

**State of Montana**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2002

Prepared By:

**Department of Administration**

Scott Darkenwald, Director

Steve Bender, Deputy Director

**Administrative Financial Services Division**

Cathy Muri, CPA, Administrator

**Accounting Bureau**

Paul Christofferson, CPA, Bureau Chief

**Accounting Principles/Financial Reporting Section**

Susan Van Norden, CA

Julie Feldman, Accountant

Matthew McBurnett, Accountant

Jenifer Alger, Accountant

**Operations Section**

Linda Gaughan, Accountant, Supervisor

Mark Curtis, System Application Programmer

Penny Killham, Accounting Technician

**State of Montana**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2002

**Table of Contents**

**INTRODUCTORY SECTION**

	Page
Title Page.....	1
Table of Contents.....	2
Letter of Transmittal.....	6
Certificate of Achievement for Excellence in Financial Reporting.....	13
State Organization Chart.....	14
Selected State Officials.....	15

**FINANCIAL SECTION**

Independent Auditor's Report.....	18
Management's Discussion and Analysis.....	20

**Basic Financial Statements**

Government-wide Financial Statements	
Statement of Net Assets.....	30
Statement of Activities.....	32

Governmental Fund Financial Statements	
Balance Sheet.....	36
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	40

Proprietary Fund Financial Statements	
Statement of Net Assets.....	44
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	46
Statement of Cash Flows.....	48

Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	52
Statement of Changes in Fiduciary Net Assets.....	53

Component Unit Financial Statements	
Combining Statement of Net Assets.....	56
Combining Statement of Activities.....	58

Notes to the Financial Statements	
Note 1 – Summary of Significant Accounting Policies.....	60
Note 2 – Other Accounting Issues.....	66
Note 3 – Cash/Cash Equivalents and Investments.....	66
Note 4 – Capital Assets.....	73
Note 5 – Retirement Systems.....	75

Notes to the Financial Statements ( <i>continued</i> )	
Note 6 – Other Postemployment Benefits .....	83
Note 7 – Deferred Compensation Plan .....	83
Note 8 – Risk Management .....	84
Note 9 – Commitments .....	89
Note 10 – Leases/Installment Purchases Payable .....	90
Note 11 – State Debt .....	91
Note 12 – Interfund Transactions .....	97
Note 13 – Fund Deficits .....	99
Note 14 – Reserved Fund Balances .....	99
Note 15 – Related Party Transactions .....	99
Note 16 – Contingencies .....	100
Note 17 – Subsequent Events .....	101

**Required Supplementary Information**

Budgetary Comparison Schedule – General and Major Special Revenue Funds .....	104
Notes to the Required Supplementary Information – Budgetary Reporting .....	106

**Supplementary Information – Combining Statements and Individual Fund Statements and Schedules**

Nonmajor Governmental Funds	
Combining Balance Sheet – Governmental Funds by Fund Type .....	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds by Fund Type .....	109
Combining Balance Sheet – Debt Service Funds .....	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds .....	114
Combining Balance Sheet – Capital Projects Funds .....	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Funds .....	119
Combining Balance Sheet – Permanent Funds .....	122
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Permanent Funds .....	124
Proprietary Funds	
Nonmajor Enterprise Funds	
Combining Statement of Net Assets .....	128
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	136
Combining Statement of Cash Flows .....	140
Internal Service Funds	
Combining Statement of Net Assets .....	150
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	156
Combining Statement of Cash Flows .....	162
Fiduciary Funds	
Pension (and Other Employee Benefit) Trust Funds	
Combining Statement of Fiduciary Net Assets .....	174
Combining Statement of Changes in Fiduciary Net Assets .....	176
Private Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets .....	180
Combining Statement of Changes in Fiduciary Net Assets .....	181
Agency Funds	
Combining Statement of Fiduciary Net Assets .....	184

Agency Funds ( <i>continued</i> )	
Combining Statement of Changes in Assets and Liabilities.....	186

Other Schedules

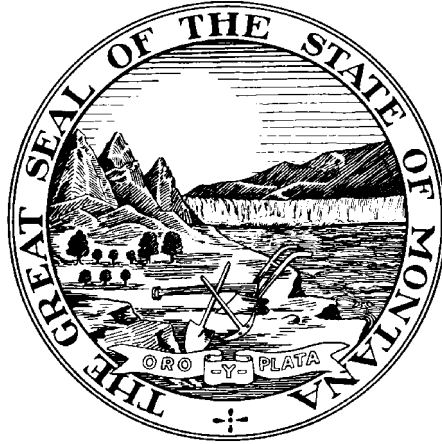
Capital Assets Used in the Operation of Governmental Funds .....	191
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Function and Activity .....	192
Schedule of Changes by Function and Activity .....	193

**STATISTICAL SECTION**

Graphic Presentations:

Revenues by Source - All Governmental Fund Types .....	195
Expenditures by Function - All Governmental Fund Types.....	196
Revenues by Source - All Governmental Fund Types.....	197
Expenditures by Function - All Governmental Fund Types .....	197
Property Tax Levies and Collections.....	198
Taxable and Market (Assessed) Value of Property .....	198
Property Tax Rates - Direct and Over Lapping Governments.....	199
Property Tax Mill Levy for State Purposes .....	199
Ratio of Direct State Debt to Assessed Value and Direct State Debt per Capita.....	200
Ratio of Annual Debt Service to Total General Expenditures.....	200
Revenue Bond Coverage - Higher Education.....	201
Revenue Bond Coverage - Montana Board of Housing .....	201
Revenue Bond Coverage - Economic Development Bonds .....	202
Construction and Bank Deposits .....	203
Property (Assessed) Values .....	203
Income Data.....	204
Public Education Institutions Enrollment.....	205
Demographic Statistics .....	206
Employment in Montana Industries.....	206
Major Private Employers in Montana.....	207
Miscellaneous Statistics .....	207

# INTRODUCTORY SECTION



**DEPARTMENT OF ADMINISTRATION  
DIRECTOR'S OFFICE**



JUDY MARTZ, GOVERNOR

MITCHELL BUILDING

**STATE OF MONTANA**

(406) 444-2032  
FAX 444-2812

PO BOX 200101  
HELENA, MONTANA 59620-0101

January 16, 2003

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, 2002. 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 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 management's discussion and analysis, the independent auditor's report, government wide financial statements, fund 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 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, Facility Finance Authority, State Compensation Insurance Fund (Old and New), Montana State University, University of Montana, Public Employees Retirement Board, and Teachers Retirement System. These component units are discretely presented in the State's financial statements.

**ECONOMIC CONDITION AND OUTLOOK**

Montana experienced economic impacts from the September 11 terrorist attacks in the transportation and travel-related industries, and nonresident travel is among Montana's major basic industries. Also, future softening of construction and worldwide food prices may affect Montana's wood products and agricultural industries. The major risk to Montana's economic outlook is that the mild recession affecting the U.S. economy turns out to be longer or deeper than now anticipated or that the recession spreads to industries (such as wood products) that are important for the state's economy.

The 2001 census pegged Montana's population at 904,400 persons, an increase of about 2,200 from the 2000 numbers. Within the state, Western Montana and urban counties grew more rapidly than Eastern Montana and rural counties.

Montana's wheat prices inched higher in calendar year 2001 although they remained low by historical standards. Unfortunately, slightly higher prices weren't enough to offset the effects of the widespread drought. Montana's 2001 wheat crop was nearly 30 percent smaller than the 2000 crop, and it was the lowest crop output since 1988. Steer and heifer prices were record highs, surpassing the last record in 2000 by nearly 3 percent. However, drought conditions caused ranchers to endure high feed costs or liquidation of cattle inventories.

Both nationally and in Montana, the manufacturing sector includes production of very complex and sophisticated high technology equipment as well as cottage industries producing handmade items like jewelry or sporting goods.

In calendar year 2001, the state's manufacturing sector produced approximately \$4.5 billion in output annually, directly employed nearly 28,000 workers earning more than \$850 million in annual labor income and accounted for 20 to 25 percent of Montana's economic base. Montana's manufacturing employment and labor income increased over the past decade by about 11 percent until 2001 when it declined by 3 percent. Particularly hard hit were the primary metals and wood and paper products sectors, which contain some of the largest and most energy-intensive plants in the state. Electricity costs are down substantially from peaks in late 2000 and early 2001; however, an improvement in operations would depend on a recovery in national and global economic conditions because Montana relies on specific overseas markets for a portion of their sales.

Montana's forest products industry experienced lower lumber product prices in calendar year 2001 than 2000. Estimated total sales value of Montana's primary wood and paper products in 2001 was \$964 million, down about 10 percent from the \$1.07 billion in 2000. The expiration of the Canadian softwood lumber agreement, a high-valued U.S. dollar and the September 11 terrorist attacks contributed to declines in production, sales and employment. However, lower mortgage rates have kept building activity at relatively high levels, and lower electricity, oil and gasoline prices have reduced milling and logging operating costs. Also, since timber availability remains a major issue for Montana's forest products industry, salvaged timber from areas burned in 2000 and 2001 could increase the volume of available timber.

## **MAJOR INITIATIVES**

In fiscal year 2002, the General Fund unreserved undesignated fund balance declined considerably over projections. The primary reasons for the decline in revenues are a sharp decline in net capital gains income due to the prolonged decline in equity markets, a sharp economic recession and federal economic stimulus legislation that impacted state income tax revenues.

The Governor submitted a spending reduction plan in June 2002 to bring the State's projected ending fund balance to the minimum of one percent of all General Fund appropriations as required by statute and called the Legislature into special session to deal with the budget deficit of \$42 million for the 2003 biennium.

The Legislature enacted \$59 million in budget balancers, which included \$24.8 million in actual expenditure reductions and \$34.1 million in other actions, such as funding switches, fund balance transfers and additional revenue collections. The following is a description of the action taken to balance the budget.

The budget for secondary education was reduced by \$5.8 million, which included cuts to block grants for districts and to countywide school retirement and transportation accounts as well as the suspension of the timber for technology program for FY2003 and FY2004. The Montana University System's budget was reduced by \$7.8 million, which included cuts to intercollegiate athletics and a reduction in two university building projects. The Research and Commercialization Account was reduced by \$1.685 million in

FY2003, and the funding for this program was suspended for the FY2005 biennium as well. The Office of Economic Development's budget was reduced by \$175,000, the Certified Communities Program was reduced by \$425,000 and the Growth Through Agriculture Program was reduced by \$325,000. All General Fund programs received a one percent across-the-board reduction as well as a 20 percent reduction in FY2003 pay plan funding, an across-the-board reduction in office supplies, and a 2/3 reduction in equipment budgets. A hiring freeze on all state positions is also in effect for FY2003.

Legislation was also passed to divert metal mines and oil and gas severance tax proceeds to the General Fund as well as divert coal severance tax proceeds that currently go to the Parks and Arts Trust to the General Fund for FY2003 only.

## FINANCIAL INFORMATION

Montana's Statewide Budgeting, Accounting and Human Resource System (SABHRS) is a centrally maintained, fully computerized, double-entry accounting system. SABHRS 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. SABHRS is designed to provide budgetary control by preventing spending in excess of legislative and administrative authority and/or available cash. SABHRS 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, Capital Projects Funds and Permanent Funds, increased 1 percent from fiscal year 2001 to fiscal year 2002. Revenues from various sources for fiscal year 2002, and the amount and percentage of increases and decreases in relation to prior year revenues, are shown in the following table:

Revenue Source	Amount (in thousands)	2002 Percent of Total	Increase (Decrease) from 2001	Percent Increase (Decrease)
Licenses/Permits	\$ 202,490	6.4%	\$75,002	58.8%
Taxes	1,229,613	38.8	(122,365)	(9.1)
Charges for Services/Etc.	172,326	5.4	(4,721)	(2.7)
Investment Earnings	145,984	4.6	(42,007)	(22.3)
Securities Lending Income	4,458	.1	(5,418)	(54.9)
Sale of Documents/Etc.	15,571	.5	2,376	18.0
Rentals/Leases/Royalties	24,438	.8	(11,932)	(32.8)
Contributions/Premiums	6,094	.2	(48)	(.8)
Grants/Contracts/Donations	20,864	.7	3,671	21.4
Federal	1,339,851	42.3	133,329	11.1
Federal Indirect Cost Recoveries	2,761	.1	803	41.0
Other Revenues	4,459	.1	1,774	66.1
Total Revenues	\$3,168,909	100.0	\$30,464	



An explanation of significant changes by revenue source follows:

License and Permits – The increase in revenues was due to a \$76 million increase in vehicle licenses and permits. Previously, 34.5 percent of the total license tax revenue was retained by cities and counties. Per HB124, these funds are now deposited directly into the general fund, and the state reimburses local governments for this revenue.

Taxes – The decrease in revenues was primarily due to 1) a \$32 million decrease in individual income tax receipts; 2) a \$34 million decrease in corporation tax receipts; 3) a \$18 million decrease in property tax receipts; and 4) a \$40 million decrease in natural resource tax. Additionally, a \$6 million increase in fuel tax occurred in FY2002.

Investment Earnings – The decrease in revenue is primarily due to the reduced interest rates in FY2002.

Securities Lending Income – The decrease in revenue is primarily due to the reduced interest rates in FY2002.

Rentals/Leases/Royalties – The decrease in revenue is primarily due to 1) a decrease of \$1.3 million in agriculture rentals; 2) a decrease of \$6.2 million in coal payments and 3) a decrease of \$2.9 million in oil and gas royalties.

Federal – The increase in revenue was primarily due to 1) a \$32 million increase in highway construction funds; 2) \$8.6 million for Housing and Urban Development Grants; 3) a \$6.3 million increase in Forest Reserve funds; and 4) a \$73.2 million increase in Department of Health and Human Services federal programs.

Total expenditures for all general governmental functions increased 4.7 percent from fiscal year 2001 to fiscal year 2002. Expenditures by function for fiscal year 2002, and the amount and percentage of increases or decreases in relation to the prior year amounts, are shown in the following table:

<b>Expenditure Function</b>	<b>Amount (in thousands)</b>	<b>2002 Percent of Total</b>	<b>Increase (Decrease) from 2001</b>	<b>Percent Increase (Decrease)</b>
General Government	\$ 228,772	7.2%	\$ 2,008	.9%
Public Safety/Corrections	189,507	5.9	(24,900)	(11.6)
Transportation	440,172	13.8	23,335	5.6
Health/Social Services	1,079,303	33.7	88,314	8.9
Education/Cultural	861,034	26.9	69,098	8.7
Resource Development/Recreation	111,388	3.5	(35,983)	(24.4)
Economic Development/Assistance	163,895	5.1	30,615	23.0
Securities Lending	3,936	.1	(5,666)	(59.0)
Debt Service	56,538	1.8	4,440	8.5
Capital Outlay	65,056	2.0	(7,319)	(10.1)
<b>Total Expenditures</b>	<b>\$3,199,601</b>	<b>100.0</b>	<b>\$143,942</b>	

An explanation of significant changes by expenditure function follows:

Public Safety/Corrections – The expenditure decrease was primarily due to a \$20 million reduction in assistance to local districts for video gaming expenditures.

Transportation – Expenditure increases were primarily due to increased spending for highway construction in Montana Department of Transportation.

Health/Social Services – The expenditure increase was primarily due to Department of Public Health and Human Services for human services programs including the Medicaid program.

Education/Cultural – The expenditure increase was primarily due to K-12 funding in the General Fund and for new federal grants for education of approximately \$62 million.

Resource Development/Recreation – The expenditure decrease is primarily related to reduced fire suppression costs.

Economic Development/Assistance – The expenditure increase was primarily due to 1) \$4.85 million for a new economic development program for Montana; 2) a \$7.6 million increase in Housing and Urban Development federal funding; 3) a \$5.5 million increase in Wagner Peysner federal funding; and 4) a \$4.6 million increase in Job Training Partnership federal funding.

Securities Lending – The expenditure decrease was due to decreased investment earnings in FY2002.

### **General Fund Balance**

The unreserved undesignated fund balance of the General Fund decreased from \$142.9 million at June 30, 2001, to \$78.1 million at June 30, 2002. This represents a decrease of \$64.8 million, or 45 percent.

### **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. The GABA automatically covers beneficiaries in the retirement systems for public employees, sheriffs and game wardens. 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.

The 1999 legislature enacted legislation that also establishes a guaranteed annual benefit adjustment (GABA) for certain benefit recipients in the Teachers' Retirement System. A benefit recipient is eligible for the minimum benefit adjustment of 1.5 percent if the retiree's most recent retirement effective date is at least 36 months prior to January 1 of the year in which the adjustment is to be made.

### **Cash Management**

The uniform investment program established by the 1972 Montana Constitution directs that the Board of Investments have 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 \$395.4 million, a decrease of 26.5 percent from the \$537.7 million earned last year. The book value of Board-managed investments increased by

approximately \$148 million or 1.8 percent to \$8.5 billion at fiscal year-end 2002. The Board publishes an annual audited report of all its investment activity. That report may be referenced for more in-depth investment information.

### **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 that is managed and controlled by a seven-member board of directors. The Governor appoints the board members for four-year terms. Funding is primarily derived from the premiums paid by policyholders.

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, with one exception. The Vision Service Plan Insurance Company insures vision care services. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement System and self-payment.

The Montana University System (MUS) Group Benefits Plan offers medical, dental, and vision insurance coverage to employees of the Montana University System, the Student Assistance Foundation (SAF), and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured with three exceptions. The three insured products are HMO's administered by New West Health Services serving some employees and dependents in Missoula, Helena, Havre and Billings; Big Sky Health Plan serving some employees and dependents in Butte; and a voluntary vision plan administered by VSP serving employees, retirees and their dependents. Blue Cross/Blue Shield is the claims administrator for the self-insured plan. Managed Care Montana (APS) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review.

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 \$2.2 billion of state-owned buildings and contents. The flood and earthquake liability limit is \$100 million per occurrence with a \$1million deductible for earthquakes and a \$500,000 deductible for floods. Premiums for the plan are collected from all State agencies, including component units.

### **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 2002.

### **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, 2001. This was the thirteenth year out of fourteen years 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.

#### ACKNOWLEDGEMENTS

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,

A handwritten signature in black ink that reads "Scott Darkenwald". The signature is written in a cursive style with a large, looping initial "S".

Scott Darkenwald, Director  
Department of Administration

# 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, 2001

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.



*William Patrick Pate*  
President

*Jeffrey L. Esser*  
Executive Director

# State of Montana Organization Chart



CITIZENS OF MONTANA

LEGISLATIVE

- Senate
- House of Representatives
- Legislative Audit Division
- Legislative Fiscal Division
- Legislative Services Division
- Montana Consumer Counsel

EXECUTIVE

- Governor
- Lieutenant Governor

- Attorney General
- Public Service Commissioners
- Secretary of State
- State Auditor
- Superintendent of Public Instruction

JUDICIAL

- Supreme Court
- District Courts
- Water Courts
- Workers Compensation Court
- Justice of the Peace Courts
- City or Municipal Courts
- State Law Library
- Supreme Court Administrator
- Clerk of Supreme Court

STATE AGENCIES

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| Administration                      | Labor and Industry               |
| Agriculture                         | Livestock                        |
| Arts Council                        | Military Affairs                 |
| Board of Pardons and Parole         | Natural Resources & Conservation |
| Board of Public Education           | Public Employee Retirement       |
| Commerce                            | Public Health & Human Services   |
| Commissioner of Political Practices | Revenue                          |
| Commissioner of Higher Education    | School for the Deaf and Blind    |
| Corrections                         | State Fund                       |
| Environmental Quality               | State Library                    |
| Fish, Wildlife and Parks            | Teachers Retirement System       |
| Historical Society                  | Transportation                   |

**State of Montana**  
**SELECTED STATE OFFICIALS**

**EXECUTIVE**

Judy Martz

Governor

Karl Ohs

Lieutenant Governor

**JUDICIAL**

Karla Gray

Chief Justice

**LEGISLATIVE**

Tom Beck

President of the Senate

Dan McGee

Speaker of the House