than \$5,000 were removed from the accounting records. These reductions are included in the Deletions/Transfers amounts reported in the table below and occurred in the proprietary, nonexpendable trust, component unit proprietary, component unit pension trust and component unit higher education funds as well as in the general fixed asset account group for (in thousands) \$12,364; \$1; \$1,349; \$317; \$55,678; and \$54,388, respectively.

Changes in fixed asset balances for the fiscal year ended June 30, 1998, are reflected in the following table (Intrafund transfers of fixed assets have not been eliminated) (in thousands):

PRIMARY GOVERNMENT	Balance July 1, 1997	Additions/Transfers	Deletions/Transfers	Balance June 30, 1998
PROPRIETARY FUNDS				
Land	\$ 1,036	\$ -	\$ -	\$ 1,036
Buildings/Improvements	5,500	13	123	5,390
Equipment	136,683	14,179	24,545	126,317
Other Fixed Assets	1,400	-	15	1,385
Construction in Progress	1,672	2,936	1,917	2,691
Subtotal/Total	146,291	<u>\$ 17,128</u>	<u>\$ 26,600</u>	136,819
Accumulated Depreciation	(83,355)			(75,680)
Total	<u>\$ 62,936</u>			<u>\$ 61,139</u>

	<u>Balance July 1, 1997</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 1998</u>
<u>NONEXPENDABLE TRUST FUNDS</u>				
Land	\$ 49,398	\$ -	\$ -	\$ 49,398
Other Fixed Assets	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total	<u>\$ 49,400</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 49,398</u>
<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>				
Land	\$ 62,645	\$ 1,048	\$ 681	\$ 63,012
Buildings/Improvements	306,556	16,310	6,538	316,328
Equipment	111,692	17,222	66,607	62,307
Other Fixed Assets	48,679	1,365	364	49,680
Construction in Progress	<u>14,281</u>	<u>16,420</u>	<u>7,339</u>	<u>23,362</u>
Total	<u>\$ 543,853</u>	<u>\$ 52,365</u>	<u>\$ 81,529</u>	<u>\$ 514,689</u>
<u>COMPONENT UNITS</u>				
<u>PROPRIETARY FUNDS</u>				
Equipment	\$ 4,153	<u>\$ 488</u>	<u>\$ 2,324</u>	\$ 2,317
Accumulated Depreciation	<u>(2,237)</u>			<u>(1,329)</u>
Total	<u>\$ 1,916</u>			<u>\$ 988</u>
<u>PENSION TRUST FUND</u>				
Land	\$ 60	\$ -	\$ -	\$ 60
Buildings/Improvements	435	-	-	435
Equipment	<u>376</u>	<u>270</u>	<u>494</u>	<u>152</u>
Subtotal/Total	871	<u>\$ 270</u>	<u>\$ 494</u>	647
Accumulated Depreciation	<u>(453)</u>			<u>(338)</u>
Total	<u>\$ 418</u>			<u>\$ 309</u>
<u>HIGHER EDUCATION FUNDS</u>				
Land	\$ 13,310	\$ 510	\$ 279	\$ 13,541
Buildings/Improvements	351,141	96,265	7,740	439,666
Equipment	140,438	3,014	51,095	92,357
Other Fixed Assets	79,068	4,051	106	83,013
Construction in Progress	96,298	12,240	42,519	66,019
Intangible Assets	<u>3,301</u>	<u>190</u>	<u>150</u>	<u>3,341</u>
Total	<u>\$ 683,556</u>	<u>\$ 116,270</u>	<u>\$ 101,889</u>	<u>\$ 697,937</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 1,602 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 (in thousands)
Covered Payroll	\$ 65,219
Total Payroll	210,032
Employer Contributions	\$ 3,233
Percent of Covered Payroll	4.956%
Employee Contributions	\$ 4,594
Percent of Covered Payroll	7.044%

DEFINED BENEFIT PLANS

A. General

The Public Employees' Retirement Division, a discretely presented component unit of the State of Montana, administers eight defined benefit plans - Public Employees' Retirement System (PERS), Highway Patrol Officers' Retirement System (HPORS), Judges' Retirement System (JRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), 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, GWPORS, SRS, MPORS, FURS, and VFCA.

The Teachers' Retirement Division, a discretely presented component unit of the State of Montana, administers one defined benefit plan - Teachers' Retirement System (TRS). The division prepares a publicly issued financial report that includes financial statements and required supplementary information for TRS.

A summary of government employers participating in PERS, SRS, MPORS, FURS, GWPORS and TRS by employer type at June 30, 1998 follows:

Retirement System						
	PERS	SRS	MPORS	FURS	GWPORS	TRS
Employers						
State Agencies	37				5	6
Counties	55	56				
Cities/Towns	87		19	14		
Colleges/Universities	6				3	12
School Districts	233					396
Other	82					
Total	500	56	19	14	8	414

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. The post-retirement benefits of each of the systems are included in the plan descriptions below. In addition, the 1997 Legislature passed a guaranteed annual benefit adjustment (GABA) to the PERS, MPORS, GWPORS, 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. In addition, MPORS, JRS, HPORS & FURS members hired prior to July 1, 1997, and retirees of these systems, were required to make an election by December 31, 1997, for GABA coverage.

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 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. Rights are vested after five years of service. Member contributions are 9% of total salaries of active highway patrol officers hired prior to July 1, 1997 and not electing GABA coverage; and 9.05% for members hired after June 30, 1997 and members electing GABA coverage. The employer contribution rate is 36.33% of active officers salaries. 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, for non-GABA members, 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 nor 60% of the current base salary of a probationary officer. Members retired prior to July 1, 1991, who are at least age 55 and have been retired a minimum of five years, may be eligible for an annual lump sum payment distributed in September. This lump sum payment is funded by a registration fee of 25 cents per vehicle license. The average payment in fiscal year 1998 was \$1,937. This enhancement is also limited to non-GABA members.

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 salaries and the State contributes 25.81% of active judges' salaries. Prior to July 1, 1997, the State was required to contribute an annual amount equal to 34.71% of members salaries from district court fees transmitted to the State by clerks of the district courts. District court fees have not generated the cash flow for the JRS as required by 19-5-404, MCA, for several years. Legislation, effective July 1, 1997, requires that the court fees be deposited into the general fund and the State transfer the statutorily required amount to the retirement system. This legislation greatly reduced the JRS liability, and the retirement system is receiving the annual required contributions (ARC). There is no contribution deficiency and the system is actuarially sound. 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 final average salary, plus 1.785% of such salary for each year of service after 15 years. Non-GABA 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.

(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. Member contributions were 6.8% of total monthly compensation for fiscal year 1998, increasing to 6.9% on July 1, 1999. For fiscal year 1998, each state and university system employer contributed 6.8% of their total PERS covered payroll. Participating local government and school district employers contributed 6.7% of their PERS covered payroll; the remaining .1% was paid from the general fund. Total state and employer contributions will also increase to 6.9% on July 1, 1999. 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. 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. Effective January 1, 1988, university system employees eligible to participate in the Teachers' Retirement System could elect to participate in an Optional Retirement Plan established by the Board of Regents. As of July 1, 1998, a total of 2,846 university system employees have elected to participate in the Optional Retirement Plan. Effective July 1, 1993, membership in the Optional Retirement Plan is mandatory for new employees to the university system unless they are already a member of the Teachers' Retirement System.

SRS - Sheriffs' Retirement System - This system, established in 1974 and governed by Title 19, chapters 2 & 7 of the MCA, covers all sheriffs, and State Department of Justice investigators hired after July 1, 1993. The member contribution is 9.245% of salary; the employer contribution is 9.535% of salary. Minimum years of service for normal service retirement eligibility are 20. The service retirement benefit is calculated at 2.5% of the final average salary for each year of creditable service. Any member with more than 24 years of service will receive the allowance as calculated above 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 five years of service and a minimum age of 50. Rights are vested after five years of service.

GWPORS - Game Wardens' & Peace Officers' 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, warden supervisory personnel and state peace officers not eligible to join the SRS, HPORS and MPORS systems. The member contributes 8.5% of salary and the State contributes 9.0% of active game wardens's salaries. For benefit

eligibility, minimum age is 50 and minimum years of service are 20. If subject to involuntary termination, a member may retire with five 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. Rights are vested after five years of service. Effective July 1, 1997 the Game Wardens' Retirement System was expanded to include the state peace officers and the name was changed accordingly to GWPORS. This change resulted in an increase in membership. At June 30, 1998 the system had 327 members, 90 game wardens and 237 peace officers. The membership on June 30, 1997 was 92. Peace officers hired after June 30, 1997 will become members of the GWPORS. Peace officers hired prior to July 1, 1997 were members of the PERS, and were required to make an election by December 31, 1997 to join the GWPORS. PERS members who are hired into a position covered by the GWPORS have 30 days to elect membership in the GWPORS.

(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; 10.5% of salary for members employed after June 30, 1979 and prior to July 1, 1997; and 11% for members hired on or after July 1, 1997 and members electing GABA. City contributions are 14.41% of active police officers' salaries. The State contributes 29.37% of active police officers' salaries. The State's contribution is funded from the general fund. Minimum years of service are five 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, for non-GABA members, 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 five 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 firefighters employed by first and second class cities and other cities that wish to adopt the plan. The member contribution is 9.5% of base compensation for members hired prior to July 1, 1997 and 10.7% for new hires after June 30, 1997 and for members electing GABA coverage. City contributions are 14.36% of total annual compensation. The State contribution is 32.61% of total annual compensation for all firefighters and is paid out of the general fund. Minimum benefit eligibility is 20 years regardless of age; unless hired prior to July 1, 1981, then only 10 years are required. For members not electing GABA and hired prior to July 1, 1981, monthly retirement benefit is 50% of final monthly compensation plus 2% per year for each year in excess of 20 years, or 2.5% of final average salary per year. Members hired before July 1, 1981 with a minimum of ten years but less than 20 years, receive a retirement benefit of 2% per year of service. Members electing GABA and hired after July 1, 1981 receive 2.5% per year of service. Post-retirement benefits, for non-GABA members, require that each retiree receive at least 50% of the salary paid a newly confirmed active firefighter. 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 ten years of qualified service. Eligibility requirements are 55 years of age and 20 years qualified service or 60 years of age and a minimum of 10 years 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 brokerage services. The retirement systems have no investments of any commercial or industrial organization whose fair value equals 5% 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 three 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, one year of additional service for each five years of qualified service ("1 for 5"), up to a maximum of three years, for any retirement eligible member who terminated employment during the defined time period. 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, 1998, 165 employees have taken advantage of this provision.

The 1997 Montana Legislature provided a new provision of the Employee Protection Act (EPA) (19-2-706, MCA) allowing state employees (eligible for a service retirement) whose positions have been eliminated on or before June 30, 1999 to have their employer purchase up to three years of "1-for-5" additional service. As of June 30, 1998, four employees have taken advantage of this provision.

The employer has up to ten years to complete payment for the services purchases and is charged 8% interest on the unpaid balance. Total retirement incentive contributions received (including interest) during fiscal year 1998 totaled \$200,207. June 30, 1998 outstanding balances are \$638,797.

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. 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
Annual pension cost	\$ 3,329	\$ 1,072
Contributions		
Employer	\$ 1,771	\$ 843
Employee	652	229
License and Registration fees	970	-
Actuarial valuation date	7/01/98	7/01/98
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	20.28	24.64
Asset valuation method	4 year smoothed market	4 year smoothed market
Actuarial Assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases (includes inflation factor)	6.0%	5.5%
Cost of living adjustment	6.0%	5.5%
Postretirement benefit increases	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
06/30/98	\$ 3,329	100%	NONE
JRS			
06/30/96	\$ 1,092	90.75%	\$2,738
06/30/97	\$ 1,128	87.50%	\$3,086
06/30/98	\$ 1,072	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
06/30/98	45,223	100%	NONE
MPORS			
06/30/95	\$ 4,318	100%	NONE
06/30/96	4,770	100%	NONE
06/30/97	7,355	100%	NONE
06/30/98	7,840	100%	NONE
FURS			
06/30/95	\$ 4,158	100%	NONE
06/30/96	4,433	100%	NONE
06/30/97	6,811	100%	NONE
06/30/98	7,094	97.8%	NONE
SRS			
06/30/95	\$ 1,222	100%	NONE
06/30/96	1,527	100%	NONE
06/30/97	1,618	100%	NONE
06/30/98	1,919	100%	NONE
GWPORS			
06/30/95	\$ 191	100%	NONE
06/30/96	225	100%	NONE
06/30/97	242	100%	NONE
06/30/98	706	100%	NONE
TRS			
06/30/95	\$ 39,073	100%	NONE
06/30/96	40,627	100%	NONE
06/30/97	41,640	100%	NONE
06/30/98	44,476	100%	NONE

H. 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%
07/01/98	59,531	78,722	19,191	75.62%	6,201	309.48%
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%
07/01/98	31,646	29,017	(2,629)	109.06%	3,144	(83.62)%

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%
07/01/98	2,113,314	2,298,702	185,388	91.94%	660,579	28.06%
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%
07/01/98	94,908	173,642	78,734	54.66%	17,873	440.52%
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%
07/01/98	89,988	169,006	79,018	53.25%	15,104	523.15%
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)%
07/01/98	92,160	81,077	(11,083)	113.67%	20,127	(55.06)%
GWPORS						
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)%
07/01/98	23,190	22,412	(778)	103.47%	7,839	(9.92)%
TRS						
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%
07/01/98	1,809,037	2,123,290	314,253	85.2%	529,795	59.3%

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
07/01/98	13,941	18,354	4,413	75.96%	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, 1998, 89 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 \$351 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, 1998, 2,948 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 \$10,516,143 were recognized for postemployment health care benefits. Premium contributions received from former employees amounted to \$7,968,141 leaving \$2,548,002 of claims in excess of premium revenue paid by the State.

In accordance with section 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, Public Employees' Retirement System, or an annuity under the Optional Retirement Plan and have been employed by the MUS at least 5 years. Spouses, unmarried dependent children, and surviving spouses are also eligible. Administratively established premiums vary between \$138 and \$397 per month and are revised annually. Medicare eligible plan members are assumed to be Medicare insured. After an annual \$500 deductible for non-Medicare eligible retirees, the MUS plan reimburses 75% of the first \$8,000 in medical claims and 100% thereafter. After a \$350 deductible for Medicare eligible retirees, the plan reimburses 75% for the first \$4,000 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, 1998, 1,287 retirees were 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 1998, estimated expenditures of \$4,027,806 were recognized for postemployment health care benefits. Of this amount \$2,769,728 was paid by retirees through premiums and the balance of \$1,258,078 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; Title 19, chapter 50, MCA reflects these changes. 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.

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-seven (27) 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, 1998, the net assets of the Plan were \$163.969 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 fair value. 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 1,756 policies during the 1998 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 \$475,414 based on estimated claims through June 30, 1998. 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 a person with a disability, 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 2,320 individuals with certified disabilities.

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 a person with a certified disability.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed a percentage of their paid losses sufficient to cover paid losses reimbursed from the fund in the preceding calendar year and the expenses of administration, less other income. An estimated liability is recorded based on a projected cost analysis (case-by-case) of each injured person with a certified disability. As of June 30, 1998, the amount of this liability is estimated to be \$1,017,427.

(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 24,043 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, 1998, 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. As of June 30, 1998, \$310,687,327 of unpaid claims and claim adjustment expenses are presented at face value. In prior years, the unpaid claims and claim adjustments on indemnity losses were stated at their net present value in the financial statements. When the New Fund purchases annuity contracts, the claim is settled in full and on a final basis, and all liability of the New Fund is terminated.

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.

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, 1998, 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, 1998, \$194,401,217 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>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 505	\$ 618	\$ 1,154	\$1,022
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	1,601	3,064	-	-
Increase (Decrease) in provision for insured events of prior years	(65)	(31)	100	402
Total incurred claims and claim adjustment expenses	<u>1,536</u>	<u>3,033</u>	<u>100</u>	<u>402</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(996)	(2,498)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	(570)	(648)	(237)	(270)
Total payment	<u>(1,566)</u>	<u>(3,146)</u>	<u>(237)</u>	<u>(270)</u>
Total unpaid claims and claim adjust. exp. at end of the year	<u>\$ 475</u>	<u>\$ 505</u>	<u>\$ 1,017</u>	<u>\$ 1,154</u>
 <u>Component Units</u>	<u>STATE COMPENSATION INSURANCE (NEW FUND)</u>		<u>STATE COMPENSATION INSURANCE (OLD FUND)</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$344,632	\$402,714	\$205,678	\$248,802
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	69,277	81,046	-	-
Increase (Decrease) in provision for insured events of prior years	(44,165)	(80,752)	3,347	(26,812)
Total incurred claims and claim adjustment expenses	<u>25,112</u>	<u>294</u>	<u>3,347</u>	<u>(26,812)</u>

<u>Component Units</u>	STATE COMPENSATION INSURANCE (NEW FUND)		STATE COMPENSATION INSURANCE (OLD FUND)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year	(12,942)	(12,590)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(46,115)</u>	<u>(45,786)</u>	<u>(14,624)</u>	<u>(16,312)</u>
Total payment	<u>(59,057)</u>	<u>(58,376)</u>	<u>(14,624)</u>	<u>(16,312)</u>
Total unpaid claims and claim adjust. exp. at end of the year	<u>\$310,687</u>	<u>\$344,632</u>	<u>\$194,401</u>	<u>\$205,678</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. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 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 7 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>	<u>1998</u>
1. Premiums and Investment Revenue								
Earned	\$116,886	\$156,013	\$204,050	\$219,380	\$181,572	\$127,315	\$95,765	\$77,555
Ceded	<u>231</u>	<u>270</u>	<u>290</u>	<u>318</u>	<u>269</u>	<u>519</u>	<u>348</u>	<u>304</u>
Net Earned	\$116,655	\$155,743	\$203,760	\$219,062	\$181,303	\$126,796	\$95,417	\$77,251
2. Unallocated expenses including overhead	\$ 9,909	\$ 11,723	\$ 10,760	\$ 14,416	\$ 15,941	\$ 18,996	\$ 14,575	\$ 17,338
3. Estimated losses and expenses end of accident year								
Incurred	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628	\$95,067	\$76,067	\$64,983
Ceded	-	-	-	-	-	-	-	-
Net Incurred	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628	\$95,067	\$76,067	\$64,983
4. Net Paid (cumulative) as of:								
End of policy year	\$ 17,618	\$ 20,244	\$ 18,347	\$ 18,693	\$ 18,137	\$15,818	\$12,589	\$12,943
One year later	44,335	50,576	46,343	45,947	40,473	32,890	28,451	
Two years later	64,079	68,837	62,717	60,971	52,073	42,361		
Three years later	74,901	77,950	71,666	67,576	58,722			
Four years later	81,747	83,173	76,280	72,212				
Five years later	85,924	86,461	80,165					
Six years later	88,532	89,370						
Seven years later	91,235							
5. Re-estimated ceded losses and Expenses	-	-	-	-	-	-	-	-

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>	<u>1998</u>
6. Re-estimated net incurred losses and expense:								
End of policy year	\$133,819	\$183,425	\$186,480	\$199,890	\$164,628	\$95,067	\$76,067	\$64,983
One year later	166,980	184,968	184,030	184,920	124,123	88,923	67,235	
Two years later	160,272	175,218	167,052	135,472	107,074	77,286		
Three years later	151,554	161,184	133,017	116,756	95,456			
Four years later	141,389	135,775	120,583	107,656				
Five years later	130,250	125,084	111,208					
Six years later	121,568	119,780						
Seven years later	118,856							
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	(\$14,963)	(\$63,645)	(\$75,272)	(\$92,234)	(\$69,172)	(\$17,781)	(\$8,832)	

Item 2, Item 3 and Item 6 ("End of policy year") have been restated to no longer include unallocated loss adjustment expenses. The Trend Information table has been expanded to seven categories and shows the effect of ceded reinsurance.

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 the risk for claims incurred by employees of the State, elected officials, retirees and their dependents, with two exceptions. The two outside insured products are: vision care insured by the Vision Service Plan Insurance Company and the Yellowstone Community Health Plan, an insured community health option (HMO) available to state employees in the Billings area. 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, 1998, estimates for claims liabilities, which include incurred but not reported claims, are \$6,500,578 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 \$1,942,106 as of June 30, 1998, 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 property below \$150,000 of value, with State agencies paying the first \$1,000. Commercial property insurance protects approximately \$1.9 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.

An annual actuarial study, prepared by Tillinghast, a Towers Perrin Company, and issued for the accident period July 1, 1991 through June 30, 1998, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. The June 30, 1998, estimated claims liability of \$13,770,688, discounted at 11%, 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	
	1998	1997	1998	1997	1998	1997
Amount of claims liabilities at the beginning of each fiscal year	\$ 7,156	\$ 6,959	\$ 3,700	\$ 3,100	\$12,825	\$14,980
Incurred claims:						
Provision for insured events of the current year	42,936	40,157	22,076	20,928	5,185	4,520
Increases (Decreases) in provision for insured events of prior years	(655)	197	(1,758)	600	748	(2,037)
Total incurred claims	<u>42,281</u>	<u>40,354</u>	<u>20,318</u>	<u>21,528</u>	<u>5,933</u>	<u>2,483</u>
Payments:						
Claims attributable to insured events of the current year	(42,936)	(40,157)	(22,076)	(20,928)	(1,436)	(1,075)
Claims attributable to insured events of prior years	-	-	-	-	(3,551)	(3,563)
Total Payments	<u>(42,936)</u>	<u>(40,157)</u>	<u>(22,076)</u>	<u>(20,928)</u>	<u>(4,987)</u>	<u>(4,638)</u>
Total claims liability at end of each fiscal year	\$ <u>6,501</u>	\$ <u>7,156</u>	\$ <u>1,942</u>	\$ <u>3,700</u>	\$ <u>13,771</u>	\$ <u>12,825</u>

10. COMMITMENTS

A. Highway Construction - At June 30, 1998, the Department of Transportation had contractual commitments of approximately \$151 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, 1998, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$43.2 million for capital projects construction. The Primary Government will fund \$34.8 million of these projects with the remaining \$8.4 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 Warehouse	\$ 68
Uninsured Employers	4
Historical Society Publications	4
West Yellowstone Airport	5
Local Government Audits	1
Subtotal-Enterprise Funds	<u>\$ 82</u>
Internal Service Funds	
Highway Equipment	\$ 773
ISD	1,031
Admin. Insurance	28
Admin. Supply	270
Publications & Graphics	56
Buildings & Grounds	370
Labor Central Services	30
Commerce Central Services	21
DEQ Indirect Cost Pool	68
FWP Warehouse Inventory	35
Investment Division	6
Aircraft Operation	18
OPI Central Services	23
Records Management	1
Debt Collections	4
Statewide Fueling Network	1
Admin. DP Unit	2
Subtotal-Internal Service Funds	<u>\$ 2,737</u>
Total-Primary Government	<u>\$ 2,819</u>

COMPONENT UNITS

Health Facilities Authority	5
Worker's Comp - New Fund	<u>1,055</u>
Subtotal-Component Units	<u>\$ 1,060</u>
Total-Proprietary Fund Types-Reporting Entity	<u>\$ 3,879</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 are as follows (in thousands):

	Balance July 1, 1997	Additions (Deductions)	Balance June 30, 1998
Primary Government			
General Long-Term Obligations	\$ 1,667	\$ 511*	\$ 2,178
Proprietary Fund Types			
Enterprise Fund	\$ 2	\$ (1)	\$ 1
Internal Service Fund	<u>2,597</u>	<u>306</u>	<u>2,903</u>
Total Proprietary	<u>2,599</u>	<u>305</u>	<u>2,904</u>
Total-Primary Government	<u>\$ 4,266</u>	<u>\$ 816</u>	<u>\$ 5,082</u>
Component Units			
Pension Trust Fund	\$ 10	\$ (10)	\$ -
Higher Education Funds	<u>1,590</u>	<u>(615)</u>	<u>975</u>
Total-Component Units	<u>\$ 1,600</u>	<u>\$ (625)</u>	<u>\$ 975</u>
Total Capitalized Leases/ Installment Purchases	<u>\$ 5,866</u>	<u>\$ 191</u>	<u>\$ 6,057</u>

*This amount consists of \$1,602,000 of additions as inceptions; \$31,000 of additions as adjustments; and \$1,122,000 as deductions.

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

Fiscal Year Ending June 30	Primary Government			Comp Units	Totals
	General Long-Term Obligations	Proprietary Fund Types Enterprise	Internal Service	Higher Education Funds	
1999	\$ 1,145	\$ 1	\$ 1,577	\$ 674	\$ 3,397
2000	955	-	1,006	311	2,272
2001	201	-	428	66	695
2002	103	-	70	21	194
2003	-	-	21	3	24
2004+	-	-	-	-	-
Total minimum pmts	<u>\$ 2,404</u>	<u>\$ 1</u>	<u>\$ 3,102</u>	<u>\$ 1,075</u>	<u>\$ 6,582</u>
Less: Interest	<u>(226)</u>	<u>-</u>	<u>(199)</u>	<u>(100)</u>	<u>(525)</u>
Present value of minimum payments	<u>\$ 2,178</u>	<u>\$ 1</u>	<u>\$ 2,903</u>	<u>\$ 975</u>	<u>\$ 6,057</u>

B. Operating Leases - Total rental payments of primary government and component units for operating leases in fiscal year 1998 were \$6,343,000 and \$559,000, respectively. Future rental payments under operating leases are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
1999	\$ 6,313	\$ 532	\$ 6,845
2000	4,141	385	4,526
2001	3,199	290	3,489
2002	2,194	135	2,329
2003	1,440	6	1,446
2004+	<u>5,627</u>	<u>6</u>	<u>5,633</u>
Total future rental payments	<u>\$ 22,914</u>	<u>\$ 1,354</u>	<u>\$ 24,268</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 classified as short-term debt. The amounts issued and outstanding at June 30, 1998, are as follows (in thousands):

<u>Series</u>	<u>Amount Issued</u>	<u>Balance June 30, 1998</u>
1991	\$ 5,000	\$ 4,750
1992	6,500	6,235
1994	7,500	7,200
1995	7,500	7,385
1997	10,000	9,930
1998	12,500	<u>12,500</u>
TOTAL		<u>\$48,000</u>

The Montana Tech of the University of Montana entered into a financing agreement with the Montana Board of Investments for a short-term loan under the INTERCAP REVOLVING PROGRAM. The loan matures within one year and has been classified as short-term debt. The amount issued and outstanding at June 30, 1998 is (in thousands):

<u>Series</u>	<u>Amount Issued</u>	<u>Balance June 30, 1998</u>
1998	<u>\$ 75</u>	<u>\$ 75</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, 1998, 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, 1998</u>
				<u>In Year of FY 1999</u>	<u>Maturity (10)</u>	
Long-Range Bldg Program	1985A	\$ 8,550	8.0	\$ 125	\$150 (2001)	\$ 425
Water Development Program (1)	1988	500	9.4	20	50 (2009)	365
Water Development Program (1)	1989B	500	8.55	20	50 (2010)	390

General Obligation Debt	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1998
				FY 1999	In Year of Maturity (10)	
Water Development Program (1)	1991A	750	8.0	40	90 (2007)	565
Wastewater Treatment Works	1991B	2,595	5.6-6.8	85	215 (2014)	2,235
GO Refunding	1992	31,330	4.9-6.2	340	390 (2010)	4,955
Energy Conservation Program (2)	1993A	1,500	4.0-4.75	145	180 (2004)	970
Long-Range Bldg Program	1993B	3,185	3.6-4.25	385	310 (2004)	1,775
Renewable Resource Development(1)	1993C	750	4.85-5.65	70	95 (2004)	495
Long-Range Bldg Program	1994A	22,540	4.2-6.0	835	1,725 (2014)	19,535
Wastewater Treatment Works	1994B	2,200	4.6-6.1	70	180 (2016)	2,070
Long-Range Bldg Program	1994C	21,955	5.125-7.0	740	1,000 (2005)	6,035
Energy Conservation Program (2)	1994D	1,600	4.9-5.5	145	200 (2005)	1,200
Renewable Resource Development (1)	1994E	750	7.7-8.5	65	105 (2005)	580
Energy Conservation Program (2)	1996A	1,650	3.6-4.4	145	195 (2006)	1,345
Renewable Resource Development (1)	1996B	1,250	5.45-6.1	105	155 (2006)	1,025
Wastewater Treatment Works	1996C	2,765	4.2-5.75	100	120 (2017)	2,710
Long-Range Bldg Program	1996D	30,075	5.25-6.0	970	2,370 (2017)	29,210
Renewable Resource Development (1)	1996E	1,000	6.95-8.0	80	130 (2007)	930
Renewable Resource Development (1)	1997A	2,000	6.8-8.0	80	210 (2013)	2,000
Long-Range Bldg Program	1997B	12,640	4.6-5.0	650	595 (2018)	12,640
Wastewater Treatment Works	1998A	3,510	3.75-5.15	-	260 (2019)	3,510
Long-Range Bldg Program	1998B	34,545	3.5-4.85	1,195	2,555 (2018)	34,545
Information Technology	1998C	41,390	4.5-5.0	4,330	4,075 (2008)	41,390
Long-Range Bldg Program	1998D	14,855	4.4-5.0	220	1,720 (2015)	14,855
Energy Conservation Program (2)	1998E	<u>1,250</u>	3.6-4.6	<u>115</u>	150 (2008)	<u>1,250</u>
Total General Obligation Debt		<u>\$ 245,635</u>		<u>\$ 11,075</u>		<u>\$ 187,005</u>

Special Revenue Bonds

Water Conservation (3)	-	100	3.463-5.0	3	3 (2016)	62
Water Development Program (4)	1987C	1,215	6.9-7.6	55	120 (2008)	845
Broadwater Power Project (4)(6)	1990A	3,800	9.5	395	505 (2002)	1,795
Broadwater Power Project (4)(5)	1991A	21,735	6.4-6.875	-	2,135 (2018)	21,735
Water Development Program (4)	1992A	11,955	5.0-6.1	845	1,250 (2006)	8,250
Water Development Program (4)	1992B	9,375	4.75-6.0	340	795 (2013)	7,910
Department of Transportation	1993	72,375	4.5-5.05	10,865	3,705 (2004)	63,375
Renewable Resource Program (4)	1996A	14,985	4.0-5.2	950	110 (2017)	13,225
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 (9)	1994	13,100	5.1-6.4	320	1,015 (2019)	12,435
State Hospital Project (9)	1997	<u>25,915</u>	4.0-5.0	-	6,775 (2022)	<u>25,915</u>
Total Special Revenue Bonds		<u>\$178,420</u>		<u>\$13,883</u>		<u>\$159,412</u>

Middle Creek Dam Project (7)		\$ 2,990	8.125	\$ 32	124 (2034)	\$ 3,136
Treasure State Endowment (8)		4,134	5.85	408	778 (2001)	2,677
Natural Resource Damage Lit. Pgm. (13)		9,816	-	9,816	9,816 (1999)	9,816
Tongue River Dam Project (12)		8,390	-	-	-	8,390
Dept. of Justice INTERCAP Loan (11)		500	4.85	50	50 (2007)	450
Dept. Of Environmental Quality INTERCAP Loan (11)		<u>1,212</u>	4.75-4.85	<u>100</u>	75 (2008)	<u>1,164</u>

Total Notes Payable \$ 27,042 \$10,406 \$ 25,633

Total Special Revenue Debt \$185,045

- (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 \$267,009 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) Montana Health Facility Authority Loan to the Department of Public Health and Human Services for the Montana Developmental Center Project and the Montana State Hospital Project.
- (10) Year of Maturity refers to fiscal year.
- (11) Montana Board of Investments loans to Departments from the INTERCAP loan program.
- (12) Northern Cheyenne Tribe loan to the Montana Dept. of Natural Resources & Conservation (DNRC). The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.
- (13) 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 litigation with Atlantic Richfield Company.

Board of Regents Issues Higher Education Units - Component Unit	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1998
				FY 1999	In Year of Maturity	
University of Montana-Missoula (U of M)	1993A/1995B 1995C/1996D 1998E	\$103,253	3.4-6.9	\$2,844	\$ 540 (2021)	\$ 95,933
Montana State University-Bozeman (MSU)	1987A/1993A 1996D/1996B 1998E/1998F	87,677	3.65-8.0	2,590	5,590 (2022)	82,702
Montana Tech of the U of M	1995C/1996D 1998E	14,717	3.8-5.75	500	120 (2020)	14,057
MSU - Billings	1996D/1998F	18,955	3.6-5.625	520	1,070 (2026)	18,230
MSU - Northern	1994C/1998F	3,450	3.65-6.0	160	100 (2015)	3,105
Western Montana College of the U of M (WMC)	1993A/1995B/ 1995C/1996D/ 1998E	7,762	3.4-6.9	99	15 (2020)	7,469
Helena College of Technology of The University of Montana (HCT)	1995B/1995C	767	4.1-6.4	42	16 (2018)	665
		<u>\$236,581</u>		<u>\$6,755</u>		\$222,161
Add: Unamortized Premium						21
Less: Unamortized Discount						(2,300)
Total Higher Education Bonded Debt						<u>\$219,882</u>
Higher Ed Nonbonded Debt						
U of M - Missoula, Bookstore Note		\$ 500	Variable	\$ -	\$ 500 (2005)	\$ 500
U of M - Missoula, INTERCAP Program Note		1,020	Variable	137	11 (2009)	905
U of M - First Interstate Mortgage		281	8.5	6	28 (2017)	275
MSU - Bozeman, Fiber Note		746	5.9	149	98 (2001)	406
MSU - Billings, SD #2 Note		876	N/A	95	95 (1999)	95
MSU - Northern, INTERCAP Program Note		1,579	Variable	204	189 (2007)	1,370
WMC - UM, INTERCAP Program Note		98	Variable	26	8 (2000)	34
WMC - UM, Mortgages Payable		70	6.5	4	6 (2009)	57
WMC - UM, Kurtz Property Payable		105	6.45	3	61 (2009)	101
MSU - College of Technology, Great Falls, Note		100	5.38	20	22 (2001)	63
Total Higher Education Nonbonded Debt		<u>\$ 5,375</u>		<u>\$ 644</u>		<u>\$ 3,806</u>
TOTAL HIGHER EDUCATION FUNDS						<u>\$223,688</u>

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
1999	\$ 20,577	\$ 22,095	\$ 17,212	\$ 13,695	\$ 73,579
2000	20,586	22,719	17,514	2,449	63,268
2001	20,493	22,682	17,997	1,509	62,681
2002	20,250	22,658	17,997	542	61,447
2003	19,725	22,853	18,013	533	61,124
2004+	<u>171,769</u>	<u>118,124</u>	<u>283,093</u>	<u>13,838</u>	<u>586,824</u>
Totals	<u>\$ 273,400</u>	<u>\$231,131</u>	<u>\$371,826</u>	<u>\$32,566</u>	<u>\$ 908,923</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, 1998, is as follows (in thousands):

	<u>Balance July 1, 1997</u>	<u>Additions(1)</u>	<u>Reductions</u>	<u>Balance June 30, 1998</u>
Early Retirement Benefits	\$ 1,244	\$ -	\$ 856	\$ 388
Arbitrage Rebate Tax	73	82	-	155
Net Pension Obligation	3,074	-	3,074	-
General Obligation Debt	\$ 96,620	\$108,190	\$ 17,805	\$ 187,005
Special Revenue Debt	<u>166,829</u>	<u>37,619</u>	<u>19,403</u>	<u>185,045</u>
Totals	<u>\$ 267,840</u>	<u>\$145,891</u>	<u>\$ 41,138</u>	<u>\$ 372,593</u>

(1) Loan and Bond Proceed amounts recorded in the financial statements for General Obligation and Special Revenue Debt include the effects of bond discounts and premiums. The additions in long-term debt include new issues of bonds and loans with a face value of \$145,809,437 which had a net premium of \$1,458,198. Included in this amount is \$2,908,296 for which loan proceeds were recognized in fiscal year 1997 and \$3,200,000 for which loan proceeds were recorded directly in the ultimate receiving higher education fund.

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 9 years at an interest rate of 8%. Debt Service requirements are as follows (in thousands):

	<u>Principal Payments</u>		<u>Balance June 30, 1998</u>
	<u>FY 1999</u>	<u>In Year of Maturity</u>	
Primary Government:			
General Obligation Debt	\$ 50	\$ 75	\$ 388
Component Unit:			
Higher Education Units	<u>10</u>	<u>14</u>	<u>59</u>
TOTAL	<u>\$ 60</u>	<u>\$ 89</u>	<u>\$ 447</u>

E. Refunded Bonds

On April 22, 1998, the Housing Authority, a Component Unit of the State of Montana, issued \$51,780,000 Single Family Program Bonds, Series 1998A. A portion of these proceeds were used to partially refund the 1985A bond issue. The 1985A series had a total of \$10,473,000 of bonds outstanding at June 30, 1997. On June 1, 1998, the Housing Authority redeemed \$2,600,000 of the 1985A bonds. The costs related to the refunding totaling \$64,535 were recognized in fiscal year 1998. These costs were not deferred and recognized over the shorter of the life of the life of the refunded bonds or the life of the refunding bonds due to the immaterial amount. The 1998A refunding resulted in an economic gain of \$1,051,328 and a difference in cash flows of \$1,245,499.

On April 15, 1998, the Montana Department of Administration issued \$14,855,000 of Series 1998D, General Obligation Long-Range Building Program Refunding Bonds. The Department of Administration deposited the total \$14,855,000 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 \$13,890,000 of 1994 Series C bonds, maturing August 1, 2005 through August 1, 2014, were removed from the financial statements. The defeasance resulted in a reduction of debt service to maturity of \$767,445 and an economic gain of \$444,428.

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, 1998, the in-substance defeased bonds outstanding are as follows (in thousands):

General Obligation	\$ 12,245
Special Revenue	4,460
Higher Education Revenue	<u>33,208</u>
Total	<u>\$ 49,913</u>

F. 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, 1998
				FY 1999	In Year of Maturity	
Industrial Development Revenue Bonds (Pooled Loan) (a)	1984A	\$ 70	7.0-10.75	\$ 5	\$ 15 (2000)	\$ 20
Industrial Development Revenue Bonds (Pooled Loan) (a)	1985A,G,H	790	6.75-10.1	40	95 (2007)	530
Municipal Finance Consolidation Act Bonds (Irrigation Program) (b)	1988	4,976	6.60-7.75	485	130 (2014)	3,762
Economic Development Bonds (Conservation Reserve Enhancement Program) (c)	1991A-B	7,380	10.0-11.2	435	285 (2000)	720
Municipal Finance Consolidation Act Bonds (d)	1991	<u>6,234</u>	4.75-6.5	<u>428</u>	294 (2005)	<u>2,412</u>
TOTAL BONDS PAYABLE		\$19,450		\$ 1,393		\$ 7,444
Conservation Reserve Enhancement Program (CRP Notes) (c)		<u>8,107</u>	7.5-9.92	<u>1,033</u>	433 (2007)	<u>8,107</u>
TOTAL BONDS/NOTES PAYABLE		<u>\$27,557</u>		<u>\$ 2,426</u>		<u>\$15,551</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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004+</u>	<u>Totals</u>
\$ 3,553	\$3,107	\$2,518	\$2,296	\$2,186	\$8,017	<u>\$21,677</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, 1998 are as follows (in thousands):

Department	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1998
			FY 1999	In Year of Maturity	
Department of Transportation - Motor Pool	\$ 6,161	4.75-5.15	\$ 1,224	1,210(2003)	\$ 5,432
TOTAL BONDS/NOTES PAYABLE	\$ 6,161		\$ 1,224		\$ 5,432

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

1999	2000	2001	2002	2003	2004+	Total
\$1,399	\$1,233	\$1,242	\$1,252	\$ 480	-	<u>\$5,606</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, 1998, are as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1998
				FY 1999	In Year of Maturity	
Single Family I	1997A	\$ 91,360	4.0-6.15	\$ 140	\$ 955 (2038)	\$ 91,295
Subtotal		\$ 91,360		\$ 140		\$ 91,295
Single Family II	1983C	\$114,998	5.75-10.7	\$ -	\$ 2,305 (2010)	\$ 18,272
	1984A	75,002	7.0-10.375	-	915 (2010)	1,201
	1985A	40,000	5.5-9.75	697	4,975 (2016)	7,938
	1985B	74,997	5.7-9.75	-	360 (2011)	3,250
	1992RA	22,520	5.65-6.5	-	10 (2033)	22,520
	1994A	25,725	3.1-6.1	1,525	525 (2025)	17,810
	1994B	40,815	3.8-6.9	2,040	520 (2025)	24,735
	1994C	20,000	4.5-6.8	210	280 (2027)	9,185
	1995A	33,580	4.75-6.55	415	875 (2027)	26,470
	1995B	88,000	4.2-6.4	640	1,460 (2036)	86,535
	1996A	65,000	4.7-6.375	405	2,285 (2029)	64,265
	1998A	51,780	4.0-5.45	-	305(20331)	51,780
Subtotal		<u>\$652,417</u>		<u>\$ 5,932</u>		<u>\$333,961</u>
Single Family III	1988B1-B2	\$ 25,000	6.0-8.9	\$ 195	\$ 240 (2020)	\$ 6,930
Single Family IV	1989A1-A2	25,000	7.0-9.2	130	350 (2020)	7,780
Single Family V	1990A1-A2	25,000	6.2-8.525	245	545 (2021)	9,080
Single Family VI	1990B1-B2	25,000	6.3-8.5	245	600 (2022)	10,115
Single Family VII	1990C1-C2	25,000	6.55-8.95	235	595 (2022)	9,500
Single Family VIII	1991A1-A2	25,000	5.2-8.275	330	795 (2022)	12,130
Single Family IX	1991B1-B2	25,000	5.5-8.4	310	815 (2023)	12,875
Single Family X	1992A1-A2	25,000	4.45-7.85	345	820 (2023)	14,945
Multifamily	1978A	4,865	6.125	75	645 (2020)	4,105
	1992A	9,725	2.95-6.55	180	50 (2024)	8,970
	1996A	890	4.10-6.15	15	60 (2027)	875
Subtotal		<u>\$ 15,480</u>		<u>\$ 270</u>		<u>\$ 13,950</u>
TOTAL		<u>\$959,257</u>		<u>\$ 8,377</u>		\$522,561
Add: Deferred amount on refunding						805
Add: Unamortized bond premiums						47
TOTAL BOH BONDS PAYABLE (net)						<u>\$523,413</u>

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

1999	2000	2001	2002	2003	2004+	Total
\$39,668	\$39,959	\$40,815	\$40,984	\$43,588	\$948,182	<u>\$1,153,196</u>

G. 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, 1998, 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
Colstrip	October 1989	60,800	60,800
Yellowstone Energy (BGI)	July 1993	118,345	118,345
Total		<u>\$183,070</u>	<u>\$183,070</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, 1998, is as follows:

Jorgensen Project - issued \$81,600; outstanding \$24,579.

(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 following 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, 1998, 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	\$ 128
MHFA 1985 Pooled Loan Projects	December 1985	66,900	35,900
Community Provider Pooled Loans	October 1988	1,461	557
Kalispell Regional Hospital	June 1990	14,475	11,465
Community Provider Pooled Loan	July 1990	5,858	4,453
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	51,535	43,300
Deaconess Medical Center	September 1991	32,650	27,850
Deaconess Medical Center	September 1991	7,000	2,220
Community Provider Pooled Loans	September 1991	3,944	3,139
Hospital Pooled Loans	August 1992	4,645	2,795
Richland Opportunities	January 1993	200	170
Bozeman Deaconess Foundation	June 1993	14,900	11,085
Sisters of Charity	January 1994	50,915	43,690
Deaconess-Billings Clinic	January 1994	58,870	58,870
Residential Support Services	March 1994	50	41
Mineral Community Hospital	March 1994	39	7
Community Memorial Hospital (1)	October 1994	570	245
St. John's Retirement Home	October 1994	2,000	2,000
North Valley Hospital (Series C) (1)	October 1994	695	295
North Valley Hospital (Series D) (1)	October 1994	1,310	1,015
St. John's Retirement Home	October 1994	300	70
Northern MT(1)	October 1995	5,645	5,145
Northern MT	November 1995	6,090	5,900
Livingston Hospital	May 1995	559	242
Toole County Hospital	August 1996	1,635	1,555
Marcus Daily Memorial Hospital	August 1996	1,860	1,770
Glendive Community Hospital	August 1996	1,590	1,515
Mission Ridge	August 1996	17,835	17,835
Community Medical Center-Missoula	August 1996	20,730	19,985
Community Medical Center-Missoula	August 1996	2,313	1,591
Benefis	September 1996	16,680	15,080
St. Peter's Hospital	January 1997	19,875	18,240
Regional services(Beartooth Industries)	September 1997	260	256
Alternatives, Inc.	November 1997	2,925	2,925
Big Horn	February 1998	1,425	1,425
Lewis & Clark County(Cooney)	February 1998	1,730	1,730
North Valley	February 1998	1,890	1,890
Lewis & Clark County	February 1998	860	860
Sisters of Charity	March 1998	137,800	137,800

<u>Project</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
EMC MHC	May 1998	44	36
BSW, Inc.	May 1998	36	36
Opportunity Resources, Inc.	June 1998	400	400
Total		<u>\$596,939</u>	<u>\$521,511</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, 1998, interfund receivables/payables (Due From/To Other Funds) are recorded. The schedule below presents all interfund balances outstanding at June 30, 1998, (in thousands) and interfund activity for the fiscal year then ended:

<u>Within Primary Government and Component Units</u>	<u>Interfund Loans/Advances</u>		<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Operating Transfers</u>		<u>Residual Equity Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>			<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>
General	\$ 34,912	\$ -	\$ 75,722	\$ 23,321	\$ 126,773	\$ 5,133	\$ 620	\$ -
Special Revenue								
State	35,575	8,017	27,204	9,826	33,375	40,996	1,216	-
Federal	173	60,916	8,212	12,410	43	10,375	-	14,306
Debt Service								
Coal Tax Bonds	-	-	123	8	498	485	1,025	-
Long-Range Building Program	-	-	114	515	6,934	1,935	197	-
Water Development	-	-	-	420	74	530	1,281	-
Highway Revenue Bonds	-	-	-	-	13,568	-	-	-
Health Care Debt Service	-	-	59	1,656	9,029	-	-	1,656
DPHHS Building	-	-	4	-	-	-	-	-
Energy Bonds	-	-	4	103	-	103	-	-
Capital Projects								
Long-Range Building Program	-	-	856	272	18,174	2,762	-	860
Capital Land Grant	-	-	18	1	916	363	-	-
Information Technology Project	-	-	44	194	-	-	-	-
Enterprise								
Economic Development Bonds	-	-	-	8	-	-	-	-
Liquor Warehouse	-	-	-	6,423	-	17,911	-	-
Hail Insurance	-	-	7	19	-	42	-	-
State Lottery	-	-	10	2,313	-	6,570	-	-
Prison Ranch	-	-	100	54	-	-	-	-
Prison Industries	-	-	134	27	-	-	-	-
Uninsured Employers	-	-	1	21	-	-	-	-
Subsequent Injury	-	-	-	1	-	-	-	3,000
Montana Career Info. Systems	-	-	9	9	-	1	-	-
Sec. of State Business Services	-	-	53	54	-	-	-	-
Historical Soc. Publications	-	-	1	44	54	-	-	-
Surplus Property	-	-	-	10	-	-	-	-
West Yellowstone Airport	-	-	2	4	16	-	-	-
Local Govt. Audits	-	-	-	13	-	-	-	-
Def. Comp. Administration	-	-	1	1	-	-	-	-
Flexible Spending Administration	-	75	10	-	-	-	-	-
Internal Service								
Highway Equipment	-	-	430	106	-	-	-	-
Employees' Group Benefits	176	-	6	29	-	-	-	-
ISD	-	-	1,584	218	3	62	-	-
MUS Group Insurance	-	-	23	5	-	-	-	-
Administration Insurance	-	-	-	110	16	258	-	-
FWP Equipment	-	-	287	2	-	-	143*	-
Motor Pool	-	1,100	207	-	-	-	-	-
Administration Supply	-	-	145	11	-	-	-	-
Publications & Graphics	-	-	353	51	-	-	-	-
Buildings & Grounds	-	-	79	119	59	322	-	-
Labor Central Services	-	-	101	46	-	-	-	-

Within Primary Government and Component Units	Interfund Loans/Advances		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Receivable	Payable			In	Out	In	Out
Commerce Central Services	-	-	132	78	-	-	-	-
DEQ Indirect Cost Pool	-	-	322	75	-	-	-	-
FWP Warehouse Inventory	-	-	4	-	-	-	-	-
Mail & Messenger	-	100	54	10	-	-	-	-
Payroll Processing	-	-	-	46	-	-	-	-
Warrant Processing	-	-	62	16	-	-	-	-
Investment Division	-	-	28	58	-	-	-	-
Aircraft Operation	-	-	35	9	355	-	-	-
Justice Legal	-	115	120	98	-	-	-	-
OPI Central Services	-	-	105	32	-	-	-	-
Personnel Training	-	-	17	8	-	-	-	-
Records Management	-	-	42	64	-	-	-	-
FWP Office Supply	-	-	-	1	-	-	-	-
Debt Collections	-	-	1	7	-	-	-	-
Administration Legal	-	-	2	3	-	-	-	-
Local Govt Administration	-	-	5	5	-	-	-	-
Natural Gas Procurement	-	-	-	1	-	-	-	-
Administration DP Unit	-	-	3	3	-	5	-	-
Expendable Trusts								
Unemployment Insurance	-	20	1	-	-	-	-	-
Rural Development	-	-	2	2	-	-	-	-
Escheated Property	-	-	-	-	-	330	-	-
Historical Society General	-	-	-	3	-	8	-	-
Wildlife Mitigation	-	5	-	9	-	50	15,340	-
Employees Deferred Comp.	-	176	-	1	-	-	-	-
Nonexpendable Trusts								
Coal Tax Trust	-	41	180	38,372	-	62,686	-	-
Land Grants	-	-	328	6,794	24	43,248	-	-
Resource Indemnity	-	-	14	8,304	-	14,627	-	-
Parks Trust	-	-	1	265	-	981	-	-
Cultural Trust	-	-	-	203	-	298	-	-
Real Property	-	1	20	155	-	503	-	-
Noxious Weed Management	-	-	1	110	-	446	-	-
Thomas Teakle Trust	-	-	-	-	-	3	-	-
Historical Society Acquisitions	-	-	-	-	-	2	-	-
Agency								
Investment Pool	-	-	-	23	-	-	-	-
Performance Deposits	30	-	-	529	-	-	-	-
Central Payroll	-	-	10,617	582	-	-	-	-
Custodial Accounts	-	-	-	2	-	-	-	-
Unissued Warrants	-	-	111	2,253	-	-	-	-
Child Support Collections	-	300	-	-	-	-	-	-
Uncleared Collections	-	-	14	18,817	-	-	-	-
Debt Collection	-	-	52	48	-	-	-	-
COMPONENT UNITS								
Enterprise Funds								
Housing Authority	-	-	-	4	-	-	-	-
State Comp. Insurance - New	-	-	1,620	1	-	-	-	63,800
State Comp. Insurance - Old	-	-	48	1,549	1	1	63,800*	-
Pension Trusts								
Teachers Retirement	-	-	532	-	-	-	-	-
PERS	-	-	1,768	1,288	-	-	-	-
Municipal Police	-	-	-	34	-	-	-	-
Firefighters Unified	-	-	4,796	27	-	-	-	-
Sheriffs	-	-	2	24	-	-	-	-
Highway Patrol	-	-	-	13	-	-	-	-
Judges	-	-	-	3	-	-	-	-
Game Wardens	-	-	15	12	-	-	-	-
Volunteer Firefighters	-	-	-	23	-	-	-	-
Higher Education								
Current Funds								
General Operating	600	230	4,989	5,864	975	1,573	-	-
Designated	3,425	17	7,529	1,901	882	1,966	10	-
Auxiliary	5	289	451	1,154	404	11,049	-	-
Restricted	80	3,605	759	6,366	164	6,433	-	10
Fiduciary								
Student Loans	-	-	21	7	-	5	-	-
Endowments	-	-	7	40	24	3	-	-

Within Primary Government and Component Units	Interfund		Due	Due	Operating		Residual	
	Loans/Advances Receivable	Payable	From Other Funds	To Other Funds	In	Out	Equity Transfers In	Equity Transfers Out
Agency	-	-	4,491	1,956	-	-	-	-
Plant								
Unexpended	192	265	394	637	12,234	8,830	-	-
Renewal & Replacement	239	247	252	268	8,105	933	-	-
Retirement of Indebtedness	239	-	835	104	13,139	4,011	-	-
Investment in Plant	-	127	-	-	-	-	-	-
Totals	\$ 75,646	\$ 75,646	\$156,685	\$156,685	\$245,839	\$245,839	\$ 83,632	\$ 83,632

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

Between Primary Gov't. and Component Units	Due From Comp. Units	Due To Primary Govt	Due To Comp. Units	Due From Primary Govt	Transfer From Comp. Units	Transfer To Primary Govt	Transfer To Comp. Unit	Transfer From Primary Govt
General	\$ 6,949	\$ -	\$ 5,859	\$ -	\$10,000	-	\$101,789	-
Special Revenue								
State	618	-	869	-	-	-	14,030	-
Federal	26	-	253	-	-	-	-	-
Capital Projects								
Long Range Building	-	-	30	-	-	-	-	-
Enterprise								
Economic Develop Bonds	1	-	-	-	-	-	-	-
State Lottery	-	-	3	-	-	-	-	-
Prison Industries	23	-	-	-	-	-	-	-
Subsequent Injury	20	-	-	-	-	-	-	-
Flex Spending Admin.	48	-	-	-	-	-	-	-
Internal Service								
ISD	187	-	6	-	-	-	-	-
MUS Group Insurance	384	-	5	-	-	-	-	-
FWP Equipment	1	-	-	-	-	-	-	-
Motor Pool	1	-	-	-	-	-	-	-
Administration Supply	18	-	-	-	-	-	-	-
Publications & Graphics	13	-	-	-	-	-	-	-
Commerce Central Services	8	-	-	-	-	-	-	-
DEQ Indirect Cost Pool	5	-	-	-	-	-	-	-
Warrant Processing	19	-	-	-	-	-	-	-
Investment Division	42	-	1	-	-	-	-	-
Justice Legal	1	-	-	-	-	-	-	-
OPI Central Services	1	-	-	-	-	-	-	-
Records Management	13	-	-	-	-	-	-	-
Expendable Trusts								
Escheated Property	-	-	1	-	-	-	-	-
Employees Deferred Comp.	87	-	-	-	-	-	-	-
Nonexpendable Trusts								
Land Grants	-	-	354	-	-	-	1,977	-
Agency								
Land Grant Interest	-	-	2	-	-	-	-	-
Central Payroll	380	-	1,854	-	-	-	-	-
Child Support Collections	7	-	-	-	-	-	-	-
Uncleared Collections	24	-	-	-	-	-	-	-
Debt Collection	1	-	9	-	-	-	-	-
COMPONENT UNITS								
Enterprise Funds								
Housing Authority	-	39	-	-	-	-	-	-
Health Facilities Authority	-	6	-	1	-	-	-	-
State Compensation Ins. - New	-	705	-	6	-	10,000	-	-
State Compensation Ins. - Old	-	90	-	470	-	-	-	-
Pension Trusts								
Teachers Retirement	-	6,530	-	26	-	-	-	-
PERS	-	60	-	1,764	-	-	-	-
Municipal Police	-	-	-	5,265	-	-	-	-
Sheriffs	-	-	-	8	-	-	-	-
Highway Patrol	-	-	-	190	-	-	-	-
Judges	-	-	-	40	-	-	-	-
Game Wardens	-	-	-	56	-	-	-	-

Between Primary Gov't. and Component Units	Due From Comp. Units	Due To Primary Govt	Due To Comp. Units	Due From Primary Govt	Transfer From Comp. Units	Transfer To Primary Govt	Transfer To Comp. Unit	Transfer From Primary Govt
Higher Education								
Current Funds								
General Operating	-	426	-	84	-	-	-	115,803
Designated	-	430	-	182	-	-	-	-
Auxiliary	-	16	-	49	-	-	-	239
Restricted	-	38	-	783	-	-	-	-
Fiduciary								
Student Loans	-	-	-	2	-	-	-	-
Agency	-	480	-	5	-	-	-	-
Plant								
Unexpended	-	33	-	155	-	-	-	792
Renewal and Replacement	-	23	-	-	-	-	-	38
Retirement of Debt	-	1	-	160	-	-	-	924
Totals	\$ 8,877	\$ 8,877	\$ 9,246	\$ 9,246	\$ 10,000	\$ 10,000	\$ 117,796	\$ 117,796

14. FUND DEFICITS

The following funds have a deficit fund balance/retained earnings found on the operating statements for June 30, 1998, (in thousands):

Primary Government

Deficit

Enterprise Fund

West Yellowstone Airport \$ (660)
Department of Agriculture (177)

Internal Service Fund

Administration Insurance (6,433)
Payroll Processing (87)
Justice Legal (110)
Administration - Legal (8)
Local Government Admin (33)
Total Fund Deficits - Primary Government \$ (7,508)

Component Units

Proprietary Fund Type

State Comp. Ins. (Old Fund) \$ (225,053)

Higher Education Funds

General Operating Subfund (22,169)
Total Fund Deficits - Component Units \$ (247,222)

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.

Within the state and federal special revenue fund types, there are various activities that are consolidated for financial reporting. Although the total unreserved fund balances are positive for these funds, there are activities within the funds that taken individually would report a negative unreserved fund balance. However, other activities have significant enough positive balances to result in a positive presentation on a combined basis. A portion of the negative unreserved fund balance for the individual activities are a result of reserving fund balance for encumbrances. Activities that individually result in negative unreserved fund balance due to encumbrance reserves total \$1,410,417 and \$3,693,660 for the state and federal special revenue funds, respectively.

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 \$542,422, Treasure State Endowment Fund \$64,304 and the School Bond Contingency Fund \$2,136. All other Nonexpendable Trust Fund reserved balances, \$505,244, are Reserved for Trust Principal.

16. SEGMENT INFORMATION

Selected financial information concerning all enterprise operations for the fiscal year ended June 30, 1998, is as follows (in thousands):

	<u>Economic Development Bonds</u>	<u>Liquor Warehouse</u>	<u>Hail Insurance</u>	<u>State Lottery</u>	<u>Other Enterprise*</u>	<u>Total Enterprise</u>
Operating Revenues:						
Charges for Services	\$ 7	\$ 37,359	\$ -	\$ 29,860	\$ 8,945	\$ 76,171
Investment Earnings	674	-	368	251	248	1,541
Financing Income	2,915	-	-	-	-	2,915
Contributions/Premiums	-	-	1,751	-	4,888	6,639
Taxes	-	10,590	-	-	-	10,590
Other Revenues	-	80	168	8	4,445	4,701
Operating Expenses:						
Depreciation	3	28	-	59	292	382
Amortization	-	-	-	-	8	8
Other	<u>3,155</u>	<u>29,959</u>	<u>1,956</u>	<u>23,424</u>	<u>15,948</u>	<u>74,442</u>
Operating Income (Loss)	<u>438</u>	<u>18,042</u>	<u>331</u>	<u>6,636</u>	<u>2,278</u>	<u>27,725</u>
Nonoperating Revenues (Expenses)	-	(230)	-	-	(208)	(438)
Oper. Trans. In (Out)	-	(17,911)	(42)	(6,570)	69	(24,454)
Net Income (Loss)	<u>\$ 438</u>	<u>\$ (99)</u>	<u>\$ 289</u>	<u>\$ 66</u>	<u>\$ 2,139</u>	<u>\$ 2,833</u>
Current Assets	\$ 5,601	\$ 11,893	\$ 4,773	\$ 4,268	\$ 17,479	\$ 44,014
Current Liabilities	(1,373)	(10,677)	(1,537)	(5,918)	(659)	(20,164)
Net Working Capital	<u>\$ 4,228</u>	<u>\$ 1,216</u>	<u>\$ 3,236</u>	<u>\$ (1,650)</u>	<u>\$ 16,820</u>	<u>\$ 23,850</u>
Total Assets	\$ 68,577	\$ 12,938	\$ 8,614	\$ 6,528	\$ 22,990	\$119,647
Total Liabilities	65,517	10,736	2,879	6,290	2,543	87,965
Fund Equity	<u>\$ 3,060</u>	<u>\$ 2,202</u>	<u>\$ 5,735</u>	<u>\$ 238</u>	<u>\$ 20,447</u>	<u>\$ 31,682</u>
Long-Term Obligations	\$ 64,144	\$ 59	\$ 1,342	\$ 372	\$ 1,884	\$ 67,801
Cur. Yr. Capital Cont.	\$ -	\$ (1)	\$ -	\$ (1)	\$ (592)	\$ (594)
Acquisition of Fixed Assets	\$ -	\$ 141	\$ -	\$ 20	\$ 219	\$ 380
Disposal of Fixed Assets	\$ 30	\$ 455	\$ 23	\$ 153	\$ 1,297	\$ 1,958

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 Warehouse). 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 \$1,880,647 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

Judiciary
Judiciary Law Library

17. CONTRIBUTED CAPITAL

During fiscal year 1998, 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, 1997	\$ 5,014	\$ 5,769	\$ 90,668
Additions:			
Contributed Capital Transfers-in	1,010	2,931	63,800
Deletions:			
Contributed Capital Transfers-out	<u>(1,604)</u>	<u>(1,482)</u>	-
Ending Balance - June 30, 1998	<u>\$ 4,420</u>	<u>\$ 7,218</u>	<u>\$ 154,468</u>

18. 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 50.51% of the Regents' outstanding loan volume or \$286,839,832 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 1998 amounted to \$393,226. 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 1998 MHESAC paid OCHE a total of \$470,380.

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 \$616,905 in fiscal year 1998. In return the universities received from their foundations approximately \$10,002,968 during fiscal year 1998 for scholarships and academic/institutional support. In addition to support from their affiliated foundations, the University of Montana-Missoula, Montana State University-Billings and Montana State University-Bozeman received a total of \$1,710,581 from their related athletic associations/booster organizations and affiliated museums and public broadcasting radio stations.

The Department of Administration, Personnel Division, has a staff member that serves as Director of the Montana Association of Health Care Purchasers for no remuneration. The Department pays this Association \$1,000 per year to maintain its membership. This staff member also serves as Director of Community Health Options which is a health purchasing cooperative whose purpose is to consolidate demand for health coverage to encourage more cost-effective health plans, negotiate more favorable rates and create economies of scale by combining administration of health care plans. The Department made a one-time payment of \$45,000 in October 1996 as its share of the health purchasing cooperative.

19. 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 affirmance, 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.

In May 1998 the Supreme Court reversed the Court of Appeals' judgement and remanded the case. It held that the Tribe and the United States were not entitled to restitution of all taxes paid by Westmoreland under traditional equitable principles and further concluded that the evidence did not establish entitlement to recovery under an actual damages theory. The Court stated, however, that the Tribe and the United States "argued for total disgorgement" and that "they did not develop a case for relief of a different kind or size." The Court further stated that it did "not foreclose the District Court from any course the Federal Rules (of Civil Procedure) and that Court's thorough grasp on this litigation lead it to take" but was "satisfied that the Court of Appeals improperly overturned the District Court's judgement." The Tribe filed a petition for rehearing that was denied in July 1998. On remand, the district court issued an order in October 1998 concluding that the Supreme Court had affirmed the November 1994 judgement and that the case was resolved absent the filing of meritorious post-judgement motions. The Tribe and the United States have filed motions seeking reconsideration of the order and a new trial with respect to whether they are entitled to recover Westmoreland's tax payments under a different theory than previously pursued. Their theory is based upon a concurring and dissenting opinion by Justice Souter in the Supreme Court decision. The Tribe and the United States additionally are seeking prospective, or nonmonetary, relief with respect to the validity of present severance and gross proceeds taxes whose rates are substantially lower than those invalidated earlier in the litigation. Those taxes are not currently being applied to Westmoreland's ceded strip coal production. The State believes that there are significant procedural and substantive difficulties with the motions and that they are not meritorious.

The State of Montana additionally is involved in two lawsuits with the potential for substantial recovery of monetary relief against private parties. The first is State of Montana v. Atlantic Richfield Co., No CV-83-317-H-PHG(D.Mont.), where natural resource damage claims have been asserted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 with respect to environmental injury to Clark Fork River Basin. The State and Atlantic Richfield recently settled a portion of the case for \$213 million, but other claims remain unresolved. The State received \$15 million dollars from ARCO on June 26, 1998, to cover litigation costs through December 31, 1997. On November 2, 1998, the Department of Justice repaid the Natural Resource Damage Litigation Program loan in the amount of \$12,053,868, including interest, to the Board of Investments. Atlantic Richfield has filed a counterclaim against the State, which could reduce future recovery or impose liability on the State in an amount greater than Atlantic Richfield's liability, but the State believes it has meritorious defenses to the counterclaim. Any recovery in this litigation must be used under federal law to further reclamation and recovery efforts or to offset attorney's fees and assessment costs incurred by the State.

The second lawsuit is State ex rel. Mazurek v. Phillip Morris, Inc., No CDV 97-306 (Mont. 1st Jud. Dist. Lewis & Clark County) where various claims have been filed against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties and attorney's fees. The State recently settled its claims against one of the manufacturers Liggett & Meyers, Inc., for \$1 million to be paid over a 20 year period. No counterclaims have been asserted against the State in this litigation. The total amount of monetary relief sought by the State against the remaining defendants has not been specified, but it could be substantial.

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 1996. Any disallowances resulting from these audits would become the liability of the State. There are no disallowances reported as of June 30, 1998.

USDA Commodities - In fiscal year 1998, the State distributed \$5,543,081 in commodities. The value at June 30, 1998, of commodities stored in the State's warehouses is \$2,258,219 for which the State is liable in the event of loss.

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, 1998, is \$34,675,000.

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, 1998, is \$54,173,795.

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, 1998, 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	\$ 4,953	\$ -	\$ -	\$ -
Coal Severance	9,738	3,560	4,994	20,275
Oil & Gas	8,299	-	-	-
Resource Indemnity	-	531	-	451
Totals	<u>\$ 22,990</u>	<u>\$ 4,091</u>	<u>\$ 4,994</u>	<u>\$ 20,726</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.

20. SUBSEQUENT EVENTS

On August 1, 1998, the Montana Health Facility Authority issued \$19,630,000 of Hospital Facilities Revenue Bonds, Series 1998, for the Kalispell Regional Hospital Project.

On August 1, 1998, the Montana Board of Housing issued \$65,000,000 Single Family Program Bonds, 1998 Series B, for federally insured or guaranteed mortgage loans.

On September 1, 1998, the Montana Health Facility Authority issued \$13,500,000 of Hospital Facilities Revenue Bonds, Series 1998, for the Bozeman Deaconess Health Services Project.

On September 16, 1998, the State Fund Board of Directors recommended to the Budget Director that the Old Fund Liability Tax could end on January 1, 1999. Subsequently, the Budget Director in compliance with 39-71-2505 (7), MCA, communicated to the Director of the Revenue Department that collection of the Old Fund Liability Tax could cease effective January 1, 1999.

On October 1, 1998, the State of Montana issued \$3,065,000 of General Obligation Bonds (Drinking Water State Revolving Fund Program), Series 1998F, to finance and refinance drinking water facilities or improvements.

On October 27, 1998, the State issued \$68,600,000 of Tax and Revenue Anticipation Notes, Series 1998, due June 30, 1999. 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, 1999.

21. Year 2000 Issue

The year 2000 (Y2K) issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 will be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, Y2K could affect electronic equipment, such as environmental systems and elevators, containing computer chips that have date recognition features.

The State of Montana has been addressing Y2K issues relating to its computer systems and other electronic equipment for more than two years. Agencies have inventoried and analyzed all of their computer systems and report the status of their systems through a centralized reporting system maintained by the Information Services Division (ISD) of the Department of Administration.

ISD established the Y2K Project Team to assure that all ISD's systems were Y2K compliant and to encourage and facilitate state agency compliance. The main goals of the team are to promote awareness, perform compliance assessment, and develop a compliance plan. The awareness stage - establishing a budget and project plan, and the assessment stage - identifying non-compliant Y2K systems and components, have been completed.

ISD and other state agencies identified 705 systems, including hardware, software, firmware and application systems, that were date sensitive. The systems were categorized according to the level of disruption that could result if the system failed. This categorization resulted in the systems being considered "mission critical" or high priority, medium priority

and low priority. A plan was developed for each system detailing how the problem will be addressed (repair, replace or retire the system); as well as, a target date to have the system compliant.

A portion of the State's mission critical systems are considered Y2K compliant. The remainder are currently in the remediation stage - making the actual changes to existing systems and equipment, or the validation/testing stage - validating and testing the changes made during the remediation stage. A schedule of remediation and testing is prepared and tracked on a monthly basis by ISD. Scheduled completion for all systems is October 1999.

The State of Montana estimates \$3.7 million has been committed for the 1998-99 biennium to address Y2K issues. In addition, the State is implementing a new accounting system and updating or replacing other financial systems. In fiscal year 1998, bonds which are recorded in the financial records were issued to purchase replacement systems or update current systems for the following:

Statewide Accounting System	\$16.0 million
Statewide Budget System	.5 million
Integrated Revenue and Tax System	14.0 million
Accounts Receivable System	3.8 million
Unemployment Benefit Package	2.0 million
Corrections Computer System	1.9 million
Montana University System	<u>3.2 million</u>
TOTAL	\$ 41.4 million

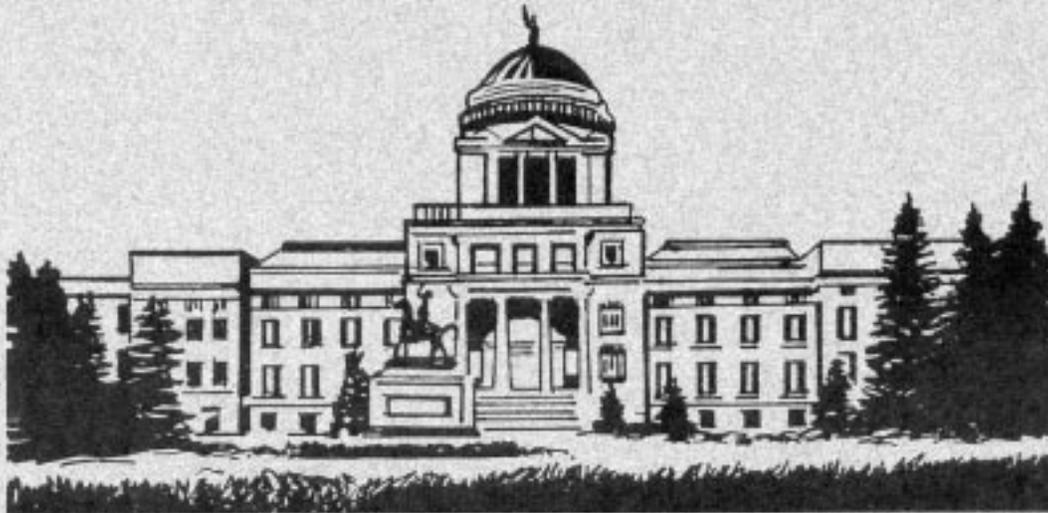
There is also concern over the Y2K readiness of water, sewer, natural gas and electricity distribution systems. The Montana Public Service Commission has issued a Notice of Inquiry to all regulated utilities in order to ensure continuing essential services.

The Montana University System (Component Units) are responsible for assessing and modifying their systems for Y2K compliance. These include administrative support systems as well as those that provide educational and research support. Remediation procedures are in progress and involve vendor upgrades, purchase of new systems and development, and changes by university staff.

Because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that Montana is or will be Y2K ready, that the remediation efforts will be successful in whole or in part, or that parties with whom Montana does business will be Y2K ready.



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).

Artwork courtesy of the Montana Publications and Graphics Division

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, 1998
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
ASSETS:			
Cash/Cash Equivalents	\$ 167,917	\$ 55,914	\$ 223,831
Receivables (Net)	51,958	5,704	57,662
Interfund Loans Receivable	35,312	173	35,485
Due from Other Governments	3,395	118,440	121,835
Due from Component Units	618	26	644
Due from Other Funds	27,204	8,212	35,416
Inventories	24,219	25,286	49,505
Long-Term Notes/Loans Receivable	43,523	963	44,486
Advances to Other Funds	263	-	263
Equity in Pooled Investments	10,064	-	10,064
Investments	36,668	5,607	42,275
Securities Lending Collateral	7,174	3,081	10,255
Other Assets	1,042	1,036	2,078
TOTAL ASSETS	\$ 409,357	\$ 224,442	\$ 633,799
LIABILITIES/FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 69,920	\$ 71,279	\$ 141,199
Interfund Loans Payable	3,114	55,615	58,729
Advances from Other Funds	4,903	5,301	10,204
Due to Other Governments	999	6,358	7,357
Due to Component Units	869	253	1,122
Due to Other Funds	9,826	12,410	22,236
Deferred Revenue	9,271	39,030	48,301
Property Held in Trust	1,738	309	2,047
Securities Lending Liability	7,174	3,081	10,255
Other Liabilities	13	-	13
Total Liabilities	107,827	193,636	301,463
Fund Balances:			
Reserved For:			
Encumbrances	27,190	9,460	36,650
Inventories	24,219	-	24,219
Long-Term Loans	43,523	963	44,486
Long-Term Advances	263	-	263
Trusts	-	18,782	18,782
Unreserved:			
Designated	7,645	-	7,645
Undesignated	198,690	1,601	200,291
Total Fund Balances	301,530	30,806	332,336
TOTAL LIABILITIES/FUND BALANCES	\$ 409,357	\$ 224,442	\$ 633,799

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	STATE	FEDERAL	TOTALS
REVENUES:			
Licenses/Permits	\$ 88,081	\$ -	\$ 88,081
Taxes:			
Natural Resource	30,684	-	30,684
Corporate Income	8,204	-	8,204
Property	7,526	-	7,526
Fuel	176,204	-	176,204
Other	65,214	-	65,214
Charges for Services/Fines/Forfeits	82,697	23,062	105,759
Investment Earnings	7,366	1,369	8,735
Securities Lending Income	338	175	513
Sale of Documents/Mdse./Property	5,462	4	5,466
Rentals/Leases/Royalties	140	-	140
Contributions/Premiums	4,414	-	4,414
Grants/Contracts/Donations	9,459	155	9,614
Federal	1,337	879,146	880,483
Federal Indirect Cost Recoveries	11	1,819	1,830
Other Revenues	1,112	41	1,153
	<hr/>	<hr/>	<hr/>
Total Revenues	488,249	905,771	1,394,020
Intrafund Revenues	(1,379)	(2,417)	(3,796)
	<hr/>	<hr/>	<hr/>
Net Revenues	486,870	903,354	1,390,224
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
General Government	50,310	2,574	52,884
Public Safety/Corrections	58,906	21,917	80,823
Transportation	154,273	177,922	332,195
Health/Social Services	74,371	513,505	587,876
Education/Cultural	4,235	94,624	98,859
Resource Development/Recreation	47,041	28,867	75,908
Economic Development/Assistance	28,002	67,333	95,335
Debt Service:			
Principal Retirement	675	374	1,049
Interest/Fiscal Charges	1,139	33	1,172
Capital Outlay	11,564	4,313	15,877
Securities Lending	329	171	500
	<hr/>	<hr/>	<hr/>
Total Expenditures	430,845	911,633	1,342,478
Intrafund Expenditures	(1,379)	(2,417)	(3,796)
	<hr/>	<hr/>	<hr/>
Net Expenditures	429,466	909,216	1,338,682
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Excess of Revenues Over (Under) Expenditures	57,404	(5,862)	51,542
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	1,285	5,482	6,767
Bond Proceeds	17,463	-	17,463
Inception of Lease/Installment Contract	294	410	704
General Fixed Asset Sale Proceeds	84	-	84
Operating Transfers In	33,375	43	33,418
Operating Transfers Out	(40,996)	(10,375)	(51,371)
Operating Transfers to Component Units	(14,030)	-	(14,030)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(2,525)	(4,440)	(6,965)
	<hr/>	<hr/>	<hr/>
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	54,879	(10,302)	44,577
	<hr/>	<hr/>	<hr/>
FUND BALANCES - JULY 1 - As Previously Reported	243,683	47,640	291,323
Prior Period Adjustments	902	7,774	8,676
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FUND BALANCES - July 1 - As Restated	244,585	55,414	299,999
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Increase (Decrease) in Inventories	850	-	850
Residual Equity Transfers	1,216	(14,306)	(13,090)
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FUND BALANCES - JUNE 30	\$ 301,530	\$ 30,806	\$ 332,336

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, 1998
(Expressed in Thousands)

	STATE SPECIAL REVENUE FUND			FEDERAL SPECIAL REVENUE FUND			TOTALS YEAR ENDED JUNE 30		
	BUDGET	ACTUAL	VARIANCE - (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - (UNFAVORABLE)
REVENUES:									
Licenses/Permits	\$ 86,766	\$ 88,081	\$ 1,315	\$ -	\$ -	\$ -	\$ 86,766	\$ 88,081	\$ 1,315
Taxes:									
Natural Resource	38,749	30,684	(8,065)	-	-	-	38,749	30,684	(8,065)
Corporate Income	10,000	8,204	(1,796)	-	-	-	10,000	8,204	(1,796)
Property	7,361	7,526	165	-	-	-	7,361	7,526	165
Fuel	180,971	176,204	(4,767)	-	-	-	180,971	176,204	(4,767)
Other	59,061	65,214	6,153	-	-	-	59,061	65,214	6,153
Charges for Services/Fines/Forfeits	54,494	82,697	28,203	2,762	23,062	20,300	57,256	105,759	48,503
Investment Earnings	5,122	7,366	2,244	971	1,369	398	6,093	8,735	2,642
Sale of Documents/Merchandise/Property	4,838	5,462	624	6	4	(2)	4,844	5,466	622
Rentals/Leases/Royalties	120	140	20	-	-	-	120	140	20
Contributions/Premiums	8,824	4,414	(4,410)	-	-	-	8,824	4,414	(4,410)
Grants/Contracts/Donations	10,297	9,459	(838)	414	155	(259)	10,711	9,614	(1,097)
Federal	2,722	1,337	(1,385)	926,398	879,146	(47,252)	929,120	880,483	(48,637)
Federal Indirect Cost Recoveries	22	11	(11)	1,701	1,819	118	1,723	1,830	107
Other Revenues	915	1,112	197	41	41	-	956	1,153	197
Total Revenues	470,262	487,911	17,649	932,293	905,596	(26,697)	1,402,555	1,393,507	(9,048)
EXPENDITURES:									
Current:									
General Government	78,532	50,879	27,653	5,602	2,762	2,840	84,134	53,641	30,493
Public Safety/Corrections	65,137	59,663	5,474	64,751	22,618	42,133	129,888	82,281	47,607
Transportation	180,469	160,772	19,697	184,521	177,088	7,433	364,990	337,860	27,130
Health/Social Services	79,338	67,093	12,245	499,355	456,110	43,245	578,693	523,203	55,490
Education/Cultural	7,064	4,082	2,982	149,000	95,576	53,424	156,064	99,658	56,406
Resource Development/Recreation	74,511	44,433	30,078	46,036	28,769	17,267	120,547	73,202	47,345
Economic Development/Assistance	42,874	24,971	17,903	79,230	67,182	12,048	122,104	92,153	29,951
Debt Service:									
Principal Retirement	666	666	-	352	352	-	1,018	1,018	-
Interest/Fiscal Charges	1,064	1,064	-	40	32	8	1,104	1,096	8
Capital Outlay	22,261	9,854	12,407	4,250	4,212	38	26,511	14,066	12,445
Total Expenditures	551,916	423,477	128,439	1,033,137	854,701	178,436	1,585,053	1,278,178	306,875
Excess of Rev. Over (Under) Expend.	(81,654)	64,434	146,088	(100,844)	50,895	151,739	(182,498)	115,329	297,827
OTHER FINANCING SOURCES (USES):									
Loan Proceeds	1,500	1,285	(215)	8,143	5,482	(2,661)	9,643	6,767	(2,876)
Bond Proceeds	16,290	17,463	1,173	-	-	-	16,290	17,463	1,173
General Fixed Asset Sale Proceeds	55	84	29	-	-	-	55	84	29
Operating Transfers In	20,242	25,010	4,768	3,829	2,172	(1,657)	24,071	27,182	3,111
Operating Transfers Out	(35,582)	(26,189)	9,393	(18,337)	(6,551)	11,786	(53,919)	(32,740)	21,179
Transfers to Component Units	(14,030)	(14,030)	-	-	-	-	(14,030)	(14,030)	-
Total Other Financing Sources (Uses)	(11,525)	3,623	15,148	(6,365)	1,103	7,468	(17,890)	4,726	22,616
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(93,179)	68,057	161,236	(107,209)	51,998	159,207	(200,388)	120,055	320,443
RECONCILIATION OF BUDGETARY/GAAP REPORTING:									
1. Adjust expenditures for encumbrances.	-	(4,919)	(4,919)	-	(13,392)	(13,392)	-	(18,311)	(18,311)
2. Adjustments for appropriated loans/ other nonbudgeted activity.	-	(8,271)	(8,271)	-	(48,909)	(48,909)	-	(57,180)	(57,180)
3. Intrafund elimination - Transfers In	-	(1,379)	(1,379)	-	(2,417)	(2,417)	-	(3,796)	(3,796)
4. Intrafund elimination - Transfers Out	-	1,379	1,379	-	2,417	2,417	-	3,796	3,796
5. Securities Lending Income	-	338	338	-	175	175	-	513	513
6. Securities Lending Costs	-	(329)	(329)	-	(171)	(171)	-	(500)	(500)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(93,179)	54,876	148,055	(107,209)	(10,299)	96,910	(200,388)	44,577	244,965
Unreserved Fund Balances - July 1	149,914	152,838	2,924	22,886	23,886	1,000	172,800	176,724	3,924
Residual Equity Transfers	(2,044)	1,216	3,260	(327)	(14,306)	(13,979)	(2,371)	(13,090)	(10,719)
Prior Period Adjustments	-	902	902	-	7,774	7,774	-	8,676	8,676
Decrease (Increase):									
Encumbrances Reserve	-	1,351	1,351	-	(767)	(767)	-	584	584
Long-Term Loans Reserve	-	(5,554)	(5,554)	-	2	2	-	(5,552)	(5,552)
Trusts/Endowments Reserve	-	706	706	-	(4,689)	(4,689)	-	(3,983)	(3,983)
Unreserved Fund Balances - June 30	\$ 54,691	\$ 206,335	\$ 151,644	\$ (84,650)	\$ 1,601	\$ 86,251	\$ (29,959)	\$ 207,936	\$ 237,895

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.

Information Technology Bonds - This fund accounts for the accumulation and payment of resources for Information Technology bond debt service requirements.

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, 1998
(Expressed in Thousands)

	COAL TAX BONDS	LONG-RANGE BUILDING PROGRAM	WATER DEVELOPMENT	HIGHWAY REVENUE BONDS
ASSETS:				
Cash/Cash Equivalents	\$ 6,724	\$ 4,925	\$ 1,775	\$ 12,400
Receivables (Net)	469	612	271	-
Due from Other Funds	123	114	-	-
Long-Term Notes/Loans Receivable	30,481	-	6,509	-
Investments	1,699	-	1,070	-
Securities Lending Collateral	2,189	-	14	25
TOTAL ASSETS	\$ 41,685	\$ 5,651	\$ 9,639	\$ 12,425
LIABILITIES/FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 8	\$ 144	\$ -	-
Due to Other Funds	8	515	420	-
Securities Lending Liability	2,189	-	14	25
Total Liabilities	2,205	659	434	25
Fund Balances:				
Reserved for Long-Term Loans	30,481	-	6,509	-
Reserved for Debt Service	8,494	-	-	-
Unreserved, Designated	505	4,992	2,696	12,400
Total Fund Balances	39,480	4,992	9,205	12,400
TOTAL LIABILITIES/FUND BALANCES	\$ 41,685	\$ 5,651	\$ 9,639	\$ 12,425

	HEALTH CARE DEBT SERVICE	IT BONDS	SRS BLDG	RENEWABLE RESOURCE	WATER CONSERVATION BONDS	ENERGY BONDS	TOTALS
\$	7,466	\$ 1,426	\$ 29	\$ 1	\$ -	\$ 212	34,958
	-	-	-	-	-	-	1,352
	59	-	4	-	-	4	304
	-	-	-	-	62	-	37,052
	-	-	-	-	-	-	2,769
	-	-	-	-	-	-	2,228
<u>\$</u>	<u>7,525</u>	<u>\$ 1,426</u>	<u>\$ 33</u>	<u>\$ 1</u>	<u>\$ 62</u>	<u>\$ 216</u>	<u>78,663</u>
\$	-	\$ 104	\$ -	\$ -	\$ -	\$ 4	260
	1,656	-	-	-	-	103	2,702
	-	-	-	-	-	-	2,228
	1,656	104	-	-	-	107	5,190
	-	-	-	-	62	-	37,052
	-	-	-	-	-	-	8,494
	5,869	1,322	33	1	-	109	27,927
	5,869	1,322	33	1	62	109	73,473
<u>\$</u>	<u>7,525</u>	<u>\$ 1,426</u>	<u>\$ 33</u>	<u>\$ 1</u>	<u>\$ 62</u>	<u>\$ 216</u>	<u>78,663</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	COAL TAX BONDS	LONG-RANGE BUILDING PROGRAM	WATER DEVELOPMENT	HIGHWAY REVENUE BONDS
REVENUES:				
Taxes:				
Gas/Oil/Coal Production	\$ -	\$ 456	\$ 327	\$ -
Charges for Services/Fines/Forfeits	-	799	-	-
Investment Earnings	2,065	844	1,316	367
Securities Lending Income	119	34	3	17
Federal	-	123	-	-
Sale of Documents/Mdse./Property	2,504	-	-	-
Total Revenues	4,688	2,256	1,646	384
EXPENDITURES:				
Principal Retirement	2,445	2,935	580	11,795
Interest/Fiscal Charges	3,510	4,369	855	3,419
Securities Lending	117	33	3	17
Total Expenditures	6,072	7,337	1,438	15,231
Excess of Revenues Over (Under) Expenditures	(1,384)	(5,081)	208	(14,847)
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	-	4	-	-
Refunded Bond Proceeds	-	14,855	-	-
Refunded Bond Escrow Payments	-	(14,855)	-	-
Operating Transfers In	498	6,934	74	13,568
Operating Transfers Out	(485)	(1,935)	(530)	-
Total Other Financing Sources (Uses)	13	5,003	(456)	13,568
Excess of Revenues/Other Sources Over (Under) Expenditures/ Other Uses	(1,371)	(78)	(248)	(1,279)
FUND BALANCES - July 1 - As Previously Reported	39,785	1,143	8,172	13,679
Prior Period Adjustments	41	3,730	-	-
FUND BALANCES - July 1 - As Restated	39,826	4,873	8,172	13,679
Residual Equity Transfers	1,025	197	1,281	-
FUND BALANCES - June 30	\$ 39,480	\$ 4,992	\$ 9,205	\$ 12,400

HEALTH CARE DEBT SERVICE	IT BONDS	SRS BLDG	RENEWABLE RESOURCE	WATER CONSERVATION BONDS	ENERGY BONDS	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	783
-	-	-	-	-	685	1,484
607	-	-	-	4	65	5,268
-	-	-	-	-	3	176
-	-	-	-	-	-	123
-	-	-	-	-	-	2,504
607	-	-	-	4	753	10,338
5,251	-	-	-	3	420	23,429
769	-	-	-	3	172	13,097
-	-	-	-	-	3	173
6,020	-	-	-	6	595	36,699
(5,413)	-	-	-	(2)	158	(26,361)
-	1,322	-	-	-	-	1,326
-	-	-	-	-	-	14,855
-	-	-	-	-	-	(14,855)
9,029	-	-	-	-	-	30,103
-	-	-	-	-	(103)	(3,053)
9,029	1,322	-	-	-	(103)	28,376
3,616	1,322	-	-	(2)	55	2,015
3,909	-	33	1	64	54	66,840
-	-	-	-	-	-	3,771
3,909	-	33	1	64	54	70,611
(1,656)	-	-	-	-	-	847
\$ 5,869	\$ 1,322	\$ 33	\$ 1	\$ 62	\$ 109	\$ 73,473



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.

Information Technology Project - This fund accounts for resources received and expended for Information Technology projects for various upgrade and replacement activities.

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, 1998
(Expressed in Thousands)

	LONG-RANGE BUILDING	IT PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$	\$	\$	\$	\$
Receivables (Net)		-			-
Due from Other Funds		44			18
Securities Lending Collateral		1,757			-
Other Assets		-			4
TOTAL ASSETS	65,374	28,633	180	875	95,062
Liabilities:					
	\$	\$	\$	\$	\$
Due to Component Units		-			-
Due to Other Funds		194			1
Securities Lending Liability		1,757			-
Total Liabilities		3,084		78	
Fund Balances:					
	257		-		331
	56,680		178		83,130
	56,937		178		83,461
	\$	\$	\$	\$	\$

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	LONG-RANGE BUILDING	IT PROJECTS	FEDERAL/ PRIVATE CONSTRUCTION GRANTS	CAPITAL LAND GRANT	TOTALS
REVENUES:					
Taxes:					
Natural Resource	\$ 4,132	\$ -	\$ -	\$ -	4,132
Cigarette/Tobacco	2,071	-	-	-	2,071
Charges for Services/Fines/Forfeits	292	-	-	-	292
Investment Earnings	807	489	-	-	1,296
Securities Lending Income	46	23	-	-	69
Other Revenues	79	-	-	-	79
Total Revenues	7,427	512	-	-	7,939
EXPENDITURES:					
Current:					
General Government	87	11,779	-	80	11,946
Public Safety/Corrections	-	444	-	-	444
Resource Development/Recreation	33	-	-	-	33
Economic Development/Assistance	-	232	-	-	232
Debt Service Int/Fiscal Charge	31	4	-	-	35
Capital Outlay	48,465	672	41	101	49,279
Securities Lending	45	22	-	-	67
Total Expenditures	48,661	13,153	41	181	62,036
Excess of Revenues Over (Under) Expenditures	(41,234)	(12,641)	(41)	(181)	(54,097)
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	2,029	-	-	-	2,029
Bond Proceeds	60,007	38,190	-	-	98,197
Operating Transfers In	18,174	-	-	916	19,090
Operating Transfers Out	(2,762)	-	-	(363)	(3,125)
Total Other Financing Sources (Uses)	77,448	38,190	-	553	116,191
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	36,214	25,549	(41)	372	62,094
FUND BALANCES - July 1 - As Previously Reported	21,583	-	219	425	22,227
Residual Equity Transfers	(860)	-	-	-	(860)
FUND BALANCES - June 30	\$ 56,937	\$ 25,549	\$ 178	\$ 797	\$ 83,461

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.

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.

Judiciary Law Library - This fund accounts for fees collected for on-line law library references and searches and the related administrative costs.

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 programs and the related administrative costs of the plans administered by the Department of Administration and the Commissioner of Higher Education.

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, 1998
(Expressed in Thousands)

	ECONOMIC						
	DEVELOPMENT	LIQUOR	HAIL	STATE	PRISON	PRISON	UNINSURED
	BONDS	WAREHOUSE	INSURANCE	LOTTERY	RANCH	INDUSTRIES	EMPLOYERS
ASSETS:							
Cash/Cash Equivalents	\$ 4,177	\$ 3,213	\$ 3,129	\$ 2,945	\$ 1,205	\$ 339	1,528
Receivables (Net)	1,423	8,430	1,637	951	114	112	5,440
Due from Other Funds	-	-	7	10	100	134	1
Due from Component Units	1	-	-	-	-	23	-
Inventories	-	194	-	315	3,447	900	-
Long-Term Loans/Notes Receivable	50,762	-	-	-	-	-	-
Investments	10,999	-	2,998	-	-	-	-
Securities Lending Collateral	11	-	843	194	-	-	85
Land	-	-	-	-	690	-	-
Buildings/Improvements	-	1,736	-	-	2,514	523	-
Equipment	15	333	-	329	1,417	309	-
Other Fixed Assets	-	-	-	238	-	-	-
Construction in Progress	-	-	-	-	1	28	-
Accumulated Depreciation	(10)	(1,024)	-	(396)	(1,945)	(432)	-
Intangible Assets	-	-	-	13	36	-	1
Deferred Charges	1,199	-	-	-	-	-	-
Other Assets	-	56	-	1,929	-	1	-
TOTAL ASSETS	\$ 68,577	\$ 12,938	\$ 8,614	\$ 6,528	\$ 7,579	\$ 1,937	7,055
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ 996	\$ 2,804	\$ 17	\$ 258	\$ 43	\$ 41	3
Lottery Prizes Payable	-	-	-	3,202	-	-	-
Interfund Loans Payable	-	-	-	-	-	-	-
Due to Other Governments	-	-	13	-	-	-	-
Due to Component Units	-	-	-	3	-	-	-
Due to Other Funds	8	6,423	19	2,313	54	27	21
Deferred Revenue	211	1,395	1,488	142	-	6	-
Lease/Installment Purchase Payable	-	-	-	-	-	-	1
Bonds/Notes Payable (Net)	63,551	-	-	-	-	-	-
Property Held in Trust	158	55	-	-	-	-	-
Securities Lending Liability	11	-	843	194	-	-	85
Compensated Absences Payable	14	59	24	178	114	69	52
Estimated Insurance Claims	-	-	475	-	-	-	-
Arbitrage Rebate Tax Payable	568	-	-	-	-	-	-
Total Liabilities	65,517	10,736	2,879	6,290	211	143	162
Fund Equity:							
Contributed Capital	23	1,915	6	238	21	255	1
Retained Earnings:							
Unreserved	3,037	287	5,729	-	7,347	1,539	6,892
Total Fund Equity	3,060	2,202	5,735	238	7,368	1,794	6,893
TOTAL LIABILITIES/FUND EQUITY	\$ 68,577	\$ 12,938	\$ 8,614	\$ 6,528	\$ 7,579	\$ 1,937	7,055

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIARY LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$ 631	\$ 20	\$ 1,223	\$ 88	\$ 114	\$ 213	\$ 1	357
77	-	2	78	134	9	-	-
-	9	53	1	-	2	-	-
20	-	-	-	-	-	-	-
-	-	20	370	235	-	-	-
-	-	-	-	3	-	-	-
1,298	-	-	-	-	-	-	-
337	-	-	-	-	-	-	-
-	-	-	-	-	110	-	-
-	-	-	-	130	487	-	-
-	-	15	11	117	76	-	7
-	-	-	-	-	1,147	-	-
-	-	-	-	-	-	-	-
-	-	(6)	(3)	(92)	(1,349)	-	(6)
-	-	-	-	2	-	-	-
-	-	-	-	-	-	-	-
-	-	3	-	2	-	-	1
<u>\$ 2,363</u>	<u>\$ 29</u>	<u>\$ 1,310</u>	<u>\$ 545</u>	<u>\$ 645</u>	<u>\$ 695</u>	<u>\$ 1</u>	<u>359</u>

\$ 3	\$ -	\$ 7	\$ 4	\$ 6	\$ 2	\$ 1	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	9	54	44	10	4	-	13
-	17	31	108	-	-	-	-
-	-	-	-	-	-	-	-
-	-	66	-	2	-	-	-
337	-	-	-	-	-	-	-
2	3	96	42	29	4	-	33
1,017	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,360</u>	<u>29</u>	<u>254</u>	<u>198</u>	<u>47</u>	<u>10</u>	<u>1</u>	<u>46</u>
-	-	-	39	285	1,345	-	106
1,003	-	1,056	308	313	(660)	-	207
<u>1,003</u>	<u>-</u>	<u>1,056</u>	<u>347</u>	<u>598</u>	<u>685</u>	<u>-</u>	<u>313</u>
<u>\$ 2,363</u>	<u>\$ 29</u>	<u>\$ 1,310</u>	<u>\$ 545</u>	<u>\$ 645</u>	<u>\$ 695</u>	<u>\$ 1</u>	<u>359</u>

(Continued on Next Page)

STATE OF MONTANA
Combining Balance Sheet - Continued
Enterprise Funds
June 30, 1998
(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
ASSETS:						
Cash/Cash Equivalents	\$ -	\$ 398	\$ 9	\$ 2	\$ 2	19,594
Receivables (Net)	-	2	-	-	-	18,409
Due from Other Funds	1	10	-	-	-	328
Due from Component Units	-	48	-	-	-	92
Inventories	-	-	-	-	-	5,481
Long-Term Loans/Notes Receivable	-	-	-	-	-	50,765
Investments	-	-	-	-	-	15,295
Securities Lending Collateral	-	-	-	-	-	1,470
Land	-	-	-	-	-	800
Buildings/Improvements	-	-	-	-	-	5,390
Equipment	-	-	-	-	-	2,629
Other Fixed Assets	-	-	-	-	-	1,385
Construction in Progress	-	-	-	-	-	29
Accumulated Depreciation	-	-	-	-	-	(5,263)
Intangible Assets	-	-	-	-	-	52
Deferred Charges	-	-	-	-	-	1,199
Other Assets	-	-	-	-	-	1,992
TOTAL ASSETS	\$ 1	458	\$ 9	\$ 2	\$ 2	119,647
LIABILITIES/FUND EQUITY:						
Liabilities:						
Accounts Payable	\$ -	\$ 6	\$ -	\$ -	\$ -	4,191
Lottery Prizes Payable	-	-	-	-	-	3,202
Interfund Loans Payable	-	75	-	-	-	75
Due to Other Governments	-	-	-	-	-	13
Due to Component Units	-	-	-	-	-	3
Due to Other Funds	1	-	-	-	-	9,001
Deferred Revenue	-	-	-	-	-	3,398
Lease/Installment Purchase Payable	-	-	-	-	-	1
Bonds/Notes Payable (Net)	-	-	-	-	-	63,551
Property Held in Trust	-	-	-	-	-	281
Securities Lending Liability	-	-	-	-	-	1,470
Compensated Absences Payable	-	-	-	-	-	719
Estimated Insurance Claims	-	-	-	-	-	1,492
Arbitrage Rebate Tax Payable	-	-	-	-	-	568
Total Liabilities	1	81	-	-	-	87,965
Fund Equity:						
Contributed Capital	-	-	186	-	-	4,420
Retained Earnings:						
Unreserved	-	377	(177)	2	2	27,262
Total Fund Equity	-	377	9	2	2	31,682
TOTAL LIABILITIES/FUND EQUITY	\$ 1	\$ 458	\$ 9	\$ 2	\$ 2	119,647



STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
OPERATING REVENUES:							
Charges for Services	\$ 7	\$ 37,359	\$ -	\$ 29,860	\$ 2,794	\$ 2,454	\$ 1
Investment Earnings	674	-	368	251	-	-	72
Securities Lending Income	-	-	161	6	-	-	3
Financing Income	2,915	-	-	-	-	-	-
Contributions/Premiums	-	-	1,751	-	-	-	-
Taxes	-	10,590	-	-	-	-	-
Other Operating Revenues	-	80	7	2	2	-	4,336
Total Operating Revenues	3,596	48,029	2,287	30,119	2,796	2,454	4,412
OPERATING EXPENSES:							
Personal Services	123	536	191	1,290	920	893	540
Contractual Services	14	128	70	4,881	74	26	27
Supplies/Materials	8	29,161	6	789	670	1,319	23
Benefits/Claims (Note 3)	-	-	1,492	-	-	-	847
Depreciation	3	28	-	59	184	64	-
Amortization	-	-	-	-	3	-	1
Utilities/Rent	20	47	5	95	60	52	36
Communications	6	42	5	779	4	9	20
Travel	5	3	26	31	8	12	20
Repair/Maintenance	-	17	-	50	207	51	2
Lottery Prize Payments	-	-	-	15,239	-	-	-
Interest Expense	2,800	-	-	-	-	-	-
Securities Lending Expense	-	-	157	6	-	-	3
Arbitrage Rebate Tax	153	-	-	-	-	-	-
Other Operating Expenses	26	25	4	264	136	15	1,519
Total Operating Expenses	3,158	29,987	1,956	23,483	2,266	2,441	3,038
Operating Income (Loss)	438	18,042	331	6,636	530	13	1,374
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	-	(230)	-	-	-	-	-
Increase (Decrease) Value of Livestock	-	-	-	-	(201)	-	-
Total Nonoperating Revenues (Expenses)	-	(230)	-	-	(201)	-	-
Income (Loss) Before Operating Transfers	438	17,812	331	6,636	329	13	1,374
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	(17,911)	(42)	(6,570)	-	-	-
Net Income (Loss)	438	(99)	289	66	329	13	1,374
RETAINED EARNINGS - JULY 1 -							
As Previously Reported	2,543	315	5,477	-	7,091	1,604	5,532
Prior Period Adjustments	56	71	(37)	(66)	(73)	(78)	(14)
RETAINED EARNINGS - JULY 1 - As Restated	2,599	386	5,440	(66)	7,018	1,526	5,518
Residual Equity Transfers	-	-	-	-	-	-	-
RETAINED EARNINGS - JUNE 30	\$ 3,037	\$ 287	\$ 5,729	\$ -	\$ 7,347	\$ 1,539	\$ 6,892

SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIARY LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$ 37	\$ 130	\$ 1,975	\$ 664	\$ 534	\$ 44	\$ -	236
142	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3	5	-	57	4	-
220	130	1,978	669	534	101	4	236
17	63	1,001	333	226	38	-	155
1	53	528	52	23	8	4	13
-	13	63	296	220	6	-	14
103	-	-	-	-	-	-	-
-	-	3	2	17	22	-	-
-	-	-	2	2	-	-	-
1	2	69	18	17	11	-	7
2	5	88	36	15	2	-	5
-	8	26	5	26	1	-	1
-	-	8	5	7	6	-	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	10	6	15	5	-	-	32
159	154	1,792	764	558	94	4	229
61	(24)	186	(95)	(24)	7	-	7
-	-	-	-	(3)	(1)	-	(3)
-	-	-	-	-	-	-	-
-	-	-	-	(3)	(1)	-	(3)
61	(24)	186	(95)	(27)	6	-	4
-	-	-	54	-	16	-	-
-	(1)	-	-	-	-	-	-
61	(25)	186	(41)	(27)	22	-	4
3,928	35	754	393	345	(674)	-	242
14	(10)	116	(44)	(5)	(8)	-	(39)
3,942	25	870	349	340	(682)	-	203
(3,000)	-	-	-	-	-	-	-
\$ 1,003	\$ -	\$ 1,056	\$ 308	\$ 313	\$ (660)	\$ -	207

(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, 1998
(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
OPERATING REVENUES:						
Charges for Services	\$ -	\$ 72	\$ 4	\$ -	\$ -	76,171
Investment Earnings	34	-	-	-	-	1,541
Securities Lending Income	-	-	-	-	-	205
Financing Income	-	-	-	-	-	2,915
Contributions/Premiums	-	4,882	-	-	-	6,639
Taxes	-	-	-	-	-	10,590
Other Operating Revenues	-	-	-	-	-	4,496
Total Operating Revenues	34	4,954	4	-	-	102,557
OPERATING EXPENSES:						
Personal Services	28	-	3	-	-	6,357
Contractual Services	2	76	-	-	-	5,980
Supplies/Materials	-	-	1	-	-	32,589
Benefits/Claims (Note 3)	-	4,566	-	-	-	7,008
Depreciation	-	-	-	-	-	382
Amortization	-	-	-	-	-	8
Utilities/Rent	1	-	-	-	-	441
Communications	1	2	-	-	-	1,021
Travel	1	-	-	-	-	173
Repair/Maintenance	-	-	-	-	-	355
Lottery Prize Payments	-	-	-	-	-	15,239
Interest Expense	-	-	-	-	-	2,800
Securities Lending Expense	-	-	-	-	-	200
Arbitrage Rebate Tax	-	-	-	-	-	153
Other Operating Expenses	1	67	-	-	-	2,126
Total Operating Expenses	34	4,711	4	-	-	74,832
Operating Income (Loss)	-	243	-	-	-	27,725
NONOPERATING REVENUES (EXPENSES):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	(237)
Increase (Decrease) Value of Livestock	-	-	-	-	-	(201)
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	(438)
Income (Loss) Before Operating Transfers	-	243	-	-	-	27,287
Operating Transfers In	-	-	-	-	-	70
Operating Transfers Out	-	-	-	-	-	(24,524)
Net Income (Loss)	-	243	-	-	-	2,833
RETAINED EARNINGS - JULY 1 -						
As Previously Reported	-	80	(177)	2	4	27,494
Prior Period Adjustments	-	54	-	-	(2)	(65)
RETAINED EARNINGS - JULY 1- As Restated	-	134	(177)	2	2	27,429
Residual Equity Transfers	-	-	-	-	-	(3,000)
RETAINED EARNINGS - JUNE 30	\$ -	\$ 377	\$ (177)	\$ 2	\$ 2	27,262



STATE OF MONTANA
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Sales and Services	\$ 7	\$ 37,698	\$ 1,979	\$ 29,868	\$ 2,830	\$ 2,354	\$ -
Payments to Suppliers for Goods and Services	(63)	(32,132)	(126)	(6,883)	(1,321)	(1,373)	(1,640)
Payments to Employees	(125)	(634)	(194)	(1,312)	(940)	(923)	(554)
Cash Payments for Claims	-	-	(1,550)	-	-	-	(847)
Cash Payments for Prizes	-	-	-	(15,004)	-	-	-
Other Operating Revenues	-	81	7	-	-	-	2,994
Net Cash Provided by (Used for) Operating Activities	(181)	5,013	116	6,669	569	58	(47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Payment of Principal and Interest on Bonds and Notes	(6,595)	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	19,622	-	-	-	-	-	-
Payment of Bond Issuance Costs	(263)	-	-	-	-	-	-
Collection of Taxes	-	10,590	-	-	-	-	-
Transfers to Other Funds	-	(15,505)	(74)	(6,052)	-	-	-
Transfers from Other Funds	-	-	-	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-	-	-	-
Residual Equity Transfers to Other Funds	-	-	-	-	-	-	-
Contributed Capital Transfers from Other Funds	-	-	-	-	-	-	1
Net Cash Provided by (Used for) Noncapital Financing Activities	12,764	(4,915)	(74)	(6,052)	-	-	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of Fixed Assets	-	(71)	-	(37)	(278)	(53)	-
Proceeds from Sale of Fixed Assets	-	18	-	-	-	-	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	-	-	(1)
Net Cash Used for Capital and Related Financing Activities	-	(53)	-	(37)	(278)	(53)	(1)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of Investments	(11,176)	-	(3,013)	-	-	-	-
Proceeds from Sales or Maturities of Investments	13,061	-	3,055	-	-	-	-
Proceeds from Securities Lending Transactions	-	-	164	6	-	-	3
Interest and Dividends on Investments	456	-	354	132	-	-	72
Payment of Securities Lending Costs	-	-	(160)	(6)	-	-	(3)
Collections of Principal and Interest on Loans	10,487	-	-	-	-	-	-
Cash Payments for Loans	(25,332)	-	-	-	-	-	-
Arbitrage Rebate Tax	(5)	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	(12,509)	-	400	132	-	-	72
Net Increase (Decrease) in Cash and Cash Equivalents	74	45	442	712	291	5	25
Cash and Cash Equivalents, July 1	4,103	3,168	2,687	2,233	914	334	1,503
Cash and Cash Equivalents, June 30	\$ 4,177	\$ 3,213	\$ 3,129	\$ 2,945	\$ 1,205	\$ 339	\$ 1,528

	SUBSEQUENT INJURY	MT CAREER INFO SYS	SECRETARY OF STATE BUSINESS SERVICES	HISTORICAL SOCIETY PUBLICATIONS	SURPLUS PROPERTY	WEST YELLOWSTONE AIRPORT	JUDICIAL LAW LIBRARY	LOCAL GOVERNMENT AUDITS
\$	121	\$ 143	\$ 1,971	\$ 645	\$ 481	\$ 98	\$ 4	237
	(6)	(95)	(772)	(404)	(317)	(31)	(3)	(71)
	(16)	(69)	(1,090)	(343)	(229)	(41)	-	(160)
	(271)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	7	-	-	-	-	-	-	-
	(165)	(21)	109	(102)	(65)	26	1	6
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	53	-	8	-	-
	-	-	-	-	-	-	-	-
	(3,000)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	(3,000)	-	-	53	-	8	-	-
	-	-	-	-	(14)	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	(14)	-	-	-
	3,350	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	46	-	-	-	-	-	-	-
	166	-	-	-	-	-	-	-
	(45)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	3,517	-	-	-	-	-	-	-
	352	(21)	109	(49)	(79)	34	1	6
	279	41	1,114	137	193	179	-	351
\$	\$ 631	\$ 20	\$ 1,223	\$ 88	\$ 114	\$ 213	\$ 1	\$ 357

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Sales and Services	\$ 33	\$ 4,894	\$ 4	\$ -	\$ -	83,367
Payments to Suppliers for Goods and Services	(38)	(145)	(1)	-	-	(45,421)
Payments to Employees	(27)	-	(3)	-	-	(6,660)
Cash Payments for Claims	-	(4,506)	-	-	-	(7,174)
Cash Payments for Prizes	-	-	-	-	-	(15,004)
Other Operating Revenues	-	-	-	-	-	3,089
Net Cash Provided by (Used for) Operating Activities	(32)	243	-	-	-	12,197
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	(6,595)
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	19,622
Payment of Bond Issuance Costs	-	-	-	-	-	(263)
Collection of Taxes	-	-	-	-	-	10,590
Transfers to Other Funds	-	-	-	-	-	(21,631)
Transfers from Other Funds	-	-	-	-	-	61
Proceeds from Interfund Loans	-	75	-	-	-	75
Residual Equity Transfers to Other Funds	-	-	-	-	-	(3,000)
Contributed Capital Transfers from Other Funds	-	-	-	-	-	1
Net Cash Provided by (Used for) Noncapital Financing Activities	-	75	-	-	-	(1,140)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	-	-	-	-	-	(453)
Proceeds from Sale of Fixed Assets	-	-	-	-	-	18
Principal and Interest Payments on Bonds and Notes	-	-	-	-	-	(1)
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	(436)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	-	-	-	-	(10,839)
Proceeds from Sales or Maturities of Investments	-	-	-	-	-	16,116
Proceeds from Securities Lending Transactions	-	-	-	-	-	219
Interest and Dividends on Investments	32	-	-	-	-	1,212
Payment of Securities Lending Costs	-	-	-	-	-	(214)
Collections of Principal and Interest on Loans	-	-	-	-	-	10,487
Cash Payments for Loans	-	-	-	-	-	(25,332)
Arbitrage Rebate Tax	-	-	-	-	-	(5)
Net Cash Provided by (Used for) Investing Activities	32	-	-	-	-	(8,356)
Net Increase (Decrease) in Cash and Cash Equivalents	-	318	-	-	-	2,265
Cash and Cash Equivalents, July 1	-	80	9	2	2	17,329
Cash and Cash Equivalents, June 30	\$ -	\$ 398	\$ 9	\$ 2	\$ 2	19,594

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Enterprise Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	ECONOMIC DEVELOPMENT BONDS	LIQUOR WAREHOUSE	HAIL INSURANCE	STATE LOTTERY	PRISON RANCH	PRISON INDUSTRIES	UNINSURED EMPLOYERS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ 438	\$ 18,042	\$ 331	\$ 6,636	\$ 530	\$ 13	\$ 1,374
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:							
Depreciation	3	28	-	59	184	64	-
Amortization	-	-	-	-	3	-	1
Taxes	-	(10,590)	-	-	-	-	-
Interest Expense	2,800	-	-	-	-	-	-
Securities Lending Expense	-	-	157	6	-	-	3
Interest on Investments	(674)	-	(368)	(251)	-	-	(72)
Securities Lending Income	-	-	(161)	(6)	-	-	(3)
Financing Income	(2,915)	-	-	-	-	-	-
Arbitrage Rebate Tax	153	-	-	-	-	-	-
Change in Assets and Liabilities:							
Decr (Incr) in Accounts Receivable	-	137	156	91	19	(43)	(1,342)
Decr (Incr) in Due From Other Funds	-	-	(6)	6	19	(39)	10
Decr (Incr) in Due From Component Units	-	-	-	-	-	(7)	-
Decr (Incr) in Inventories	-	(137)	-	187	(136)	117	-
Decr (Incr) in Intangible Assets	-	-	-	(4)	-	-	-
Decr (Incr) in Long-Term Loans/Notes Rec	12	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	(20)	-	(67)	-	-	-
Incr (Decr) in Accounts Payable	3	(2,524)	-	(138)	(42)	(5)	2
Incr (Decr) in Lottery Prizes Payable	-	-	-	151	-	-	-
Incr (Decr) in Due to Other Funds	(4)	(78)	(13)	(54)	(19)	(33)	(20)
Incr (Decr) in Due to Component Units	-	-	-	2	-	-	-
Incr (Decr) in Deferred Revenue	-	156	77	38	-	(9)	-
Incr (Decr) in Property Held in Trust	-	20	-	-	-	-	-
Incr (Decr) in Compensated Absences Pay	3	(21)	5	13	11	-	-
Incr (Decr) in Estimated Claims	-	-	(62)	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ (181)	\$ 5,013	\$ 116	\$ 6,669	\$ 569	\$ 58	\$ (47)
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, 1998
(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)	\$ 61	\$ (24)	\$ 186	\$ (95)	(24)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	-	-	3	2	17
Amortization	-	-	-	2	2
Taxes	-	-	-	-	-
Interest Expense	-	-	-	-	-
Securities Lending Expense	34	-	-	-	-
Interest on Investments	(142)	-	-	-	-
Securities Lending Income	(35)	-	-	-	-
Financing Income	-	-	-	-	-
Arbitrage Rebate Tax	-	-	-	-	-
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	105	1	(2)	(22)	(26)
Decr (Incr) in Due From Other Funds	-	(10)	(43)	(1)	1
Decr (Incr) in Due From Component Units	(21)	-	-	-	-
Decr (Incr) in Inventories	-	-	(20)	29	-
Decr (Incr) in Intangible Assets	-	-	-	-	-
Decr (Incr) in Long-Term Loans/Notes Rec	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	18	-	1
Incr (Decr) in Accounts Payable	(31)	(3)	1	(20)	(27)
Incr (Decr) in Lottery Prizes Payable	-	-	-	-	-
Incr (Decr) in Due to Other Funds	-	3	(19)	-	(11)
Incr (Decr) in Due to Component Units	-	-	(1)	(2)	(1)
Incr (Decr) in Deferred Revenue	-	11	7	(1)	-
Incr (Decr) in Property Held in Trust	-	-	(12)	-	(1)
Incr (Decr) in Compensated Absences Pay	1	1	(9)	6	4
Incr (Decr) in Estimated Claims	(137)	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (165)</u>	<u>\$ (21)</u>	<u>\$ 109</u>	<u>\$ (102)</u>	<u>(65)</u>
SCHEDULE OF NONCASH TRANSACTIONS:					
Asset Acquisitions from Contributed Capital Transfers from Other Funds	\$ -	\$ -	\$ -	\$ -	1,143
Total Noncash Transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,143</u>

WEST YELLOWSTONE AIRPORT	JUDICIAL LAW LIBRARY	LOCAL GOVERNMENT AUDITS	DEF COMP ADMIN	FLEXIBLE SPENDING ADMIN	DEPT OF AGRICULTURE	SWAN RIVER VOCATIONAL TRAINING	WOMEN'S PRISON INDUSTRIES	TOTALS
\$ 7	\$ -	7	\$ -	243	\$ -	\$ -	\$ -	27,725
22	-	-	-	-	-	-	-	382
-	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	(10,590)
-	-	-	-	-	-	-	-	2,800
-	-	-	-	-	-	-	-	200
-	-	-	(34)	-	-	-	-	(1,541)
-	-	-	-	-	-	-	-	(205)
-	-	-	-	-	-	-	-	(2,915)
-	-	-	-	-	-	-	-	153
-	-	3	-	(2)	-	-	-	(925)
(3)	-	-	243	44	-	-	-	221
-	-	-	-	(48)	-	-	-	(76)
-	-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	-	(4)
-	-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-	(68)
1	1	-	(242)	6	-	-	-	(3,018)
-	-	-	-	-	-	-	-	151
(1)	-	(4)	1	-	-	-	-	(252)
-	-	-	-	-	-	-	-	(2)
-	-	-	-	-	-	-	-	279
-	-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	-	14
-	-	-	-	-	-	-	-	(199)
<u>\$ 26</u>	<u>\$ 1</u>	<u>6</u>	<u>(32)</u>	<u>243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,197</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,143
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,143</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.

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, 1998
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL
ASSETS:							
Cash/Cash Equivalents	\$ 1,294	\$ 3,201	\$ 1,436	\$ 2,970	\$ 2,041	\$ 881	\$ 1,131
Receivables (Net)	203	609	33	-	88	3	13
Interfund Loans Receivable	-	176	-	-	-	-	-
Due from Other Governments	10	-	-	-	-	8	-
Due from Component Units	-	-	187	384	-	1	1
Due from Other Funds	430	6	1,584	23	-	287	207
Inventories	-	-	-	-	-	-	-
Investments	-	32,897	-	-	5,698	-	-
Securities Lending Collateral	-	11,007	-	164	113	-	-
Land	-	-	-	-	-	-	236
Equipment	79,082	17	26,264	8	6	7,660	7,950
Construction in Progress	2,662	-	-	-	-	-	-
Accumulated Depreciation	(41,471)	(7)	(22,139)	(8)	-	(3,251)	(1,830)
Intangible Assets	-	-	-	-	-	-	-
Other Assets	-	24	-	-	1	-	-
TOTAL ASSETS	\$ 42,210	\$ 47,930	\$ 7,365	\$ 3,541	\$ 7,947	\$ 5,589	\$ 7,708
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ 144	\$ 1,776	\$ 638	\$ 972	\$ 324	\$ 112	\$ 34
Interfund Loans Payable	-	-	-	-	-	-	1,100
Due to Other Governments	-	-	3	-	-	-	-
Due to Component Units	-	-	6	5	-	-	-
Due to Other Funds	106	29	218	5	110	2	-
Deferred Revenue	-	-	-	134	-	-	-
Lease/Installment Purchase Payable	-	-	2,884	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	5,432
Property Held in Trust	-	-	62	-	-	-	-
Securities Lending Liability	-	11,007	-	164	113	-	-
Compensated Absences Payable	540	74	839	4	60	1	13
Estimated Insurance Claims	-	6,501	-	1,942	13,771	-	-
Total Liabilities	790	19,387	4,650	3,226	14,378	115	6,579
Fund Equity:							
Contributed Capital	2,671	-	1,592	-	2	2,382	10
Retained Earnings:							
Unreserved	38,749	28,543	1,123	315	(6,433)	3,092	1,119
Total Fund Equity	41,420	28,543	2,715	315	(6,431)	5,474	1,129
TOTAL LIABILITIES/FUND EQUITY	\$ 42,210	\$ 47,930	\$ 7,365	\$ 3,541	\$ 7,947	\$ 5,589	\$ 7,708

	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$	529	\$ 609	\$ 1,197	\$ 513	\$ 297	\$ 247	\$ 48	164
	12	-	-	-	-	-	-	6
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	18	13	-	-	8	5	-	-
	145	353	79	101	132	322	4	54
	576	114	-	-	-	-	159	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	143	1,161	163	256	182	136	-	365
	-	-	-	-	-	-	-	-
	(116)	(806)	(76)	(204)	(100)	(49)	-	(197)
	1	1	-	4	4	-	-	4
	5	-	1	-	2	-	-	130
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	1,313	\$ 1,445	\$ 1,364	\$ 670	\$ 525	\$ 661	\$ 211	526
<hr/>								
\$	38	\$ 211	\$ 163	\$ 69	\$ 14	\$ 80	\$ -	2
	-	-	-	-	-	-	-	100
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	11	51	119	46	78	75	-	10
	-	-	-	-	-	-	-	8
	-	-	-	-	-	-	-	19
	-	-	-	-	-	-	-	-
	-	-	-	-	49	-	-	-
	-	-	-	-	-	-	-	-
	47	74	91	202	282	237	-	46
	-	-	-	-	-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	96	336	373	317	423	392	-	185
<hr/>								
	-	-	5	11	14	269	85	-
	1,217	1,109	986	342	88	-	126	341
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,217	1,109	991	353	102	269	211	341
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	1,313	\$ 1,445	\$ 1,364	\$ 670	\$ 525	\$ 661	\$ 211	526

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STATE OF MONTANA
Combining Balance Sheet - Continued
Internal Service Funds
June 30, 1998
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING
ASSETS:							
Cash/Cash Equivalents	\$ 89	\$ 69	\$ 344	\$ 213	\$ 68	\$ 114	6
Receivables (Net)	-	-	-	-	-	-	4
Interfund Loans Receivable	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-
Due from Component Units	-	19	42	-	1	1	-
Due from Other Funds	-	62	28	35	120	105	17
Inventories	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-
Equipment	-	47	99	25	-	-	6
Construction in Progress	-	-	-	-	-	-	-
Accumulated Depreciation	-	(24)	(47)	(18)	-	-	(5)
Intangible Assets	-	-	-	-	-	-	-
Other Assets	-	-	11	1	-	-	-
TOTAL ASSETS	\$ 89	\$ 173	\$ 477	\$ 256	\$ 189	\$ 220	28
LIABILITIES/FUND EQUITY:							
Liabilities:							
Accounts Payable	\$ -	\$ 3	\$ 33	\$ 50	\$ 2	\$ 13	-
Interfund Loans Payable	-	-	-	-	115	-	-
Due to Other Governments	-	-	-	-	-	-	-
Due to Component Units	-	-	1	-	-	-	-
Due to Other Funds	46	16	58	9	98	32	8
Deferred Revenue	-	-	-	-	-	-	-
Lease/Installment Purchase Payable	-	-	-	-	-	-	-
Bonds/Notes Payable	-	-	-	-	-	-	-
Property Held in Trust	-	-	-	-	-	-	-
Securities Lending Liability	-	-	-	-	-	-	-
Compensated Absences Payable	27	15	160	44	84	73	10
Estimated Insurance Claims	-	-	-	-	-	-	-
Total Liabilities	73	34	252	103	299	118	18
Fund Equity:							
Contributed Capital	103	21	18	-	-	-	1
Retained Earnings:							
Unreserved	(87)	118	207	153	(110)	102	9
Total Fund Equity	16	139	225	153	(110)	102	10
TOTAL LIABILITIES/FUND EQUITY	\$ 89	\$ 173	\$ 477	\$ 256	\$ 189	\$ 220	28

	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	106 \$	17 \$	63 \$	2 \$	1 \$	8 \$	3 \$	4 \$	17,665
	4	-	-	-	-	-	-	-	975
	-	-	-	-	-	-	-	-	176
	-	-	-	-	-	-	-	-	18
	13	-	-	-	-	-	-	-	693
	42	-	1	2	5	-	-	3	4,147
	22	10	-	-	-	-	-	-	881
	-	-	-	-	-	-	-	-	38,595
	-	-	-	-	-	-	-	-	11,284
	-	-	-	-	-	-	-	-	236
	58	60	-	-	-	-	-	-	123,688
	-	-	-	-	-	-	-	-	2,662
	(30)	(39)	-	-	-	-	-	-	(70,417)
	-	-	-	-	-	-	-	-	14
	13	-	-	-	-	-	-	-	188
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	228 \$	48 \$	64 \$	4 \$	6 \$	8 \$	3 \$	7 \$	130,805
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	2 \$	2 \$	13 \$	- \$	- \$	- \$	- \$	- \$	4,695
	-	-	-	-	-	-	-	-	1,315
	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	12
	64	1	7	3	5	-	1	3	1,211
	29	-	-	-	-	-	-	-	171
	-	-	-	-	-	-	-	-	2,903
	-	-	-	-	-	-	-	-	5,432
	-	-	-	-	-	-	-	-	111
	-	-	-	-	-	-	-	-	11,284
	24	-	11	9	34	-	-	4	3,005
	-	-	-	-	-	-	-	-	22,214
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	119	3	31	12	39	-	1	7	52,356
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6	25	-	-	-	3	-	-	7,218
	103	20	33	(8)	(33)	5	2	-	71,231
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	109	45	33	(8)	(33)	8	2	-	78,449
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\$	228 \$	48 \$	64 \$	4 \$	6 \$	8 \$	3 \$	7 \$	130,805

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Internal Service Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	HIGHWAY EQUIPMENT	EMPLOYEES GROUP BENEFITS	ISD	MUS GROUP INSURANCE	ADMIN. INSURANCE	FWP EQUIPMENT	MOTOR POOL
OPERATING REVENUES:							
Charges for Services	\$ 14,558	\$ 14	\$ 22,647	\$ -	\$ -	\$ 1,521	\$ 1,532
Investment Earnings	-	2,562	-	182	553	-	-
Securities Lending Income	-	791	-	8	300	-	-
Premiums	-	47,576	-	21,933	6,243	-	-
Other Operating Revenues	123	461	119	131	4	-	-
Total Operating Revenues	14,681	51,404	22,766	22,254	7,100	1,521	1,532
Intrafund Revenues	-	-	(258)	-	-	-	-
Net Operating Revenues	14,681	51,404	22,508	22,254	7,100	1,521	1,532
OPERATING EXPENSES:							
Personal Services	4,391	415	6,192	150	448	52	204
Contractual Services	696	1,162	669	1,464	3,170	91	33
Supplies/Materials	2,835	17	1,672	4	22	479	296
Benefits/Claims (Note 3)	-	45,859	-	20,310	3,751	-	-
Depreciation	4,189	5	2,715	-	-	406	686
Amortization	-	-	-	-	1	-	-
Utilities/Rent	60	14	3,054	-	18	13	7
Communications	11	38	6,887	4	14	4	2
Travel	32	3	180	2	15	4	-
Repair/Maintenance	2,270	1	1,485	-	-	424	81
Interest Expense	-	-	136	-	-	-	212
Securities Lending Expense	-	771	-	8	293	-	-
Other Operating Expenses	118	118	454	434	25	2	4
Total Operating Expenses	14,602	48,403	23,444	22,376	7,757	1,475	1,525
Intrafund Expenses	-	-	(258)	-	-	-	-
Net Operating Expenses	14,602	48,403	23,186	22,376	7,757	1,475	1,525
Operating Income (Loss)	79	3,001	(678)	(122)	(657)	46	7
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	403	-	(165)	-	(5)	128	(47)
Federal Indirect Cost Recoveries	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	403	-	(165)	-	(5)	128	(47)
Income (Loss) before Operating Transfers	482	3,001	(843)	(122)	(662)	174	(40)
Operating Transfers In	-	-	3	-	16	-	-
Operating Transfers Out	-	-	(62)	-	(258)	-	-
Net Income (Loss)	482	3,001	(902)	(122)	(904)	174	(40)
RETAINED EARNINGS - July 1 -							
As Previously Reported	40,428	25,454	3,082	503	(5,522)	4,541	1,175
Prior Period Adjustments	(2,161)	88	(1,057)	(66)	(7)	(1,623)	(16)
RETAINED EARNINGS - JULY 1 - As Restated	38,267	25,542	2,025	437	(5,529)	2,918	1,159
RETAINED EARNINGS - JUNE 30	\$ 38,749	\$ 28,543	\$ 1,123	\$ 315	\$ (6,433)	\$ 3,092	\$ 1,119

	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$	3,788	\$ 6,217	\$ 4,793	\$ 757	\$ 2,391	\$ 1,325	\$ 70	3,235
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	15	-	-	-	-
	3,788	6,217	4,793	772	2,391	1,325	70	3,235
	-	-	-	-	-	-	-	-
	3,788	6,217	4,793	772	2,391	1,325	70	3,235
	341	775	841	1,215	1,898	1,418	-	365
	58	50	1,588	98	148	379	2	31
	3,498	5,062	156	135	63	131	80	30
	-	-	-	-	-	-	-	-
	15	117	19	7	26	22	-	34
	1	1	-	4	7	-	-	8
	65	79	1,387	89	94	75	1	36
	18	31	14	28	41	37	1	2,664
	4	4	13	10	30	12	-	8
	12	182	339	27	15	9	-	43
	-	-	-	-	-	-	-	1
	-	-	-	-	-	-	-	-
	7	11	71	23	121	18	-	7
	4,019	6,312	4,428	1,636	2,443	2,101	84	3,227
	-	-	-	-	-	-	-	-
	4,019	6,312	4,428	1,636	2,443	2,101	84	3,227
	(231)	(95)	365	(864)	(52)	(776)	(14)	8
	(3)	(14)	-	(1)	-	(26)	-	-
	-	-	-	857	85	811	-	-
	(3)	(14)	-	856	85	785	-	-
	(234)	(109)	365	(8)	33	9	(14)	8
	-	-	59	-	-	-	-	-
	-	-	(322)	-	-	-	-	-
	(234)	(109)	102	(8)	33	9	(14)	8
	1,480	1,253	940	448	154	58	140	371
	(29)	(35)	(56)	(98)	(99)	(67)	-	(38)
	1,451	1,218	884	350	55	(9)	140	333
\$	1,217	\$ 1,109	\$ 986	\$ 342	\$ 88	\$ -	\$ 126	\$ 341

(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, 1998
(Expressed in Thousands)

	PAYROLL PROCESSING	WARRANT PROCESSING	INVESTMENT DIVISION	AIRCRAFT OPERATION	JUSTICE LEGAL	OPI CENTRAL SERVICES	PERSONNEL TRAINING
OPERATING REVENUES:							
Charges for Services	\$ 595	\$ 759	\$ 1,876	\$ 213	\$ 1,065	\$ 561	204
Investment Earnings	-	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-	-
Premiums	-	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-	-
Total Operating Revenues	595	759	1,876	213	1,065	561	204
Intrafund Revenues	-	-	-	-	-	-	-
Net Operating Revenues	595	759	1,876	213	1,065	561	204
OPERATING EXPENSES:							
Personal Services	203	165	1,234	287	808	653	93
Contractual Services	370	195	115	33	115	226	46
Supplies/Materials	12	14	62	57	17	54	14
Benefits/Claims (Note 3)	-	-	-	-	-	-	-
Depreciation	-	9	4	5	-	-	-
Amortization	-	-	-	-	-	-	-
Utilities/Rent	7	6	83	52	34	91	10
Communications	7	313	35	9	12	43	8
Travel	1	1	49	15	9	6	14
Repair/Maintenance	1	7	9	283	5	30	1
Interest Expense	-	-	-	-	1	-	-
Securities Lending Expense	-	-	-	-	-	-	-
Other Operating Expenses	5	43	134	15	4	81	3
Total Operating Expenses	606	753	1,725	756	1,005	1,184	189
Intrafund Expenses	-	-	-	-	-	-	-
Net Operating Expenses	606	753	1,725	756	1,005	1,184	189
Operating Income (Loss)	(11)	6	151	(543)	60	(623)	15
NONOPERATING REVENUES (EXPENSES):							
Gain (Loss) Sale of Fixed Assets	(1)	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	621	-
Total Nonoperating Revenues (Expenses)	(1)	-	-	-	-	621	-
Income (Loss) before Operating Transfers	(12)	6	151	(543)	60	(2)	15
Operating Transfers In	-	-	-	355	-	-	-
Operating Transfers In	-	-	-	-	-	-	-
Net Income (Loss)	(12)	6	151	(188)	60	(2)	15
RETAINED EARNINGS - July 1 -							
As Previously Reported	(74)	107	163	365	(157)	149	2
Prior Period Adjustments	(1)	5	(107)	(24)	(13)	(45)	(8)
RETAINED EARNINGS - JULY 1 - As Restated	(75)	112	56	341	(170)	104	(6)
RETAINED EARNINGS - JUNE 30	\$ (87)	\$ 118	\$ 207	\$ 153	\$ (110)	\$ 102	\$ 9

	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	455	\$ 83	\$ 204	\$ 55	\$ 129	\$ 10	\$ -	\$ 132	69,189
	-	-	-	-	-	-	-	-	3,297
	-	-	-	-	-	-	-	-	1,099
	-	-	-	-	-	-	-	-	75,752
	27	-	-	-	-	-	-	-	880
	482	83	204	55	129	10	-	132	150,217
	-	-	-	-	-	-	-	-	(258)
	482	83	204	55	129	10	-	132	149,959
	270	26	159	47	111	-	-	108	22,869
	76	1	45	2	2	2	-	7	10,874
	41	31	16	1	-	6	-	7	14,812
	-	-	-	-	-	-	-	-	69,920
	8	2	-	-	-	-	-	-	8,269
	-	-	-	-	-	-	-	-	22
	49	1	4	1	-	-	-	1	5,331
	11	1	8	-	2	2	-	1	10,246
	2	-	1	-	-	2	-	-	417
	14	13	-	-	-	-	-	4	5,255
	-	-	-	-	-	-	-	-	350
	-	-	-	-	-	-	-	-	1,072
	1	-	4	1	11	-	-	1	1,716
	472	75	237	52	126	12	-	129	151,153
	-	-	-	-	-	-	-	-	(258)
	472	75	237	52	126	12	-	129	150,895
	10	8	(33)	3	3	(2)	-	3	(936)
	-	(2)	-	-	-	-	-	-	267
	-	-	-	-	-	-	-	-	2,374
	-	(2)	-	-	-	-	-	-	2,641
	10	6	(33)	3	3	(2)	-	3	1,705
	-	-	-	-	-	-	-	-	433
	-	-	-	-	-	-	-	(5)	(647)
	10	6	(33)	3	3	(2)	-	(2)	1,491
	(33)	15	64	(9)	(36)	12	2	3	75,078
	126	(1)	2	(2)	-	(5)	-	(1)	(5,338)
	93	14	66	(11)	(36)	7	2	2	69,740
\$	103	\$ 20	\$ 33	\$ (8)	\$ (33)	\$ 5	\$ 2	\$ -	71,231

STATE OF MONTANA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 1998
(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	\$ 14,750	\$ 47,475	\$ 22,229	\$ 21,973	\$ 6,250	1,540
Payments to Suppliers for Goods and Services	(6,040)	(1,470)	(13,549)	(1,885)	(3,089)	(1,057)
Payments to Employees	(4,598)	(383)	(6,325)	(175)	(458)	(58)
Grant Receipts	-	-	-	-	-	-
Cash Payments for Claims	-	(45,669)	-	(21,276)	(2,725)	-
Other Operating Revenue	-	461	119	131	4	-
Net Cash Provided by (Used for) Operating Activities	4,112	414	2,474	(1,232)	(18)	425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	(62)	-	(258)	-
Transfers from Other Funds	-	-	3	-	16	184
Proceeds from Interfund Loans	-	616	-	-	-	-
Interfund Loan Payments	-	(352)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	264	(59)	-	(242)	184
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	(8,167)	-	(330)	-	(5)	(797)
Proceeds from Sale of Fixed Assets	3,958	-	-	-	-	380
Principal and Interest Payments on Bonds and Notes	-	-	(1,690)	-	-	-
Net Cash Used for Capital and Related Financing Activities	(4,209)	-	(2,020)	-	(5)	(417)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of Investments	-	(7,915)	-	-	(5,716)	-
Proceeds from Sales or Maturities of Investments	-	4,574	-	-	5,720	-
Proceeds from Securities Lending Transactions	-	811	-	8	307	-
Interest and Dividends on Investments	-	2,148	-	182	547	-
Payment of Securities Lending Costs	-	(792)	-	(8)	(300)	-
Net Cash Provided by (Used for) Investing Activities	-	(1,174)	-	182	558	-
Net Increase (Decrease) in Cash and Cash Equivalents	(97)	(496)	395	(1,050)	293	192
Cash and Cash Equivalents, July 1	1,391	3,697	1,041	4,020	1,748	689
Cash and Cash Equivalents, June 30	\$ 1,294	\$ 3,201	\$ 1,436	\$ 2,970	\$ 2,041	\$ 881

	MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$	1,449	\$ 3,769	\$ 6,082	\$ 4,744	\$ 776	\$ 2,387	\$ 1,204	\$ 71	3,261
	(413)	(3,606)	(5,510)	(3,514)	(365)	(479)	(589)	(69)	(2,910)
	(211)	(344)	(801)	(863)	(1,260)	(1,932)	(1,425)	-	(374)
	-	-	-	-	864	83	787	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	825	(181)	(229)	367	15	59	(23)	2	(23)
	(942)	-	-	-	-	-	-	-	-
	3,848	-	-	-	-	-	-	-	-
	-	-	-	(273)	-	-	-	-	-
	-	-	-	59	-	-	-	-	-
	2,400	-	-	-	-	-	-	-	295
	(1,300)	-	-	-	-	-	-	-	(220)
	4,006	-	-	(214)	-	-	-	-	75
	(4,249)	-	(31)	(69)	-	(15)	(29)	-	(6)
	178	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	(50)
	(4,071)	-	(31)	(69)	-	(15)	(29)	-	(56)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	760	(181)	(260)	84	15	44	(52)	2	(4)
	371	710	869	1,113	498	253	299	46	168
\$	1,131	\$ 529	\$ 609	\$ 1,197	\$ 513	\$ 297	\$ 247	\$ 48	164

(Continued on Next Page)

STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1998
(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	\$ 595	\$ 750	\$ 1,948	\$ 190	\$ 1,009	505
Payments to Suppliers for Goods and Services	(402)	(592)	(453)	(431)	(191)	(527)
Payments to Employees	(205)	(174)	(1,279)	(292)	(837)	(650)
Grant Receipts	-	-	-	-	-	712
Cash Payments for Claims	-	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(12)	(16)	216	(533)	(19)	40
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Payment of Principal and Interest on Bonds and Notes	-	-	-	-	-	-
Proceeds from Issuance of Bonds and Notes	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	355	-	-
Proceeds from Interfund Loans	-	-	-	-	175	-
Interfund Loan Payments	-	-	-	-	(135)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-	355	40	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Fixed Assets	-	-	(27)	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Principal and Interest Payments on Bonds and Notes	-	-	-	-	(1)	-
Net Cash Used for Capital and Related Financing Activities	-	-	(27)	-	(1)	-
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	(12)	(16)	189	(178)	20	40
Cash and Cash Equivalents, July 1	101	85	155	391	48	74
Cash and Cash Equivalents, June 30	\$ 89	\$ 69	\$ 344	\$ 213	\$ 68	114

	PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$	201	\$ 483	\$ 89	\$ 213	\$ 55	\$ 132	\$ 10	1	\$ 130	144,271
	(96)	(196)	(51)	(66)	(6)	(14)	(12)	-	(22)	(47,604)
	(106)	(256)	(27)	(168)	(54)	(118)	-	-	(112)	(23,485)
	-	-	-	-	-	-	-	-	-	2,446
	-	-	-	-	-	-	-	-	-	(69,670)
	-	-	-	-	-	-	-	-	-	715
	(1)	31	11	(21)	(5)	-	(2)	1	(4)	6,673
	-	-	-	-	-	-	-	-	-	(942)
	-	-	-	-	-	-	-	-	-	3,848
	-	-	-	-	-	-	-	-	(5)	(598)
	-	-	-	-	-	-	-	-	-	617
	-	-	-	-	-	-	-	-	-	3,486
	-	-	-	-	-	-	-	-	-	(2,007)
	-	-	-	-	-	-	-	-	(5)	4,404
	-	-	(19)	-	-	-	-	-	-	(13,744)
	-	-	-	-	-	-	-	-	-	4,516
	-	-	-	-	-	-	-	-	-	(1,741)
	-	-	(19)	-	-	-	-	-	-	(10,969)
	-	-	-	-	-	-	-	-	-	(13,631)
	-	-	-	-	-	-	-	-	-	10,294
	-	-	-	-	-	-	-	-	-	1,126
	-	-	-	-	-	-	-	-	-	2,877
	-	-	-	-	-	-	-	-	-	(1,100)
	-	-	-	-	-	-	-	-	-	(434)
	(1)	31	(8)	(21)	(5)	-	(2)	1	(9)	(326)
	7	75	25	84	7	1	10	2	13	17,991
\$	6	\$ 106	\$ 17	\$ 63	\$ 2	\$ 1	\$ 8	3	4	\$ 17,665

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STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1998
(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)	\$ 79	\$ 3,001	\$ (678)	\$ (122)	\$ (657)	46
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	4,189	5	2,715	-	-	406
Amortization	-	-	-	-	1	-
Interest on Investments	-	(2,562)	-	(182)	(553)	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Interest Expense	-	-	136	-	-	-
Securities Lending Expense	-	771	-	8	293	-
Securities Lending Income	-	(791)	-	(8)	(300)	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	103	(111)	(3)	1	-	-
Decr (Incr) in Due From Other Governments	-	-	-	-	-	2
Decr (Incr) in Due From Other Funds	(36)	(5)	(120)	250	7	21
Decr (Incr) in Due From Component Units	-	-	(11)	439	-	-
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	(24)	51	-	(1)	-
Incr (Decr) in Accounts Payable	1	778	162	916	201	(44)
Incr (Decr) in Due to Other Governments	-	-	3	-	-	-
Incr (Decr) in Due to Other Funds	(241)	(28)	(168)	(5)	46	(3)
Incr (Decr) in Due to Component Units	-	-	(12)	(14)	(4)	-
Incr (Decr) in Non-Capital Leases Payable	-	-	308	-	-	-
Incr (Decr) in Deferred Revenue	-	-	-	(684)	-	-
Incr (Decr) in Property Held in Trust	-	-	52	-	-	-
Incr (Decr) in Compensated Absences Payable	17	35	39	(19)	4	(3)
Incr (Decr) in Estimated Claims	-	(655)	-	(1,812)	945	-
Net Cash Provided by (Used for)						
Operating Activities	\$ 4,112	\$ 414	\$ 2,474	\$ (1,232)	\$ (18)	425
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ 1,579	\$ -	\$ -	-
Asset Acquisitions from Contributed						
Capital Transfers from Other Funds	92	-	-	-	-	143
Asset Disposals from Contributed Capital	(22)	-	78	-	-	(1)
Total Noncash Transactions	\$ 70	\$ -	\$ 1,657	\$ -	\$ -	142

MOTOR POOL	ADMIN. SUPPLY	PUBLICATIONS & GRAPHICS	BUILDINGS & GROUNDS	LABOR CENTRAL SERVICES	COMMERCE CENTRAL SERVICES	DEQ INDIRECT COST POOL	FWP WAREHOUSE INVENTORY	MAIL & MESSENGER
\$ 7	\$ (231)	(95)	365	(864)	(52)	(776)	(14)	8
686	15	117	19	7	26	22	-	34
-	1	1	-	4	7	-	-	8
-	-	-	-	-	-	-	-	-
-	-	-	-	857	85	811	-	-
212	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(13)	21	2	24	-	-	-	-	(2)
-	-	-	-	-	-	-	-	-
(54)	(38)	(146)	(36)	10	(6)	(145)	-	22
-	-	9	-	-	-	(4)	-	2
-	47	4	-	-	-	-	16	-
-	1	-	-	-	5	-	-	(74)
(5)	10	(109)	21	40	(3)	59	-	(15)
-	-	-	-	-	-	-	-	-
(11)	(13)	(9)	(29)	(49)	(64)	(13)	-	(18)
-	-	-	-	(1)	(2)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	8
-	-	-	-	-	38	-	-	-
3	6	(3)	3	11	25	23	-	3
-	-	-	-	-	-	-	-	-
<u>\$ 825</u>	<u>\$ (181)</u>	<u>(229)</u>	<u>367</u>	<u>15</u>	<u>59</u>	<u>(23)</u>	<u>2</u>	<u>(23)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21
-	-	-	-	-	-	-	-	-
-	-	-	(1)	(22)	(9)	(26)	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1)</u>	<u>(22)</u>	<u>(9)</u>	<u>(26)</u>	<u>\$ -</u>	<u>21</u>

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STATE OF MONTANA
Combining Statement of Cash Flows - Continued
Internal Service Funds
For the Fiscal Year Ended June 30, 1998
(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)	\$ (11)	\$ 6	\$ 151	\$ (543)	\$ 60	(623)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Depreciation	-	9	4	5	-	-
Amortization	-	-	-	-	-	-
Interest on Investments	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	621
Interest Expense	-	-	-	-	1	-
Securities Lending Expense	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Change in Assets and Liabilities:						
Decr (Incr) in Accounts Receivable	-	-	9	-	-	-
Decr (Incr) in Due From Other Governments	-	-	-	-	-	-
Decr (Incr) in Due From Other Funds	-	(8)	93	(23)	(56)	37
Decr (Incr) in Due From Component Units	-	(1)	(21)	-	1	(1)
Decr (Incr) in Inventories	-	-	-	-	-	-
Decr (Incr) in Other Assets	-	-	(3)	-	-	-
Incr (Decr) in Accounts Payable	-	-	22	32	(4)	12
Incr (Decr) in Due to Other Governments	-	-	-	-	-	-
Incr (Decr) in Due to Other Funds	(5)	(19)	(39)	(12)	(4)	(25)
Incr (Decr) in Due to Component Units	-	-	-	-	-	-
Incr (Decr) in Non-Capital Leases Payable	-	-	-	-	-	-
Incr (Decr) in Deferred Revenue	-	-	-	-	-	-
Incr (Decr) in Property Held in Trust	-	-	-	-	-	-
Incr (Decr) in Compensated Absences Payable	4	(3)	-	8	(17)	19
Incr (Decr) in Estimated Claims	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ (12)	\$ (16)	\$ 216	\$ (533)	\$ (19)	40
SCHEDULE OF NONCASH TRANSACTIONS:						
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	-
Asset Acquisitions from Contributed	-	-	7	-	-	-
Capital Transfers from Other Funds	-	-	-	-	-	-
Asset Disposals from Contributed Capital	(4)	(15)	(8)	-	-	-
Total Noncash Transactions	\$ (4)	\$ (15)	\$ (1)	\$ -	\$ -	-

PERSONNEL TRAINING	RECORDS MANAGEMENT	FWP OFFICE SUPPLY	DEBT COLLECTIONS	ADMIN. LEGAL	LOCAL GOVERNMENT ADMIN.	STATEWIDE FUELING NETWORK	NATURAL GAS PROCUREMENT	ADMIN. DP UNIT	TOTALS
\$ 15	\$ 10	\$ 8	(33)	\$ 3	\$ 3	(2)	\$ -	\$ 3	(936)
-	8	2	-	-	-	-	-	-	8,269
-	-	-	-	-	-	-	-	-	22
-	-	-	-	-	-	-	-	-	(3,297)
-	-	-	-	-	-	-	-	-	2,374
-	-	-	-	-	-	-	-	-	350
-	-	-	-	-	-	-	-	-	1,072
-	-	-	-	-	-	-	-	-	(1,099)
(2)	1	-	-	-	-	-	-	-	30
-	-	-	-	-	-	-	-	-	2
-	(2)	6	5	(2)	3	-	-	(1)	(224)
-	(9)	-	-	-	-	-	-	-	404
-	(22)	(2)	-	-	-	-	-	-	43
-	(2)	-	-	-	-	-	-	-	(47)
(1)	1	(1)	12	-	-	-	-	1	2,086
-	-	-	-	-	-	-	-	-	3
(5)	36	(2)	(5)	(3)	(3)	-	1	(6)	(696)
-	-	-	-	-	-	-	-	-	(33)
-	-	-	-	-	-	-	-	-	308
-	11	-	-	-	-	-	-	-	(665)
-	-	-	-	-	-	-	-	-	90
(8)	(1)	-	-	(3)	(3)	-	-	(1)	139
-	-	-	-	-	-	-	-	-	(1,522)
<u>\$ (1)</u>	<u>\$ 31</u>	<u>\$ 11</u>	<u>(21)</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>(2)</u>	<u>1</u>	<u>(4)</u>	<u>\$ 6,673</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,600
-	-	-	-	-	-	-	-	-	242
-	(213)	-	(5)	-	-	-	-	-	(248)
<u>\$ -</u>	<u>(213)</u>	<u>\$ -</u>	<u>(5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,594</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) Investment Trust Fund; and (4) Agency Funds.

STATE OF MONTANA
Combining Balance Sheet
All Trust and Agency Fund Types
June 30, 1998
(Expressed in Thousands)

	EXPENDABLE TRUSTS	NON- EXPENDABLE TRUSTS	INVESTMENT TRUST	AGENCY	TOTALS
ASSETS:					
Cash/Cash Equivalents	\$ 140,429	\$ 51,172	\$ 431,124	\$ 177,525	\$ 800,250
Receivables (Net)	4,395	15,002	985	65,782	86,164
Due from Other Governments	-	-	-	1	1
Due from Component Units	87	-	-	412	499
Due from Other Funds	3	544	-	10,794	11,341
Advances to Other Funds	-	-	-	30	30
Equity in Pooled Investments	63,840	958,097	-	-	1,021,937
Long-Term Loans Receivable	2,731	22	-	-	2,753
Investments	111,333	124,570	-	-	235,903
Securities Lending Collateral	14,975	140,181	28,873	766	184,795
Land	-	49,398	-	-	49,398
Other Assets	-	-	-	20,130	20,130
TOTAL ASSETS	\$ 337,793	\$ 1,338,986	\$ 460,982	\$ 275,440	\$ 2,413,201
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 145	\$ 4,160	985	\$ 15,106	\$ 20,396
Interfund Loans Payable	181	42	-	300	523
Advances from other Funds	20	-	-	-	20
Due to Other Governments	-	-	-	2,124	2,124
Due to Component Units	1	354	-	1,865	2,220
Due to Other Funds	15	54,203	-	22,254	76,472
Deferred Revenue	-	33	-	-	33
Property Held in Trust	1,491	-	-	229,751	231,242
Securities Lending Liability	14,975	140,181	28,873	766	184,795
Other Liabilities	-	-	-	3,274	3,274
Total Liabilities	16,828	198,973	29,858	275,440	521,099
Fund Balances:					
Reserved for:					
Encumbrances	18	-	-	-	18
Long-Term Loans	2,731	-	-	-	2,731
Trust Principal	163,969	1,114,106	-	-	1,278,075
Pool Participants	-	-	431,124	-	431,124
Unreserved	154,247	25,907	-	-	180,154
Total Fund Balances	320,965	1,140,013	431,124	-	1,892,102
TOTAL LIABILITIES/FUND BALANCES	\$ 337,793	\$ 1,338,986	\$ 460,982	\$ 275,440	\$ 2,413,201

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:

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.

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.

Wildlife Mitigation - This fund accounts for resources received and expended for wildlife mitigation projects.

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.

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, 1998
(Expressed in Thousands)

	EMPLOYEES DEFERRED COMP.	UNEMPLOYMENT INSURANCE	WILDLIFE MITIGATION	RURAL DEVELOPMENT	RAIL CONSTRUCTION
ASSETS:					
Cash/Cash Equivalents	\$ 2,828	\$ 129,699	\$ 1,771	\$ 1,394	772
Receivables (Net)	380	3,764	208	43	-
Due from Component Units	87	-	-	-	-
Due from Other Funds	-	1	-	2	-
Equity in Pooled Investments	63,566	-	-	-	-
Long-Term Loans/Notes Receivable	-	-	-	1,638	1,093
Investments	97,285	-	14,048	-	-
Securities Lending Collateral	9,057	-	5,641	92	52
TOTAL ASSETS	\$ 173,203	\$ 133,464	\$ 21,668	\$ 3,169	1,917
LIABILITIES/FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ -	\$ 58	\$ 83	\$ -	-
Interfund Loans Payable	176	-	5	-	-
Advances from Other Funds	-	20	-	-	-
Due to Component Units	-	-	-	-	-
Due to Other Funds	1	-	9	2	-
Property Held in Trust	-	167	29	-	-
Securities Lending Liability	9,057	-	5,641	92	52
Total Liabilities	9,234	245	5,767	94	52
Fund Balances:					
Reserved for Encumbrances	-	-	17	-	-
Reserved for Long-Term Loans	-	-	-	1,638	1,093
Reserved for Employees Deferred Compensation	163,969	-	-	-	-
Unreserved	-	133,219	15,884	1,437	772
Total Fund Balances	163,969	133,219	15,901	3,075	1,865
TOTAL LIABILITIES/FUND BALANCES	\$ 173,203	\$ 133,464	\$ 21,668	\$ 3,169	1,917

ESCHEATED PROPERTY	L&I COMP INSURANCE	HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	STATE LIBRARY TRUST	TOTALS
\$ 2,002	\$ 772	\$ 341	\$ 233	\$ 547	\$ 19	\$ 51	140,429
-	-	-	-	-	-	-	4,395
-	-	-	-	-	-	-	87
-	-	-	-	-	-	-	3
-	-	274	-	-	-	-	63,840
-	-	-	-	-	-	-	2,731
-	-	-	-	-	-	-	111,333
-	52	25	16	36	1	3	14,975
<u>\$ 2,002</u>	<u>\$ 824</u>	<u>\$ 640</u>	<u>\$ 249</u>	<u>\$ 583</u>	<u>\$ 20</u>	<u>\$ 54</u>	<u>337,793</u>
\$ 2	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	145
-	-	-	-	-	-	-	181
-	-	-	-	-	-	-	20
1	-	-	-	-	-	-	1
-	-	3	-	-	-	-	15
1,295	-	-	-	-	-	-	1,491
-	52	25	16	36	1	3	14,975
<u>1,298</u>	<u>52</u>	<u>30</u>	<u>16</u>	<u>36</u>	<u>1</u>	<u>3</u>	<u>16,828</u>
-	-	1	-	-	-	-	18
-	-	-	-	-	-	-	2,731
-	-	-	-	-	-	-	163,969
704	772	609	233	547	19	51	154,247
<u>704</u>	<u>772</u>	<u>610</u>	<u>233</u>	<u>547</u>	<u>19</u>	<u>51</u>	<u>320,965</u>
<u>\$ 2,002</u>	<u>\$ 824</u>	<u>\$ 640</u>	<u>\$ 249</u>	<u>\$ 583</u>	<u>\$ 20</u>	<u>\$ 54</u>	<u>337,793</u>

STATE OF MONTANA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Expendable Trust Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	EMPLOYEES DEFERRED COMP.	UNEMPLOYMENT INSURANCE	LOCAL GOV'T TRUST	WILDLIFE MITIGATION	RURAL DEVELOPMENT	RAIL CONSTRUCTION
REVENUES:						
Charges for Services/Fines/Forfeits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	8,294	8,964	-	1,146	241	43
Securities Lending Income	539	-	-	356	3	2
Contributions/Premiums	10,481	58,563	-	-	-	-
Grants/Contracts/Donations	-	-	-	2	5	-
Federal	-	3,938	-	-	-	-
Total Revenues	19,314	71,465	-	1,504	249	45
EXPENDITURES:						
Current:						
General Government	7,125	-	-	-	-	-
Transportation	-	-	-	-	-	-
Education/Cultural	-	-	-	-	-	-
Resource Development/Recreation	-	-	-	535	-	-
Economic Development/Assistance	-	58,953	-	-	125	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest/Fiscal Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	53	-	-
Securities Lending	527	-	-	347	3	2
Total Expenditures	7,652	58,953	-	935	128	2
Excess of Revenues Over (Under) Expenditures	11,662	12,512	-	569	121	43
OTHER FINANCING SOURCES (USES):						
Operating Transfers Out	-	-	-	(50)	-	-
Total Other Financing Sources (Uses)	-	-	-	(50)	-	-
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	11,662	12,512	-	519	121	43
FUND BALANCES - JULY 1 -						
As Previously Reported	-	120,707	84	-	2,954	1,822
Prior Period Adjustments	152,307	-	(84)	42	-	-
FUND BALANCES - JULY 1 - As Restated	152,307	120,707	-	42	2,954	1,822
Residual Equity Transfers	-	-	-	15,340	-	-
FUND BALANCES - JUNE 30	\$ 163,969	\$ 133,219	\$ -	\$ 15,901	\$ 3,075	\$ 1,865

ESCHEATED PROPERTY	L&I COMP INSURANCE	HISTORICAL SOCIETY GENERAL TRUST	WOODVILLE HIGHWAY REPLACEMENT	RURAL PHYSICIAN	HAYNES TRUST	STATE LIBRARY TRUST	SCHOOL FOR DEAF & BLIND	TOTALS	
\$ -	\$ -	\$ -	\$ -	\$ -	185 \$	\$ -	\$ -	\$ -	185
-	82	103	13	28	1	2	-	-	18,917
-	2	-	1	1	-	-	-	-	904
-	-	-	-	-	-	-	-	-	69,044
643	-	-	-	-	-	47	57	-	754
-	-	-	-	-	-	-	-	-	3,938
643	84	103	14	214	1	49	57	-	93,742
-	-	-	-	-	-	-	-	-	7,125
-	-	-	10	-	-	-	-	-	10
-	-	14	-	73	-	14	57	-	158
-	-	-	-	-	-	-	-	-	535
-	-	-	-	-	-	-	-	-	59,078
-	-	20	-	-	-	-	-	-	20
-	-	8	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	-	53
-	2	-	1	1	-	-	-	-	883
-	2	42	11	74	-	14	57	-	67,870
643	82	61	3	140	1	35	-	-	25,872
(330)	-	(8)	-	-	-	-	-	-	(388)
(330)	-	(8)	-	-	-	-	-	-	(388)
313	82	53	3	140	1	35	-	-	25,484
391	-	397	230	407	18	16	-	-	127,026
-	690	160	-	-	-	-	-	-	153,115
391	690	557	230	407	18	16	-	-	280,141
-	-	-	-	-	-	-	-	-	15,340
\$ 704	\$ 772	\$ 610	\$ 233	\$ 547	\$ 19	\$ 51	\$ -	\$ -	320,965



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, 1998
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY
ASSETS:						
Cash/Cash Equivalents	\$ 32,049	\$ 13,582	\$ 2,801	\$ 689	\$ 218	1,242
Receivables (Net)	9,690	4,237	743	179	24	95
Due from Other Funds	180	328	14	1	-	20
Equity in Pooled Investments	492,647	346,169	100,361	14,099	3,999	-
Long-Term Loans/Notes Receivable	-	22	-	-	-	-
Investments	115,214	-	-	-	-	7,052
Securities Lending Collateral	70,853	49,187	14,185	2,013	568	2,542
Land	-	49,398	-	-	-	-
TOTAL ASSETS	\$ 720,633	\$ 462,923	\$ 118,104	\$ 16,981	\$ 4,809	10,951
LIABILITIES/FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 1	\$ 4,142	\$ -	\$ -	\$ -	12
Interfund Loans Payable	41	-	-	-	-	1
Due to Other Funds	38,372	6,794	8,304	265	203	155
Due to Component Units	-	354	-	-	-	-
Deferred Revenue	-	-	33	-	-	-
Securities Lending Liability	70,853	49,187	14,185	2,013	568	2,542
Total Liabilities	109,267	60,477	22,522	2,278	771	2,710
Fund Balances:						
Reserved for Trust Principal	608,863	380,024	95,582	14,703	3,852	7,445
Unreserved	2,503	22,422	-	-	186	796
Total Fund Balances	611,366	402,446	95,582	14,703	4,038	8,241
TOTAL LIABILITIES/FUND BALANCES	\$ 720,633	\$ 462,923	\$ 118,104	\$ 16,981	\$ 4,809	10,951

	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	TOTALS
\$	284	241	19	19	20	8	51,172
	33	-	1	-	-	-	15,002
	1	-	-	-	-	-	544
	-	-	377	326	74	45	958,097
	-	-	-	-	-	-	22
	2,304	-	-	-	-	-	124,570
	803	16	6	5	2	1	140,181
	-	-	-	-	-	-	49,398
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	3,425	257	403	350	96	54	1,338,986
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	4	-	1	-	-	-	4,160
	-	-	-	-	-	-	42
	110	-	-	-	-	-	54,203
	-	-	-	-	-	-	354
	-	-	-	-	-	-	33
	803	16	6	5	2	1	140,181
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	917	16	7	5	2	1	198,973
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,508	241	396	345	94	53	1,114,106
	-	-	-	-	-	-	25,907
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,508	241	396	345	94	53	1,140,013
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	3,425	257	403	350	96	54	1,338,986

STATE OF MONTANA
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST	REAL PROPERTY
OPERATING REVENUES:						
Charges for Services	\$ -	\$ 5,801	\$ -	\$ -	\$ -	342
Investment Earnings	66,060	41,314	11,869	1,668	483	590
Securities Lending Income	3,709	2,896	834	117	34	183
Grants/Contracts/Donations	-	-	-	-	-	-
Taxes	17,218	-	998	437	(4)	-
Rentals/Leases/Royalties	-	22,429	-	-	-	176
Other Operating Revenues	-	13	-	-	-	-
Total Operating Revenues	86,987	72,453	13,701	2,222	513	1,291
OPERATING EXPENSES:						
Travel	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Securities Lending Expense	3,624	2,830	815	115	33	178
Other Operating Expenses	-	-	-	-	-	-
Total Operating Expenses	3,624	2,830	815	115	33	178
Income (Loss) before Operating Transfers	83,363	69,623	12,886	2,107	480	1,113
Operating Transfers In	-	24	-	-	-	-
Operating Transfers Out	(62,686)	(43,248)	(14,627)	(981)	(298)	(503)
Operating Transfers to Component Units	-	(1,977)	-	-	-	-
Net Income (Loss)	20,677	24,422	(1,741)	1,126	182	610
FUND BALANCES - JULY 1 -						
As Previously Reported	590,433	370,369	94,585	13,483	3,846	7,600
Prior Period Adjustments	256	7,655	2,738	94	10	31
FUND BALANCES - JULY 1 - As Restated	590,689	378,024	97,323	13,577	3,856	7,631
FUND BALANCES - JUNE 30	\$ 611,366	\$ 402,446	\$ 95,582	\$ 14,703	\$ 4,038	\$ 8,241

	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISITIONS	TOTALS
\$	- \$	- \$	- \$	- \$	- \$	- \$	6,143
	386	13	73	63	16	9	122,544
	67	1	1	1	-	-	7,843
	-	-	-	-	-	1	1
	30	-	-	-	-	-	18,679
	-	-	-	-	-	-	22,605
	-	-	-	-	-	-	13
	483	14	74	64	16	10	177,828
	-	-	1	-	-	-	1
	-	10	-	-	-	-	10
	65	1	1	1	-	-	7,663
	-	-	5	-	-	-	5
	65	11	7	1	-	-	7,679
	418	3	67	63	16	10	170,149
	-	-	-	-	-	-	24
	(446)	-	-	(3)	-	(2)	(122,794)
	-	-	-	-	-	-	(1,977)
	(28)	3	67	60	16	8	45,402
	2,528	238	72	59	30	33	1,083,276
	8	-	257	226	48	12	11,335
	2,536	238	329	285	78	45	1,094,611
\$	2,508 \$	241 \$	396 \$	345 \$	94 \$	53 \$	1,140,013

STATE OF MONTANA
Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	COAL TAX TRUST	LAND GRANTS	RESOURCE INDEMNITY	PARKS TRUST	CULTURAL TRUST
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Sales and Services	\$ -	\$ 5,725	\$ -	\$ -	-
Grant Payments	-	-	-	-	-
Scholarship/Fellowship Payments	-	-	-	-	-
Other Operating Revenue	-	13	-	-	-
Net Cash Provided by (Used for) Operating Activities	-	5,738	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Collection of Taxes	18,025	-	1,075	457	53
Transfers to Other Funds	(34,356)	(41,873)	(7,525)	(882)	(344)
Transfers to Component Units	-	(1,977)	-	-	-
Interfund Loan Payments	(589)	-	-	-	-
Transfers from Other Funds	-	24	-	-	-
Proceeds from Interfund Loans	41	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(16,879)	(43,826)	(6,450)	(425)	(291)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(34,574)	(14,500)	(2,200)	(500)	-
Proceeds from Sales or Maturities of Investments	18,689	-	-	-	-
Proceeds from Securities Lending Transactions	3,709	2,896	834	117	34
Interest and Dividends on Investments	34,229	26,498	7,518	1,059	307
Payment of Securities Lending Costs	(3,624)	(2,829)	(815)	(114)	(33)
Collection of Rents/Leases/Royalties	-	22,432	-	-	-
Net Cash Provided by (Used for) Investing Activities	18,429	34,497	5,337	562	308
Net Increase (Decrease) in Cash and Cash Equivalents	1,550	(3,591)	(1,113)	137	17
Cash and Cash Equivalents, July 1	30,499	17,173	3,914	552	201
Cash and Cash Equivalents, June 30	\$ 32,049	\$ 13,582	\$ 2,801	\$ 689	\$ 218
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 83,363	\$ 69,623	\$ 12,886	\$ 2,107	480
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Taxes	(17,218)	-	(998)	(437)	4
Securities Lending Expense	3,624	2,830	815	115	33
Interest on Investments	(66,060)	(41,314)	(11,869)	(1,668)	(483)
Securities Lending Income	(3,709)	(2,896)	(834)	(117)	(34)
Rentals/Leases/Royalties	-	(22,429)	-	-	-
Change in Assets and Liabilities:					
Decr (Incr) in Due From Other Funds	-	(71)	-	-	-
Incr (Decr) in Accounts Payable	-	-	-	-	-
Incr (Decr) in Due to Other Funds	-	(82)	-	-	-
Incr (Decr) in Due to Component Units	-	77	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ -	\$ 5,738	\$ -	\$ -	-

REAL PROPERTY	NOXIOUS WEED MANAGEMENT	MOORE SIPPLE CONNECTOR	JIM BRADLEY MEMORIAL	THOMAS TEAKLE	MERRITT- WHEELER MEMORIAL	HISTORICAL SOCIETY ACQUISTIONS	TOTALS
\$ 328	\$ -	\$ -	\$ -	\$ -	\$ -	1 \$	6,054
-	-	(15)	-	-	-	-	(15)
-	-	-	(5)	-	-	-	(5)
-	-	-	-	-	-	-	13
328	-	(15)	(5)	-	-	1	6,047
-	30	-	-	-	-	-	19,640
(428)	(417)	-	-	(3)	-	(2)	(85,830)
-	-	-	-	-	-	-	(1,977)
-	-	-	-	-	-	-	(589)
-	-	-	-	-	-	-	24
1	-	-	-	-	-	-	42
(427)	(387)	-	-	(3)	-	(2)	(68,690)
(1,650)	(450)	-	-	-	-	-	(53,874)
1,333	384	-	-	-	-	-	20,406
188	96	1	1	1	-	-	7,877
535	335	14	7	6	2	1	70,511
(184)	(67)	(1)	(1)	(1)	-	-	(7,669)
176	-	-	-	-	-	-	22,608
398	298	14	7	6	2	1	59,859
299	(89)	(1)	2	3	2	-	(2,784)
943	373	242	17	16	18	8	53,956
\$ 1,242	\$ 284	\$ 241	\$ 19	\$ 19	\$ 20	8 \$	51,172
\$ 1,113	\$ 418	\$ 3	\$ 67	\$ 63	\$ 16	10 \$	170,149
-	(30)	-	-	-	-	-	(18,679)
178	65	1	1	1	-	-	7,663
(590)	(386)	(13)	(73)	(63)	(16)	(9)	(122,544)
(183)	(67)	(1)	(1)	(1)	-	-	(7,843)
(176)	-	-	-	-	-	-	(22,605)
(14)	-	-	-	-	-	-	(85)
-	-	(5)	1	-	-	-	(4)
-	-	-	-	-	-	-	(82)
-	-	-	-	-	-	-	77
\$ 328	\$ -	(15)	(5)	\$ -	\$ -	1 \$	6,047

INVESTMENT TRUST FUND

The Investment Trust Fund is used to account for the investment by local government agencies in the Short Term Investment Pool (STIP), an external investment pool. A brief description of the Investment Trust Fund follows:

STIP Trust - this fund accounts for the receipt of monies by the Montana Board of Investments for investment in STIP and the distribution of related investment earnings to local government agencies.

STATE OF MONTANA
 Statement of Plan Net Assets
 Investment Trust Fund
 June 30, 1998
 (Expressed in Thousands)

	<u>STIP TRUST</u>
ASSETS:	
Cash/Cash Equivalents	\$ 431,124
Receivables (Net)	985
Securities Lending Collateral	28,873
 TOTAL ASSETS	 <u>\$ 460,982</u>
LIABILITIES:	
Accounts Payable	\$ 985
Securities Lending Liability	28,873
 TOTAL LIABILITIES	 <u>29,858</u>
 Net Assets Held in Trust for Pool Participants	 <u>\$ 431,124</u>

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.

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.

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

STATE OF MONTANA
Combining Balance Sheet
Agency Funds
June 30, 1998
(Expressed in Thousands)

	INVESTMENT POOL	LAND GRANT INTEREST	PERFORM. DEPOSITS	CENTRAL PAYROLL	WORKERS' COMP SECURITIES	CUSTODIAL ACCOUNTS
ASSETS:						
Cash/Cash Equivalents	\$ 129,946	\$ 2	\$ 7,110	\$ 14,696	\$ -	1,041
Receivables (Net)	65,537	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Due from Component Units	-	-	-	380	-	-
Due from Other Funds	-	-	-	10,617	-	-
Advances to Other Funds	-	-	30	-	-	-
Securities Lending Collateral	-	-	227	-	-	19
Other Assets	-	-	16,685	-	660	-
TOTAL ASSETS	\$ 195,483	\$ 2	\$ 24,052	\$ 25,693	\$ 660	1,060
LIABILITIES:						
Accounts Payable	\$ 14,950	\$ -	\$ -	\$ -	\$ -	-
Interfund Loans Payable	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-
Due to Component Units	-	2	-	1,854	-	-
Due to Other Funds	23	-	529	582	-	2
Property Held in Trust	180,510	-	20,022	23,257	660	1,039
Securities Lending Liability	-	-	227	-	-	19
Other Liabilities	-	-	3,274	-	-	-
TOTAL LIABILITIES	\$ 195,483	\$ 2	\$ 24,052	\$ 25,693	\$ 660	1,060

	UNISSUED WARRANTS	CHILD SUPPORT COLLECTIONS	UNCLAIMED PROPERTY	INTER- GOVERNMENTAL	UNCLEARED COLLECTIONS	DEBT COLLECTION	STOCK ESTRAY FUND	TOTALS
\$	2,304	\$ 428	\$ 19	\$ 2,486	\$ 19,133	\$ 349	\$ 11	177,525
	-	228	-	4	11	2	-	65,782
	-	-	-	1	-	-	-	1
	-	7	-	-	24	1	-	412
	111	-	-	-	14	52	-	10,794
	-	-	-	-	-	-	-	30
	-	-	-	142	378	-	-	766
	-	-	-	2,765	-	-	20	20,130
\$	2,415	\$ 663	\$ 19	\$ 5,398	\$ 19,560	\$ 404	\$ 31	275,440

\$	-	\$ -	\$ -	\$ 95	\$ 18	\$ 12	\$ 31	15,106
	-	300	-	-	-	-	-	300
	-	-	-	2,124	-	-	-	2,124
	-	-	-	-	-	9	-	1,865
	2,253	-	-	-	18,817	48	-	22,254
	162	363	19	3,037	347	335	-	229,751
	-	-	-	142	378	-	-	766
	-	-	-	-	-	-	-	3,274
\$	2,415	\$ 663	\$ 19	\$ 5,398	\$ 19,560	\$ 404	\$ 31	275,440

STATE OF MONTANA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
INVESTMENT POOL:				
ASSETS				
Cash/Cash Equivalents	\$ 533,925	\$ 36,303,045	\$ 36,707,024	\$ 129,946
Receivables (Net)	61,896	300,897	297,256	65,537
Equity in Pooled Investments	251,513	8,724,786	8,976,299	-
Investments	-	33,603,518	33,603,518	-
Securities Lending Collateral	-	1,148,867	1,148,867	-
Total Assets	\$ 847,334	\$ 80,081,113	\$ 80,732,964	\$ 195,483
LIABILITIES				
Accounts Payable	\$ 26,082	\$ 16,135	\$ 27,267	\$ 14,950
Due to Other Governments	321,094	721,550	1,042,644	-
Due to Other Funds	125	243	345	23
Property Held in Trust	500,033	10,805,824	11,125,347	180,510
Securities Lending Liability	-	1,148,867	1,148,867	-
Total Liabilities	\$ 847,334	\$ 12,692,619	\$ 13,344,470	\$ 195,483
EMPLOYEES DEFERRED COMP.:				
ASSETS				
Cash/Cash Equivalents	\$ 6,002	\$ 33,715	\$ 39,717	-
Receivables (Net)	376	-	376	-
Due from Other Funds	-	87,915	87,915	-
Due from Component Units	75	-	75	-
Equity in Pooled Investments	60,776	-	60,776	-
Investments	72,588	6,527	79,115	-
Securities Lending Collateral	7,985	-	7,985	-
Other Assets	-	19,730	19,730	-
Total Assets	\$ 147,802	\$ 147,887	\$ 295,689	-
LIABILITIES				
Interfund Loans Payable	\$ 440	\$ -	\$ 440	-
Due to Other Funds	243	87,842	88,085	-
Due to Component Units	2	-	2	-
Property Held in Trust	139,132	13,270	152,402	-
Securities Lending Liability	7,985	-	7,985	-
Total Liabilities	\$ 147,802	\$ 101,112	\$ 248,914	-
LAND GRANT INTEREST:				
ASSETS				
Cash/Cash Equivalents	\$ 1	\$ 25	\$ 24	\$ 2
Total Assets	\$ 1	\$ 25	\$ 24	\$ 2
LIABILITIES				
Due to Other Funds	\$ -	\$ 4	\$ 4	-
Due to Component Units	1	2	1	2
Total Liabilities	\$ 1	\$ 6	\$ 5	\$ 2

(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, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
PERFORM. DEPOSITS:				
ASSETS				
Cash/Cash Equivalents	\$ 6,885	\$ 33,673	\$ 33,448	\$ 7,110
Due from Other Funds	8	-	8	-
Advances To Other Funds	31	-	1	30
Securities Lending Collateral	95	227	95	227
Other Assets	5,100	13,686	2,101	16,685
Total Assets	\$ 12,119	\$ 47,586	\$ 35,653	\$ 24,052
LIABILITIES				
Accounts Payable	\$ 168	\$ 355	\$ 523	-
Due to Other Funds	315	530	316	529
Due to Component Units	2	-	2	-
Property Held in Trust	8,442	20,939	9,359	20,022
Securities Lending Liability	95	227	95	227
Other Liabilities	3,097	10,881	10,704	3,274
Total Liabilities	\$ 12,119	\$ 32,932	\$ 20,999	\$ 24,052
CENTRAL PAYROLL:				
ASSETS				
Cash/Cash Equivalents	\$ 256	\$ 441,181	\$ 426,741	\$ 14,696
Due from Other Funds	24,882	15,262	29,527	10,617
Due from Component Units	849	380	849	380
Total Assets	\$ 25,987	\$ 456,823	\$ 457,117	\$ 25,693
LIABILITIES				
Due to Other Funds	\$ 164	\$ 2,987	\$ 2,569	\$ 582
Due to Component Units	-	1,854	-	1,854
Property Held in Trust	25,823	428,978	431,544	23,257
Total Liabilities	\$ 25,987	\$ 433,819	\$ 434,113	\$ 25,693
WORKERS' COMP. SECURITIES:				
ASSETS				
Other Assets	\$ 1,648	-	\$ 988	\$ 660
Total Assets	\$ 1,648	-	\$ 988	\$ 660
LIABILITIES				
Property Held in Trust	\$ 1,648	-	\$ 988	\$ 660
Total Liabilities	\$ 1,648	-	\$ 988	\$ 660

(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, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
CUSTODIAL ACCOUNTS:				
ASSETS				
Cash/Cash Equivalents	\$ 1,015	\$ 3,772	\$ 3,746	\$ 1,041
Due from Other Funds	18	2	20	-
Securities Lending Collateral	7	19	7	19
Total Assets	\$ 1,040	\$ 3,793	\$ 3,773	\$ 1,060
LIABILITIES				
Accounts Payable	\$ 27	\$ -	\$ 27	\$ -
Due to Other Funds	-	3	1	2
Property Held in Trust	1,006	3,718	3,685	1,039
Securities Lending Liability	7	19	7	19
Total Liabilities	\$ 1,040	\$ 3,740	\$ 3,720	\$ 1,060
UNISSUED WARRANTS:				
ASSETS				
Cash/Cash Equivalents	\$ 12,219	\$ 2,550,640	\$ 2,560,555	\$ 2,304
Receivables (Net)	-	141,048	141,048	-
Due from Other Funds	100	111	100	111
Total Assets	\$ 12,319	\$ 2,691,799	\$ 2,701,703	\$ 2,415
LIABILITIES				
Due to Other Funds	\$ 2,052	\$ 2,253	\$ 2,052	\$ 2,253
Property Held in Trust	10,267	2,592,334	2,602,439	162
Total Liabilities	\$ 12,319	\$ 2,594,587	\$ 2,604,491	\$ 2,415
CHILD SUPPORT COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 869	\$ 48,241	\$ 48,682	\$ 428
Receivables (Net)	250	79	101	228
Due from Other Funds	39	34	73	-
Due from Component Units	6	7	6	7
Total Assets	\$ 1,164	\$ 48,361	\$ 48,862	\$ 663
LIABILITIES				
Due to Other Funds	\$ 639	\$ 21	\$ 660	\$ -
Interfund Loans Payable	-	300	-	300
Property Held in Trust	525	36,687	36,849	363
Total Liabilities	\$ 1,164	\$ 37,008	\$ 37,509	\$ 663

(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, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
UNCLAIMED PROPERTY:				
ASSETS				
Cash/Cash Equivalents	\$ 15	\$ 105	\$ 101	\$ 19
Due From Other Funds	2	-	2	-
Total Assets	\$ 17	\$ 105	\$ 103	\$ 19
LIABILITIES				
Accounts Payable	\$ 2	\$ -	\$ 2	\$ -
Property Held in Trust	15	103	99	19
Total Liabilities	\$ 17	\$ 103	\$ 101	\$ 19
INTERGOVERNMENTAL:				
ASSETS				
Cash/Cash Equivalents	\$ 3,876	\$ 13,108	\$ 14,498	\$ 2,486
Receivables (Net)	1,347	3,642	4,985	4
Due from Other Funds	259	-	259	-
Due from Other Governments	-	1	-	1
Securities Lending Collateral	95	7,974	7,927	142
Other Assets	2,240	1,131	606	2,765
Total Assets	\$ 7,817	\$ 25,856	\$ 28,275	\$ 5,398
LIABILITIES				
Accounts Payable	\$ 2,408	\$ 145	\$ 2,458	\$ 95
Due to Other Governments	1,983	141	-	2,124
Due to Other Funds	12	-	12	-
Property Held in Trust	3,319	83,046	83,328	3,037
Securities Lending Liability	95	7,974	7,927	142
Total Liabilities	\$ 7,817	\$ 91,306	\$ 93,725	\$ 5,398
A & E ADVANCES:				
ASSETS				
Cash/Cash Equivalents	\$ 8	\$ 94	\$ 102	\$ -
Due from Component Units	1	-	1	-
Due from Other Funds	1	14	15	-
Total Assets	\$ 10	\$ 108	\$ 118	\$ -
LIABILITIES				
Due to Other Funds	\$ 7	\$ 15	\$ 22	\$ -
Due to Component Units	2	-	2	-
Property Held in Trust	1	49	50	-
Total Liabilities	\$ 10	\$ 64	\$ 74	\$ -

(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, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
UNCLEARED COLLECTIONS:				
ASSETS				
Cash/Cash Equivalents	\$ 852	\$ 96,544	\$ 78,263	19,133
Receivables (Net)	-	148	137	11
Due from Other Funds	37	2,668	2,691	14
Due from Component Units	4	24	4	24
Securities Lending Collateral	-	378	-	378
Total Assets	\$ 893	\$ 99,762	\$ 81,095	19,560
LIABILITIES				
Accounts Payable	\$ 1	\$ 18	\$ 1	18
Due to Other Funds	821	21,387	3,391	18,817
Due to Component Units	1	-	1	-
Property Held in Trust	70	1,734	1,457	347
Other Liabilities	-	89,942	89,942	-
Securities Lending Liability	-	378	-	378
Total Liabilities	\$ 893	\$ 113,459	\$ 94,792	19,560
DEBT COLLECTION:				
ASSETS				
Cash/Cash Equivalents	\$ 322	\$ 4,391	\$ 4,364	349
Receivables (Net)	1	127,938	127,937	2
Due from Other Funds	2	53	3	52
Due from Component Units	-	1	-	1
Total Assets	\$ 325	\$ 132,383	\$ 132,304	404
LIABILITIES				
Accounts Payable	\$ 5	\$ 12	\$ 5	12
Due to Other Funds	145	66	163	48
Due to Component Units	9	9	9	9
Property Held in Trust	166	3,833	3,664	335
Total Liabilities	\$ 325	\$ 3,920	\$ 3,841	404
STOCK ESTRAY FUND:				
ASSETS				
Cash/Cash Equivalents	-	\$ 2,844	\$ 2,833	11
Other Assets	\$ -	\$ 20	\$ -	20
Total Assets	\$ -	\$ 2,864	\$ 2,833	31
LIABILITIES				
Accounts Payable	-	31	-	31
Total Liabilities	\$ -	\$ 31	\$ -	31

(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, 1998
(Expressed in Thousands)

FUND	BALANCE June 30, 1997	Additions	Deductions	BALANCE June 30, 1998
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	\$ 38	-
Total Liabilities	\$ 19	\$ 19	\$ 38	-

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash/Cash Equivalents	\$ 566,264	\$ 39,531,378	\$ 39,920,117	177,525
Receivables (Net)	63,870	573,752	571,840	65,782
Due from Other Funds	25,348	106,059	120,613	10,794
Due from Component Units	935	412	935	412
Due from Other Governments	-	1	-	1
Advances to Other Funds	31	-	1	30
Equity in Pooled Investments	312,289	8,724,786	9,037,075	-
Investments	72,588	33,610,045	33,682,633	-
Securities Lending Collateral	8,182	1,157,465	1,164,881	766
Other Assets	9,045	34,567	23,482	20,130
TOTAL ASSETS	\$ 1,058,552	\$ 83,738,465	\$ 84,521,577	275,440
LIABILITIES				
Accounts Payable	\$ 28,750	\$ 16,696	\$ 30,340	15,106
Interfund Loans Payable	440	300	440	300
Due to Other Governments	323,077	721,691	1,042,644	2,124
Due to Other Funds	4,523	115,351	97,620	22,254
Due to Component Units	17	1,865	17	1,865
Property Held in Trust	690,466	13,990,534	14,451,249	229,751
Securities Lending Liability	8,182	1,157,465	1,164,881	766
Other Liabilities	3,097	100,823	100,646	3,274
TOTAL LIABILITIES	\$ 1,058,552	\$ 16,104,725	\$ 16,887,837	275,440

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, 1998
 (Expressed in Thousands)

General Fixed Assets:

Land	\$	63,012
Buildings/Other Improvements		316,328
Equipment		62,307
Other Fixed Assets		49,680
Construction in Progress		23,362

Total General Fixed Assets	\$	<u>514,689</u>
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Investments in General Fixed Assets From:

General Fund Fixed Assets	\$	248,791
State Special Revenue Fund Fixed Assets		130,646
Federal Special Revenue Fund Fixed Assets		37,039
Capital Projects Fund Fixed Assets		45,548
Expendable Trust Fund Fixed Assets		267
Donated Fixed Assets		52,398

Total Investments in General Fixed Assets	\$	<u>514,689</u>
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STATE OF MONTANA
Schedule of General Fixed Assets by Function and Activity
June 30, 1998
(Expressed in Thousands)

Function and Activity	Land	Buildings and Improvements	Equipment	Other Fixed Assets	Total
General Government					
Legislative	\$ -	\$ -	644	\$ -	644
Executive	2,535	42,527	3,274	35	48,371
Judicial	-	-	51	727	778
Total General Government	2,535	42,527	3,969	762	49,793
Public Safety/Corrections					
Law Enforcement	365	20,495	8,990	-	29,850
Corrections	2,053	49,415	4,899	-	56,367
Professional/Business Regulation	-	-	1,236	10	1,246
Safety	-	-	107	-	107
Total Public Safety/Corrections	2,418	69,910	15,232	10	87,570
Transportation	5,622	38,031	13,194	-	56,847
Health/Social Services					
Health/Environment	138	350	3,308	-	3,796
Social Serv/Welfare/Mentl Hlth	464	52,086	10,139	-	62,689
Veterans Affairs	33	288	43	-	364
Total Health/Social Services	635	52,724	13,490	-	66,849
Educational/Cultural					
Educational	3,041	79,335	2,400	1,641	86,417
Cultural	186	3,543	3	47,267	50,999
Total Educational/Cultural	3,227	82,878	2,403	48,908	137,416
Resource Development/Recreation					
Health/Environment	9	-	37	-	46
Resource Development	-	-	5,330	-	5,330
Recreation	48,002	25,046	4,827	-	77,875
Agricultural	-	-	1,330	-	1,330
Total Resource Development/Recreation	48,011	25,046	11,524	-	84,581
Economic Development/Assistance	564	5,212	2,495	-	8,271
Total Fixed Assets Allocated to Functions	\$ 63,012	\$ 316,328	\$ 62,307	\$ 49,680	491,327
Construction in Progress					23,362
Total General Fixed Assets				\$	514,689

STATE OF MONTANA
Schedule of Changes in General Fixed Assets by Function and Activity
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

Function and Activity	General Fixed Assets July 1, 1997	Additions	Deletions	General Fixed Assets June 30, 1998
General Government				
Legislative	\$ 1,780	\$ 210	\$ 1,346	644
Executive	49,876	2,777	4,282	48,371
Judicial	1,389	70	681	778
Total General Government	53,045	3,057	6,309	49,793
Public Safety/Corrections				
Law Enforcement	33,716	3,133	6,999	29,850
Corrections	51,129	9,008	3,770	56,367
Professional/Business Regulation	1,498	465	717	1,246
Safety	398	65	356	107
Health/Environment	6	-	6	-
Total Public Safety/Corrections	86,747	12,671	11,848	87,570
Transportation	62,145	7,405	12,703	56,847
Health/Social Services				
Health/Environment	6,262	367	2,833	3,796
Social Services/Welfare/Mentl Hlth	75,432	1,285	14,028	62,689
Mental Health	25	4	29	-
Veterans Affairs	337	130	103	364
Total Health/Social Services	82,056	1,786	16,993	66,849
Educational/Cultural				
Educational	89,936	1,193	4,712	86,417
Cultural	50,208	1,213	422	50,999
Total Educational/Cultural	140,144	2,406	5,134	137,416
Resource Development/Recreation				
Health/Environment	158	-	112	46
Resource Development	9,208	495	4,373	5,330
Recreation	82,019	7,053	11,197	77,875
Agricultural	1,744	108	522	1,330
Total Resource Development/Recreation	93,129	7,656	16,204	84,581
Economic Development/Assistance	12,306	964	4,999	8,271
Construction in Progress	14,281	16,420	7,339	23,362
Total General Fixed Assets	\$ 543,853	\$ 52,365	\$ 81,529	514,689



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.

Artwork courtesy of the Montana Publications and Graphics Division

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

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Licenses/Permits (1) \$	64,075 \$	55,229 \$	74,152 \$	82,744 \$	92,773 \$	98,852 \$	106,109 \$	110,043 \$	112,761 \$	116,706
Taxes (1)	725,748	776,368	864,057	850,916	1,003,849	1,026,025	1,080,529	997,874	1,041,840	1,120,908
Chrgs.-Srvs./Fines/Forfts.	54,467	56,929	43,678	52,527	53,775	58,872	69,781	66,367	93,629	128,298
Investment Earnings	34,018	37,263	31,655	24,791	20,715	19,993	29,267	28,594	28,741	33,370
Securities Lending Income	-	-	-	-	-	-	-	-	8,346	6,737
Sale-Doc./Mdse./Prop.	2,920	5,548	17,146	18,091	17,055	19,905	18,987	6,776	5,828	8,211
Rentals/Leases/Royalties	449	363	528	397	451	321	180	220	212	210
Contributions/Premiums	663	3,199	4,113	3,355	3,466	3,617	3,773	4,165	4,211	4,414
Grants/Contrts./Donations	4,649	8,473	7,004	3,611	3,682	7,782	8,448	9,232	7,759	10,813
Federal	445,402	451,107	532,244	585,047	667,468	684,001	714,629	880,300	853,051	903,877
Federal IDC Recoveries	1,880	1,790	1,823	1,738	1,817	2,344	2,602	1,685	1,937	1,916
Other Revenues	5,147	2,078	2,367	2,792	4,503	2,301	1,135	1,552	972	1,491
Totals	\$ 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 \$	\$ 2,336,951

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

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
General Government (1) \$	52,065 \$	54,402 \$	111,570 \$	117,114 \$	117,691 \$	113,617 \$	140,573 \$	71,699 \$	81,646 \$	125,612
Public Safety/Corrections	72,616	80,804	87,121	100,864	105,870	110,026	118,668	119,221	128,247	177,320
Transportation	237,827	259,438	280,416	287,768	285,055	297,577	297,708	322,142	325,182	332,626
Health/Social Services	391,857	405,008	482,864	539,052	620,915	611,529	673,330	770,506	788,429	811,041
Education/Cultural	337,251	335,865	441,392	445,180	487,657	486,203	491,544	551,604	555,610	594,972
Resource Dev./Recreation	77,171	55,100	63,426	71,791	70,847	68,926	93,309	69,264	92,972	90,229
Economic Dev./Assistance	76,057	76,363	86,272	79,998	86,504	100,224	100,448	106,792	105,752	110,439
Debt Service:										
Principal Retirement	9,841	12,268	13,244	34,344	22,115	18,113	67,459	42,921	24,027	25,398
Interest/Fiscal Chrgs.	21,922	21,186	21,111	23,042	24,332	16,340	18,932	18,039	15,010	18,484
Capital Outlay	28,130	33,576	24,256	25,935	23,455	32,574	71,723	57,020	70,182	68,714
Securities Lending	-	-	-	-	-	-	-	-	7,887	6,542
Totals	\$ 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 \$	\$ 2,361,377

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
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	195,993	222,858	113.7
1998	200,432	216,204	107.9

- 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	
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	1,637,694	34,402,312	277,587	4,784,840	1,915,281	39,187,152	4.9
1998	1,680,207	35,543,519	261,813	5,018,523	1,942,020	40,562,042	4.8

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 Special Revenue					Total
	Funds	Schools	Counties	Cities	Miscellaneous	
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	39.39
1995	10.52	15.27	7.02	4.56	2.80	40.17
1996	10.49	15.99	7.33	4.85	2.83	41.49
1997	10.46	16.31	7.32	4.84	2.86	41.79

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
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
1998	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
1989	800	\$ 26,919,326	\$ 83,390	0.31 %	\$ 104.24
1990	799	26,071,118	78,110	0.30	97.76
1991	808	27,783,297	70,050	0.25	86.70
1992	823	28,421,291	60,140	0.21	73.07
1993	840	30,893,879	43,945	0.14	52.32
1994	855	35,386,179	66,070	0.19	77.27
1995	869	36,387,247	78,000	0.21	89.76
1996	877	37,720,655	69,620	0.18	79.38
1997	879	39,187,152	96,620	0.25	109.92
1998	N/A	40,562,042	187,005	0.46	212.75 *

N/A - Data not available.

* Calculated using 1997 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
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
1998	43,882	2,361,377	1.86

SOURCE: Montana Financial Reports 1989-1998

**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
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
1997	68,641	39,016	29,625	12,675	2.34

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
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
1998	44,783	2,753	42,030	34,100	1.23

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
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
1998	3,596	202	3,394	2,953	1.15

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)

Construction (a)					
Calendar Year	Residential		Commercial		
	Number of Permits Issued	Valuation*	Number of Permits Issued	Cost of Construction	Bank Deposits (b)
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
1997	1,704	204,551	N/A	N/A	10,024,966

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.

Property (Assessed) Values (c)						
Fiscal Year	Agriculture (2)	Commercial/Industrial	Personal/Real (3)	Utilities	Other **	Total
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	4,546,414	6,306,477	22,436,871	5,589,074	308,316	39,187,152
1998	4,573,340	6,593,141	23,382,144	5,713,097	300,320	40,562,042

** Other property includes mining, coal and miscellaneous.

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	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
1988	\$ 10,381		\$ 106,522		\$ 4,171,650	
1989	11,362	9.4 %	114,689	7.7 %	4,485,191	7.5 %
1990	12,051	6.1	123,861	8.0	4,786,293	6.7
1991	12,930	7.3	131,960	6.5	4,963,545	3.7
1992	13,669	5.7	141,532	7.3	5,260,922	6.0
1993	14,876	8.8	153,843	8.7	5,507,657	4.7
1994	15,140	1.8	163,175	6.1	5,774,875	4.9
1995	16,160	6.7	176,451	8.1	6,137,878	6.3
1996	16,901	4.6	188,190	6.7	6,480,031	5.6
1997	17,616	4.2	200,636	6.6	6,851,080	5.7
Average Annual Rate of Growth		6.07 %		7.3 %		5.68 %

Per Capita Income (2)

Year	Montana		Rocky Mountain Region (1)		United States	
	Amount	Percent Increase	Amount	Percent Increase	Amount	Percent Increase
1988	\$ 12,973		\$ 14,789		\$ 17,062	
1989	14,209	9.5 %	15,854	7.2 %	18,172	6.5 %
1990	15,067	6.0	16,970	7.0	19,188	5.6
1991	16,005	6.2	17,725	4.4	19,687	2.6
1992	16,618	3.8	18,537	4.6	20,631	4.8
1993	17,709	6.6	19,603	5.8	21,368	3.6
1994	17,709	0.0	20,268	3.4	22,186	3.8
1995	18,602	5.0	21,445	5.8	23,359	5.3
1996	19,278	3.6	22,462	4.7	24,436	4.6
1997	20,046	4.0	23,547	4.8	25,598	4.8
Average Annual Rate of Growth		4.97 %		5.3 %		4.62 %

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**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
TOTAL GRADES PRE-K-12 (a)	152,191	151,149	152,898	155,263	159,991	163,020	164,341	165,547	164,592	162,319
MONTANA UNIVERSITY SYSTEM (b)										
University of Montana	7,977	8,587	8,852	9,482	9,602	9,655	9,720	9,910	10,269	10,451
Montana State University	9,371	9,543	9,501	9,491	9,946	10,018	10,022	10,285	10,349	10,209
Montana Tech of the UM	1,546	1,499	1,612	1,694	1,728	1,763	1,660	1,679	1,718	1,656
Western Montana College of the UM	954	877	915	974	969	1,006	1,065	1,082	1,031	1,032
Montana State University -Billings	3,287	3,354	3,408	3,139	3,240	3,267	3,252	3,276	3,221	3,401
Montana State University - Northern	1,548	1,581	1,765	1,907	1,603	1,675	1,654	1,495	1,501	1,490
TOTAL UNIVERSITIES	24,683	25,441	26,053	26,687	27,088	27,384	27,373	27,727	28,089	28,239
COLLEGES OF TECHNOLOGY (b)										
College of Technology - Billings	356	334	280	291	453	427	414	436	462	472
Division of Technology - Butte	354	280	248	251	313	347	320	329	363	354
MSU College of Technology - GF	525	503	479	466	556	605	686	727	714	705
UM College of Technology - Helena	506	436	418	434	440	432	452	468	543	663
College of Technology - Missoula	482	446	454	435	551	573	630	629	749	794
TOTAL COLLEGES OF TECHNOLOGY	2,223	1,999	1,879	1,877	2,313	2,384	2,502	2,589	2,831	2,988

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)
1989	800,000	\$ 14,209	152,191	24,683	6.7 %	5.4 %	399,650	372,970	26,680
1990	799,000	15,067	151,149	25,441	5.5	5.3	408,025	385,608	22,430
1991	808,000	16,005	152,898	26,053	6.6	6.2	401,625	375,333	26,292
1992	823,000	16,618	155,263	26,687	6.7	7.4	408,125	379,292	28,833
1993	840,000	17,709	159,991	27,088	6.5	7.2	417,000	393,200	24,700
1994	855,000	17,709	163,020	29,768	4.1	6.0	445,100	426,100	19,000
1995	869,000	18,602	164,341	29,875	5.5	5.6	443,500	419,500	24,000
1996	877,000	19,278	165,547	30,316	5.3	5.3	456,600	432,900	23,700
1997	879,000	20,046	164,592	30,920	5.0	5.0	465,200	442,600	22,600
1998	N/A	N/A	162,319	31,227	5.4	4.5	470,500	445,800	24,700

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**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Durable Goods	12.9	13.7	14.0	13.3	14.1	14.2	14.3	14.4	14.8	14.9
Non-Durable Goods	8.1	8.3	8.4	8.4	8.5	8.8	8.8	8.9	9.0	9.2
Mining	5.7	6.3	6.3	6.0	5.8	5.7	5.4	5.3	5.4	5.4
Contract Construction	8.6	9.7	10.4	11.2	13.4	13.7	15.2	16.2	17.0	17.9
Transportation	11.4	12.3	12.4	12.5	12.5	12.5	13.0	13.1	9.0	10.6
Communications/Utilities	8.2	7.7	7.7	7.8	7.6	7.8	7.8	7.7	11.7	11.5
Wholesale Trade	14.8	15.6	15.8	16.0	16.5	16.9	17.8	18.4	18.4	18.7
Retail Trade	57.9	62.0	62.6	65.1	68.8	70.3	75.0	77.9	79.3	80.3
Finance/Insurance/Real Estate	13.3	13.2	13.3	13.8	14.3	14.8	15.7	15.6	16.0	16.4
Medical/Health Services	23.1	24.7	26.0	26.4	27.7	28.8	30.7	31.2	32.1	32.5
Other Services	32.0	46.9	49.6	50.6	54.0	58.7	61.0	65.1	69.7	72.3
Federal Government	13.2	13.6	13.9	13.0	13.3	13.3	13.7	13.1	12.8	12.7
State Colleges/Universities	8.6	9.8	9.9	10.2	10.6	10.8	11.2	11.4	11.6	12.0
Other State Government	10.3	10.8	11.0	11.3	11.3	11.0	10.9	11.0	11.1	11.1
Local Education	22.8	22.7	22.7	23.2	24.4	25.3	25.6	26.3	26.1	26.3
Other Local Government	15.0	13.2	13.4	13.4	14.4	13.9	14.6	15.0	14.9	14.7
Total Non-Farm Wage/ Salary Jobs (2)	265.9	290.5	297.4	302.2	317.2	326.5	340.7	350.6	358.9	366.5

- 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. Buttrey Food & Drug Company (retail trade services)
4. K-Mart Corporation (retail trade services)
5. Leavenworth Health Services (hospital services)
6. Montana Power Company (utility services, mining)
7. Plum Creek Timber and Manufacturing (wood products manufacturing)
8. Providence Services (hospital services)
9. Town Pump (retail trade 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 (19,020 employees), Montana Local Government units (37,930 employees) and the U.S. Government (12,656 employees). Information based on 1997 data.*

**STATE OF MONTANA
(The Treasure State)
"Big Sky Country"
MISCELLANEOUS STATISTICS
June 30, 1998**

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 1997 population)	6 persons per square mile
Miles of Paved Public Roads (3)	17,367
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)	357
National Parks (Glacier and Yellowstone)	2
State Employees (full-time equivalent) (6)	15,342

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*