

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

Prepared By:

Department of Administration

Janet Kelly, Director

Administrative Financial Services Division

Paul Christofferson, CPA, Administrator

Accounting Bureau

Julie Feldman, Bureau Chief

Accounting Principles/Financial Reporting Section

Jenifer Alger, Accountant

Janet Atchison, Accountant

Matthew McBurnett, Accountant

Susan Van Norden, CA

Operations Section

Mark Curtis, Computer Applications Software Engineer

Linda Gaughan, Accountant, Supervisor

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

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STATEMENT OF NET ASSETS

JUNE 30, 2005

(expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash/cash equivalents (Note 3)	\$ 901,086	\$ 269,424	\$ 1,170,510	\$ 201,489
Receivables (net)	283,227	31,621	314,848	68,669
Due from primary government	-	-	-	1,868
Due from other governments	114,487	304	114,791	20,905
Due from component units	1,765	1,982	3,747	1,562
Internal balances	(8,659)	8,659	-	-
Inventories	26,685	6,914	33,599	4,531
Advances to component units	8,881	5,264	14,145	-
Long-term loans/notes receivable	226,077	35,951	262,028	689,079
Equity in pooled investments (Note 3)	1,315,888	-	1,315,888	17,092
Investments (Note 3)	357,894	9,155	367,049	1,228,384
Securities lending collateral (Note 3)	172,467	410	172,877	121,561
Deferred charges	2,682	1,421	4,103	7,434
Capital assets (net) (Note 5)	2,805,658	9,670	2,815,328	499,213
Other assets	4,669	1,913	6,582	18,225
Total assets	6,212,807	382,688	6,595,495	2,880,012
LIABILITIES				
Accounts payable	351,321	7,271	358,592	54,243
Lottery prizes payable	-	2,694	2,694	-
Due to primary government	-	-	-	3,747
Due to other governments	14,632	879	15,511	8,525
Due to component units	1,867	1	1,868	1,562
Advances from primary government	-	-	-	14,145
Deferred revenue	23,707	2,742	26,449	24,149
Amounts held in custody for others	25,403	515	25,918	18,970
Securities lending liability (Note 3)	172,467	410	172,877	121,561
Other liabilities	866	-	866	9,554
Short-term debt (Note 11)	-	84,280	84,280	-
Long-term liabilities (Note 11):				
Due within one year	84,972	9,890	94,862	162,044
Due in more than one year	444,855	7,150	452,005	1,518,223
Total liabilities	1,120,090	115,832	1,235,922	1,936,723

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,528,808	\$ 9,670	\$ 2,538,478	\$ 274,508
Restricted for:				
Transportation	52,845	-	52,845	-
Fish, wildlife, and parks	64,695	-	64,695	-
Federal grants	27,165	-	27,165	21
Debt service/construction	7,695	-	7,695	32,664
Unemployment compensation	-	207,157	207,157	-
Funds held as permanent investments:				
Nonexpendable	1,329,791	-	1,329,791	180,068
Expendable	67,078	-	67,078	-
Housing authority	-	-	-	137,879
Resource/environment	545,612	-	545,612	-
Other purposes	64,304	33,357	97,661	81,520
Unrestricted	404,724	16,672	421,396	236,629
Total net assets	\$ 5,092,717	\$ 266,856	\$ 5,359,573	\$ 943,289

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

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary government:					
Governmental activities:					
General government	\$ 305,819	\$ 49,637	\$ 44,672	\$ 767	\$ (210,743)
Public safety/corrections	258,610	146,746	91,630	-	(20,234)
Transportation	281,074	38,101	35,596	312,630	105,253
Health/social services	1,182,281	31,467	860,300	-	(290,514)
Education/cultural	900,542	30,499	186,152	-	(683,891)
Resource/recreation/environment	197,539	121,539	94,948	6,037	24,985
Economic development/assistance	144,777	25,995	77,728	-	(41,054)
Interest on long-term debt	14,375	-	-	-	(14,375)
Total governmental activities	3,285,017	443,984	1,391,026	319,434	(1,130,573)
Business-type activities:					
Unemployment Insurance	75,291	72,866	18,772	-	16,347
Liquor Stores	45,503	52,081	-	-	6,578
State Lottery	27,681	33,815	-	-	6,134
Economic Development Bonds	2,630	5	2,617	-	(8)
Hail Insurance	3,153	7,404	158	-	4,409
General Government Services	50,329	14,244	36,407	159	481
Prison Funds	5,268	5,233	-	-	(35)
MUS Group Insurance	40,524	47,739	410	-	7,625
MUS Workers Compensation	2,842	2,978	69	-	205
Total business-type activities	253,221	236,365	58,433	159	41,736
Total primary government	\$ 3,538,238	\$ 680,349	\$ 1,449,459	\$ 319,593	\$ (1,088,837)
Component units:					
Housing Authority	\$ 42,460	\$ 219	\$ 48,636	\$ -	\$ 6,395
Facility Finance Authority	276	280	62	-	66
State Compensation Insurance (New Fund)	202,930	189,430	-	-	(13,500)
State Compensation Insurance (Old Fund)	10,555	-	-	-	(10,555)
Montana State University	372,205	149,688	148,435	4,554	(69,528)
University of Montana	293,932	129,659	108,069	2,378	(53,826)
Total component units	\$ 922,358	\$ 469,276	\$ 305,202	\$ 6,932	\$ (140,948)

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

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net assets:				
Net (expense) revenue	\$ (1,130,573)	\$ 41,736	\$ (1,088,837)	\$ (140,948)
General revenues:				
Taxes:				
Property	186,229	-	186,229	-
Fuel	190,897	-	190,897	-
Natural resource	191,723	-	191,723	-
Individual income	729,459	-	729,459	-
Corporate income	101,834	-	101,834	-
Other	257,526	15,624	273,150	-
Unrestricted grants and contributions	-	-	-	106
Settlements	28,313	-	28,313	-
Unrestricted investment earnings	52,792	190	52,982	55,997
Payment from State of Montana	-	-	-	138,437
Gain on sale of capital assets	34	-	34	-
Miscellaneous	4,358	2,945	7,303	11
Contributions to term and permanent endowments	-	-	-	13,208
Transfers	29,871	(29,871)	-	-
Total general revenues, contributions, and transfers	1,773,036	(11,112)	1,761,924	207,759
Change in net assets	642,463	30,624	673,087	66,811
Total net assets - July 1 - as previously reported	4,331,094	236,307	4,567,401	874,008
Prior period adjustments (Note 2)	119,160	(75)	119,085	2,470
Total net assets - July 1 - as restated	4,450,254	236,232	4,686,486	876,478
Total net assets - June 30	\$ 5,092,717	\$ 266,856	\$ 5,359,573	\$ 943,289

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for all governmental financial resources, except for those required to be accounted for in another fund.

State Special Revenue Fund

This fund accounts for all activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

Federal Special Revenue Fund

This fund accounts for activities funded from federal sources used in the operation of state government.

Coal Severance Tax Fund

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. The principal can be expended only upon affirmative vote by three-fourths of each house of the Legislature.

Land Grant Fund

This fund is used by the Department of Natural Resources and Conservation to account for lands granted to the State for support of public schools and state institutions.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on page 124.

BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2005
 (expressed in thousands)

	SPECIAL REVENUE			PERMANENT			TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	
ASSETS							
Cash/cash equivalents (Note 3)	\$ 306,333	\$ 409,013	\$ 39,523	\$ 63,721	\$ 13,370	\$ 31,750	\$ 863,710
Receivables (net) (Note 4)	185,653	65,049	7,985	9,439	5,468	5,528	279,122
Interfund loans receivable (Note 12)	19,300	13,365	550	-	-	-	33,215
Due from other governments	2	248	114,235	-	-	-	114,485
Due from other funds (Note 12)	40,020	17,762	617	4	-	589	58,992
Due from component units	539	698	82	76	-	-	1,395
Inventories	2,604	21,999	-	-	-	-	24,603
Equity in pooled investments (Note 3)	-	225,427	-	465,601	433,049	191,811	1,315,888
Long-term loans/notes receivable	30	194,844	297	-	-	30,906	226,077
Advances to other funds (Note 12)	100	14,506	-	44,241	-	2,826	61,673
Advances to component units	-	-	-	8,881	-	-	8,881
Investments (Note 3)	15,480	154,839	2,129	159,389	-	13,159	344,996
Securities lending collateral (Note 3)	-	40,160	-	55,772	51,873	24,430	172,235
Other assets	2,594	1,130	397	-	-	13	4,134
Total assets	\$ 572,655	\$ 1,159,040	\$ 165,815	\$ 807,124	\$ 503,760	\$ 301,012	\$ 3,509,406
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable (Note 4)	137,459	94,715	84,651	-	5,344	2,102	324,271
Interfund loans payable (Note 12)	-	2,249	28,623	-	-	382	31,254
Due to other governments	1,913	1,135	11,584	-	-	-	14,632
Due to other funds (Note 12)	16,398	27,962	3,180	6,459	-	2,730	56,729
Due to component units	14,793	484	1,296	-	-	3	16,576
Advances from other funds (Note 12)	-	56,667	2,250	-	-	12,371	71,288
Deferred revenue	81,127	24,489	6,419	35	-	10	112,080
Amounts held in custody for others	21,172	3,669	422	-	109	-	25,372
Securities lending liability (Note 3)	-	40,160	-	55,772	51,873	24,430	172,235
Other liabilities	-	133	-	-	-	-	133
Total liabilities	272,862	251,663	138,425	62,266	57,326	42,028	824,570
Fund balances:							
Reserved for:							
Encumbrances	6,718	13,063	1,300	-	-	-	21,081
Inventories	2,604	21,999	-	-	-	-	24,603
Long-term loans/notes receivable	30	187,767	297	-	-	30,906	219,000
Advances to other funds/component units	100	14,506	-	53,122	-	2,826	70,554
Special revenue (Note 14)	-	719,550	27,295	-	-	-	746,845
Debt service	-	-	-	-	-	5,960	5,960
Trust principal (Note 14)	-	-	-	691,736	446,434	205,115	1,343,285
Escheated property	666	-	-	-	-	-	666
Unreserved, designated, reported in nonmajor (Note 1):							
Debt service funds	-	-	-	-	-	8,553	8,553
Unreserved, undesignated	289,675	(49,508)	(1,502)	-	-	-	238,665
Unreserved, undesignated, reported in nonmajor:							
Debt service funds	-	-	-	-	-	(3,097)	(3,097)
Capital projects funds	-	-	-	-	-	8,721	8,721
Total fund balances	299,793	907,377	27,390	744,858	446,434	258,984	2,684,836
Total liabilities and fund balances	\$ 572,655	\$ 1,159,040	\$ 165,815	\$ 807,124	\$ 503,760	\$ 301,012	\$ 3,509,406

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

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

(expressed in thousands)

Total fund balances for governmental funds \$ 2,684,836

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.

Land	354,622	
Land improvements	16,301	
Buildings/improvements	363,438	
Equipment	73,625	
Infrastructure	3,265,389	
Other capital assets	73,581	
Construction in progress	198,464	
Intangible assets	71,493	
Less accumulated depreciation	<u>(1,697,803)</u>	
Total capital assets		2,719,110

Certain tax revenues are earned, but not available and therefore deferred in the funds. 89,338

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. 95,301

Deferred issue costs are reported as current expenditures in the funds. These costs are amortized over the life of the bonds and included in governmental activities in the statement of net assets. 2,682

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest	(5,311)	
Lease/installment purchase payable	(1,848)	
Bonds/notes payable (net)	(421,609)	
Compensated absences payable	(68,941)	
Early retirement benefits payable	(55)	
Arbitrage rebate tax payable	(53)	
Other liabilities	<u>(733)</u>	
Total long-term liabilities		<u>(498,550)</u>

Net assets of governmental activities \$ 5,092,717

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
 (expressed in thousands)

	SPECIAL REVENUE			PERMANENT		NONMAJOR	TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT		
REVENUES							
Licenses/permits	\$ 128,008	\$ 116,676	\$ -	\$ -	\$ 188	\$ 372	\$ 245,244
Taxes:							
Natural resource	80,475	85,703	-	20,170	-	6,242	192,590
Individual income	702,526	1,109	-	-	-	-	703,635
Corporate income	97,915	-	-	-	-	-	97,915
Property	173,636	12,593	-	-	-	-	186,229
Fuel	-	190,885	-	-	-	12	190,897
Other (Note 1)	200,665	54,099	-	-	-	1,828	256,592
Charges for services/fines/forfeits/settlements	32,464	75,759	24,968	-	1	12,043	145,235
Investment earnings	10,635	27,551	474	48,117	34,392	22,768	143,937
Securities lending income	1,436	1,033	-	1,134	1,060	506	5,169
Sale of documents/merchandise/property	393	4,938	2	-	14,699	2,623	22,655
Rentals/leases/royalties	60	1,105	-	-	42,428	130	43,723
Contributions/premiums	-	7,744	-	-	-	-	7,744
Grants/contracts/donations	2,761	25,126	38	-	40	19	27,984
Federal	27,327	11,581	1,464,031	-	-	-	1,502,939
Federal indirect cost recoveries	158	34,211	46,681	-	-	-	81,050
Other revenues	302	3,683	294	-	-	61	4,340
Total revenues	1,458,761	653,796	1,536,488	69,421	92,808	46,604	3,857,878
EXPENDITURES							
Current:							
General government	186,820	93,574	5,621	-	-	7,793	293,808
Public safety/corrections	142,010	41,138	50,413	-	-	5,368	238,929
Transportation	200	212,275	310,547	-	-	-	523,022
Health/social services	280,235	63,484	842,734	-	-	9	1,186,462
Education/cultural	653,850	78,471	172,821	-	-	8	905,150
Resource/recreation/environment	36,862	108,881	56,339	-	4,590	231	206,903
Economic development/assistance	22,646	58,372	65,288	-	-	-	146,306
Debt service:							
Principal retirement	612	430	197	-	-	25,964	27,203
Interest/fiscal charges	122	1,141	29	-	-	12,879	14,171
Capital outlay	1,352	28,079	25,065	-	-	16,355	70,851
Securities lending	1,375	978	-	1,072	1,002	478	4,905
Total expenditures	1,326,084	686,823	1,529,054	1,072	5,592	69,085	3,617,710
Excess of revenue over (under) expenditures	132,677	(33,027)	7,434	68,349	87,216	(22,481)	240,168
OTHER FINANCING SOURCES (USES)							
Bonds issued	-	133,710	-	-	-	1,670	135,380
Refunding bonds issued	-	5,070	-	-	-	25,000	30,070
Bond premium	-	6,654	-	-	-	1,452	8,106
Payment to refunding bond escrow agent	-	-	-	-	-	(31,018)	(31,018)
Inception of lease/installment contract	264	131	122	-	-	-	517
General capital asset sale proceeds	8	158	3	-	-	-	169
Transfers in (Note 12)	71,866	140,591	2,756	3,006	-	55,432	273,651
Transfers out (Note 12)	(44,438)	(39,564)	(14,598)	(46,870)	(77,728)	(21,670)	(244,868)
Total other financing sources (uses)	27,700	246,750	(11,717)	(43,864)	(77,728)	30,866	172,007
Net change in fund balances	160,377	213,723	(4,283)	24,485	9,488	8,385	412,175
Fund balances - July 1 - as previously reported	141,776	694,159	31,396	720,373	436,902	250,590	2,275,196
Prior period adjustments (Note 2)	(2,299)	463	277	-	44	9	(1,506)
Fund balances - July 1 - as restated	139,477	694,622	31,673	720,373	436,946	250,599	2,273,690
Increase (decrease) in inventories	(61)	(968)	-	-	-	-	(1,029)
Fund balances - June 30	\$ 299,793	\$ 907,377	\$ 27,390	\$ 744,858	\$ 446,434	\$ 258,984	\$ 2,684,836

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

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

JUNE 30, 2005

(expressed in thousands)

Net change in fund balances - total governmental funds \$ 412,175

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 5)

Capital outlay	399,491	
Depreciation expense	(118,720)	
Excess of capital outlay over depreciation expense		280,771

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (4,204)

Donations of capital assets or transfers of capital assets to other funds affects net assets in the statement of activities, but these transactions do not appear in the governmental funds because they are not financial resources. (529)

Inventories of governmental funds are recorded as expenditures when purchased. However, in the statement of activities, inventories are expensed when consumed. (1,029)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 37,549

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 21,640

The incurrence of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences is as follows:

Bonds issued	(135,380)	
Refunding bonds issued	(30,070)	
Bond premium	(8,106)	
Payment to refunding bond escrow agent	31,018	
Capital lease financing	(517)	
Principal retirement	27,203	
Issuance costs deferral	947	
Bond issuance costs amortization	(194)	
Bond refunding loss amortization	(693)	
Bond discount amortization	(4)	
Bond premium amortization	306	
Total long-term debt proceeds/repayment		(115,490)

Some expenditures reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. The details of these differences is as follows:

Accrued interest	(234)	
Compensated absences	1,378	
Early retirement benefits	161	
Arbitrage rebate tax	25	
Other liabilities	<u>10,250</u>	
Total additional expenditures		<u>11,580</u>
Change in net assets of governmental activities		<u>\$ 642,463</u>

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

Unemployment Insurance

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

Economic Development Bonds

The Economic Development Bonds Fund accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Nonmajor Funds

Nonmajor enterprise funds are presented beginning on page 144.

Governmental Activities – 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. These funds are presented in more detail beginning on page 166.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 JUNE 30, 2005
 (expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 204,133	\$ 17,151	\$ 48,140	\$ 269,424	\$ 37,376
Receivables (net) (Note 4)	3,431	10,309	17,827	31,567	3,903
Interfund loans receivable (Note 12)	-	-	9	9	607
Due from other governments	-	-	304	304	2
Due from other funds (Note 12)	-	3,695	136	3,831	5,475
Due from component units	-	1,661	350	2,011	454
Inventories	-	-	6,914	6,914	2,082
Short-term investments (Note 3)	-	1,807	-	1,807	-
Securities lending collateral (Note 3)	-	-	410	410	232
Other current assets	-	-	293	293	535
Total current assets	207,564	34,623	74,383	316,570	50,666
Noncurrent assets:					
Restricted investments	-	4,074	-	4,074	-
Advances to other funds (Note 12)	-	14,013	195	14,208	-
Advances to component units	-	6,644	-	6,644	-
Long-term investments (Note 3)	-	18	3,256	3,274	12,898
Long-term notes/loans receivable	-	34,082	308	34,390	-
Deferred charges	-	1,393	28	1,421	-
Other long-term assets	-	-	1,618	1,618	-
Capital assets (Note 5):					
Land	-	-	800	800	236
Land improvements	-	-	2,343	2,343	95
Buildings/improvements	-	-	6,098	6,098	2,852
Equipment	-	3	10,061	10,064	183,514
Infrastructure	-	-	884	884	-
Construction in progress	-	-	868	868	3,471
Intangible assets	-	-	661	661	1,157
Less accumulated depreciation	-	(3)	(12,045)	(12,048)	(104,775)
Total capital assets	-	-	9,670	9,670	86,550
Total noncurrent assets	-	60,224	15,075	75,299	99,448
Total assets	207,564	94,847	89,458	391,869	150,114

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 JUNE 30, 2005
 (expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC		TOTAL	
		DEVELOPMENT BONDS	NONMAJOR		
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	\$ 342	\$ 916	\$ 6,013	\$ 7,271	\$ 6,890
Lottery prizes payable	-	-	1,436	1,436	-
Interfund loans payable (Note 12)	-	-	146	146	2,431
Due to other governments	-	-	879	879	-
Due to other funds (Note 12)	65	3	8,967	9,035	2,508
Due to component units	-	-	1	1	22
Deferred revenue	-	-	2,742	2,742	965
Short-term debt (Note 11)	-	84,280	-	84,280	-
Lease/installment purchase payable (Note 10)	-	-	-	-	118
Bonds/notes payable - net (Note 11)	-	1,474	410	1,884	-
Amounts held in custody for others	-	415	100	515	31
Securities lending liability (Note 3)	-	-	410	410	232
Estimated insurance claims (Note 8)	-	-	7,414	7,414	16,264
Compensated absences payable (Note 11)	-	19	573	592	2,470
Total current liabilities	407	87,107	29,091	116,605	31,931
Noncurrent liabilities:					
Lottery prizes payable	-	-	1,258	1,258	-
Advances from other funds (Note 12)	-	-	-	-	4,412
Lease/installment purchase payable (Note 10)	-	-	-	-	738
Bonds/notes payable - net (Note 11)	-	2,434	850	3,284	-
Estimated insurance claims (Note 8)	-	-	3,199	3,199	15,739
Compensated absences payable (Note 11)	-	24	529	553	1,993
Arbitrage rebate tax payable	-	114	-	114	-
Total noncurrent liabilities	-	2,572	5,836	8,408	22,882
Total liabilities	407	89,679	34,927	125,013	54,813
NET ASSETS					
Invested in capital assets, net of related debt	-	-	9,670	9,670	85,694
Restricted for:					
Unemployment Compensation	207,157	-	-	207,157	-
Other Purposes	-	2,504	30,853	33,357	-
Unrestricted	-	2,664	14,008	16,672	9,607
Total net assets	\$ 207,157	\$ 5,168	\$ 54,531	\$ 266,856	\$ 95,301

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	ECONOMIC			TOTAL	
	UNEMPLOYMENT INSURANCE	DEVELOPMENT BONDS	NONMAJOR		
Operating revenues:					
Charges for services	\$ -	\$ 5	\$ 96,957	\$ 96,962	\$ 93,911
Investment earnings	10,951	637	863	12,451	859
Securities lending income	-	-	12	12	21
Financing income	-	2,126	-	2,126	-
Contributions/premiums	72,866	-	66,332	139,198	108,940
Grants/contracts/donations	7,821	-	36,211	44,032	-
Taxes	-	-	15,624	15,624	-
Other operating revenues	2,507	-	644	3,151	1,906
Total operating revenues	94,145	2,768	216,643	313,556	205,637
Operating expenses:					
Personal services	-	252	9,480	9,732	35,015
Contractual services	-	32	10,027	10,059	16,913
Supplies/materials	-	3	46,139	46,142	15,763
Benefits/claims	71,789	-	83,452	155,241	81,657
Depreciation	-	1	1,707	1,708	11,276
Amortization	-	-	287	287	654
Utilities/rent	-	41	775	816	8,926
Communications	-	6	1,073	1,079	9,150
Travel	-	4	184	188	397
Repair/maintenance	-	-	429	429	7,473
Grants	-	-	1,417	1,417	-
Lottery prize payments	-	-	17,804	17,804	-
Interest expense	-	2,191	58	2,249	271
Securities lending expense	-	-	11	11	20
Arbitrage rebate tax	-	67	-	67	-
Dividend expense	-	-	791	791	-
Other operating expenses	3,502	30	1,455	4,987	2,456
Total operating expenses	75,291	2,627	175,089	253,007	189,971
Operating income (loss)	18,854	141	41,554	60,549	15,666
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	-	(3)	(17)	(20)	(754)
Federal indirect cost recoveries	-	-	-	-	4,003
Increase (decrease) value of livestock	-	-	(193)	(193)	-
Total nonoperating revenues (expenses)	-	(3)	(210)	(213)	3,249
Income (loss) before contributions and transfers	18,854	138	41,344	60,336	18,915
Capital contributions	-	-	1,946	1,946	-
Transfers in (Note 12)	-	-	63	63	2,915
Transfers out (Note 12)	(2,729)	-	(28,992)	(31,721)	(190)
Change in net assets	16,125	138	14,361	30,624	21,640
Total net assets - July 1 - as previously reported	191,032	5,030	40,245	236,307	70,881
Prior period adjustments (Note 2)	-	-	(75)	(75)	2,780
Total net assets - July 1 - as restated	191,032	5,030	40,170	236,232	73,661
Total net assets - June 30	\$ 207,157	\$ 5,168	\$ 54,531	\$ 266,856	\$ 95,301

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
 (expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from sales and services	\$ 71,841	\$ 5	\$ 161,783	\$ 233,629	\$ 205,979
Payments to suppliers for goods and services	(310)	(119)	(93,493)	(93,922)	(63,536)
Payments to employees	-	(238)	(9,480)	(9,718)	(34,954)
Grant receipts	7,923	-	36,717	44,640	3,900
Grant payments	-	-	(1,347)	(1,347)	-
Cash payments for claims	(71,366)	-	(48,859)	(120,225)	(87,180)
Cash payments for prizes	-	-	(17,974)	(17,974)	-
Other operating revenues	2,552	-	620	3,172	1,636
Other operating payments	-	-	(791)	(791)	-
Net cash provided by (used for) operating activities	10,640	(352)	27,176	37,464	25,845
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	-	-	15,623	15,623	-
Transfers to other funds	(3,320)	-	(29,667)	(32,987)	(441)
Transfers from other funds	-	-	63	63	3,049
Proceeds from interfund loans/advances	-	-	1,847	1,847	10,748
Payments of interfund loans/advances	(1)	-	(1,852)	(1,853)	(9,217)
Payment of external loan	-	-	(200)	(200)	-
Collection of principal and interest on loans	-	-	561	561	-
Payment of principal and interest on bonds and notes	-	(10,616)	(445)	(11,061)	(199)
Proceeds from issuance of bonds and notes	-	177	-	177	-
Net cash provided by (used for) noncapital financing activities	(3,321)	(10,439)	(14,070)	(27,830)	3,940
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(988)	(988)	(16,278)
Proceeds from sale of capital assets	-	-	3	3	1,483
Principal and interest payments on bonds and notes	-	-	-	-	(120)
Net cash used for capital and related financing activities	-	-	(985)	(985)	(14,915)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(1,334)	(497)	(1,831)	(10,000)
Proceeds from sales or maturities of investments	-	23,227	674	23,901	1,350
Proceeds from securities lending transactions	-	-	12	12	21
Interest and dividends on investments	10,951	692	858	12,501	876
Payment of securities lending costs	-	-	(11)	(11)	(20)
Collections of principal and interest on loans	-	20,286	-	20,286	-
Cash payment for loans	-	(22,371)	-	(22,371)	-
Arbitrage rebate tax	-	(92)	-	(92)	-
Net cash provided by (used for) investing activities	10,951	20,408	1,036	32,395	(7,773)
Net increase (decrease) in cash and cash equivalents	18,270	9,617	13,157	41,044	7,097
Cash and cash equivalents, July 1	185,863	7,535	34,983	228,381	30,279
Cash and cash equivalents, June 30	\$ 204,133	\$ 17,152	\$ 48,140	\$ 269,425	\$ 37,376

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

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT BONDS	NONMAJOR	TOTAL	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 18,853	\$ 141	\$ 41,554	\$ 60,548	\$ 15,666
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	-	1	1,707	1,708	11,276
Amortization	-	-	287	287	654
Taxes	-	-	(15,624)	(15,624)	-
Interest expense	-	2,191	58	2,249	271
Securities lending expense	-	-	11	11	20
Investment Earnings	(10,951)	(637)	(863)	(12,451)	(859)
Securities lending income	-	-	(12)	(12)	(21)
Financing income	-	(2,126)	-	(2,126)	-
Federal indirect cost recoveries	-	-	-	-	4,003
Arbitrage rebate tax	-	67	-	67	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	2,780	-	(988)	1,792	2,099
Decr (incr) in due from other funds	1	-	100	101	671
Decr (incr) in due from component units	-	-	(82)	(82)	75
Decr (incr) in due from other governments	-	-	(81)	(81)	1
Decr (incr) in inventories	-	-	(72)	(72)	(1,263)
Decr (incr) in other assets	-	-	(17)	(17)	(14)
Incr (decr) in accounts payable	288	(4)	(173)	111	(1,169)
Incr (decr) in lottery prizes payable	-	-	(118)	(118)	-
Incr (decr) in due to other funds	-	(3)	(45)	(48)	(548)
Incr (decr) in due to component units	-	-	-	-	(28)
Incr (decr) in due to other governments	-	-	586	586	-
Incr (decr) in deferred revenue	-	-	(737)	(737)	(3)
Incr (decr) in amounts held in custody for others	(331)	-	(84)	(415)	(14)
Incr (decr) in compensated absences payable	-	18	(101)	(83)	(222)
Incr (decr) in estimated claims	-	-	1,870	1,870	(4,750)
Net cash provided by (used for) operating activities	\$ 10,640	\$ (352)	\$ 27,176	\$ 37,464	\$ 25,845
Schedule of noncash transactions:					
Capital asset acquisitions from capital leases	\$ -	\$ -	\$ -	\$ -	\$ 793
Amortization of bond issuance costs	-	-	8	8	-
Incr (decr) in fair value of investments	-	(9)	(22)	(31)	(31)
Total noncash transactions	\$ -	\$ (9)	\$ (14)	\$ (23)	\$ 762

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FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trust Funds

These funds provide retirement, disability, death, and lump-sum payments to retirement system members.

Private-Purpose Trust Funds

These funds are used to account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments.

Investment Trust

This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds

Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, and other governments.

Individual funds are presented, by fund type, beginning on page 184.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 JUNE 30, 2005
 (expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 109,529	\$ 2,481	\$ 580,876	\$ 8,258
Receivables (net):				
Accounts receivable	17,080	8	-	659
Interest	14,673	-	-	-
Due from primary government	14,732	-	-	-
Due from other PERB plans	350	-	-	-
Long-term loans/notes receivable	167	-	-	-
Total receivables	47,002	8	-	659
Investments at fair value:				
Equity in pooled investments (Note 3)	6,137,767	-	-	-
Other investments (Note 3)	374,871	-	-	-
Total investments	6,512,638	-	-	-
Securities lending collateral (Note 3)	277,755	-	-	-
Capital Assets:				
Land	35	-	-	-
Buildings/improvements	158	-	-	-
Equipment	152	-	-	-
Accumulated depreciation	(264)	-	-	-
Intangible assets	1,187	-	-	-
Total capital assets	1,268	-	-	-
Other assets	21	7,131	-	12,201
Total assets	6,948,213	9,620	580,876	21,118
LIABILITIES				
Accounts payable	750	18	529	812
Due to primary government	113	-	-	-
Due to other PERB plans	350	-	-	-
Due to other funds (Note 12)	26	-	-	-
Advances from primary government	1,380	-	-	-
Advances from other funds (Note 12)	181	-	-	-
Deferred revenue	62	-	-	-
Amounts held in custody for others	-	-	-	20,306
Securities lending liability (Note 3)	277,755	-	-	-
Compensated absences payable	403	-	-	-
Total liabilities	281,020	18	529	21,118
NET ASSETS				
Held in trust for pension benefits and other purposes	\$ 6,667,193	\$ 9,602	\$ 580,347	\$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

(expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST
ADDITIONS			
Contributions/premiums:			
Employer	\$ 135,929	\$ -	\$ -
Employee	150,499	-	-
Other contributions	17,961	-	1,084,719
Net investment earnings:			
Investment earnings	509,649	32	12,328
Administrative investment expense	(9,869)	-	-
Securities lending income	6,369	-	-
Securities lending expense	(5,922)	-	-
Charges for services	345	-	-
Other additions	195	4,000	-
Transfers in	150	-	-
Total additions	<u>805,306</u>	<u>4,032</u>	<u>1,097,047</u>
DEDUCTIONS			
Benefits	359,329	-	-
Refunds	20,393	-	-
Distributions	-	2,453	1,118,611
Administrative expenses:			
Personal services	2,311	-	-
Contractual services	2,283	-	-
Supplies/materials	75	-	-
Depreciation	5	-	-
Amortization	403	-	-
Utilities/rent	250	-	-
Communications	174	-	-
Travel	49	-	-
Repair/maintenance	55	-	-
Grants	-	4	-
Interest expense	51	-	-
Other operating expenses	349	-	-
Local assistance	11	-	-
Transfers to ORP	159	-	-
Transfers to PERS-DCRP	914	-	-
Total deductions	<u>386,811</u>	<u>2,457</u>	<u>1,118,611</u>
Change in net assets	<u>418,495</u>	<u>1,575</u>	<u>(21,564)</u>
Net assets - July 1 - as previously reported	6,248,441	8,035	601,911
Prior period adjustments (Note 2)	257	(8)	-
Net assets - July 1 - as restated	<u>6,248,698</u>	<u>8,027</u>	<u>601,911</u>
Net assets - June 30	<u>\$ 6,667,193</u>	<u>\$ 9,602</u>	<u>\$ 580,347</u>

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

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COMPONENT UNIT FINANCIAL STATEMENTS

Housing Authority

This authority facilitates 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.

Facility Finance Authority

This authority assists all eligible, non-profit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing possible.

State Compensation Insurance Fund (New and Old)

This 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. In 1999, the 56th Legislature determined that the Old Fund was adequately funded and discontinued the Old Fund Liability Tax.

Montana State University and University of Montana

These universities are funded through state appropriations, tuition, federal grants, and private donations and grants. In addition to instruction, these universities provide research and other services.

COMBINING STATEMENT OF NET ASSETS

COMPONENT UNITS

JUNE 30, 2005

(expressed in thousands)

	HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)
ASSETS				
Cash/cash equivalents (Note 3)	\$ 5,772	\$ 1,943	\$ 32,157	\$ 12,207
Receivables (net)	16,477	237	12,930	704
Due from primary government	5	-	2	-
Due from other governments	33	-	-	-
Due from component units	-	-	702	212
Inventories	-	-	-	-
Long-term loans/notes receivable	662,373	338	36	-
Equity in pooled investments (Note 3)	-	-	-	-
Investments (Note 3)	216,347	-	656,029	51,353
Securities lending collateral (Note 3)	-	-	101,859	17,769
Deferred charges	7,434	-	-	-
Capital assets (net) (Note 5)	81	1	4,690	-
Other assets	209	1	8,429	-
Total assets	908,731	2,520	816,834	82,245
LIABILITIES				
Accounts payable	4,117	9	13,690	245
Due to primary government	25	2	1,072	1
Due to other governments	33	-	-	-
Due to component units	-	-	212	702
Advances from primary government	-	-	-	-
Deferred revenue	-	-	4,926	-
Amounts held in custody for others	3	-	13,055	-
Securities lending liability (Note 3)	-	-	101,859	17,769
Other liabilities	-	-	-	-
Long-term liabilities (Note 11):				
Due within one year	10,367	13	111,875	10,322
Due in more than one year	756,226	12	401,471	68,787
Total liabilities	770,771	36	648,160	97,826
NET ASSETS				
Invested in capital assets, net of related debt	81	-	4,690	-
Restricted for:				
Federal grants	-	-	-	-
Debt service/construction	-	-	-	-
Funds held as permanent investments:				
Nonexpendable	-	-	-	-
Housing authority	137,879	-	-	-
Other purposes	-	-	-	-
Unrestricted	-	2,484	163,984	(15,581)
Total net assets	\$ 137,960	\$ 2,484	\$ 168,674	\$ (15,581)

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

	MONTANA STATE UNIVERSITY	UNIVERSITY OF MONTANA	TOTAL
\$	88,504	\$ 60,906	\$ 201,489
	16,473	21,848	68,669
	854	1,007	1,868
	12,254	8,618	20,905
	191	457	1,562
	2,799	1,732	4,531
	17,015	9,317	689,079
	10,044	7,048	17,092
	146,499	158,156	1,228,384
	1,203	730	121,561
	-	-	7,434
	249,731	244,710	499,213
	5,440	4,146	18,225
	551,007	518,675	2,880,012
	16,871	19,311	54,243
	1,597	1,050	3,747
	8,469	23	8,525
	458	190	1,562
	8,688	5,457	14,145
	8,623	10,600	24,149
	3,917	1,995	18,970
	1,203	730	121,561
	3,593	5,961	9,554
	16,838	12,629	162,044
	138,326	153,401	1,518,223
	208,583	211,347	1,936,723
	158,792	110,945	274,508
	-	21	21
	15,538	17,126	32,664
	78,812	101,256	180,068
	-	-	137,879
	35,060	46,460	81,520
	54,222	31,520	236,629
\$	342,424	\$ 307,328	\$ 943,289

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
 (expressed in thousands)

	HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	STATE COMPENSATION INSURANCE (NEW FUND)	STATE COMPENSATION INSURANCE (OLD FUND)
EXPENSES	\$ 42,460	\$ 276	\$ 202,930	\$ 10,555
PROGRAM REVENUES:				
Charges for services	219	280	189,430	-
Operating grants and contributions	48,636	62	-	-
Capital grants and contributions	-	-	-	-
Total program revenues	48,855	342	189,430	-
Net (expenses) program revenues	6,395	66	(13,500)	(10,555)
GENERAL REVENUES:				
Unrestricted grants and contributions	-	-	-	-
Unrestricted investment earnings	-	-	39,402	2,417
Payment from State of Montana	-	-	-	-
Miscellaneous	11	-	-	-
Contributions to term and permanent endowments	-	-	-	-
Total general revenues and contributions	11	-	39,402	2,417
Change in net assets	6,406	66	25,902	(8,138)
Total net assets - July 1 - as previously reported	131,554	2,418	142,772	(7,443)
Prior period adjustments (Note 2)	-	-	-	-
Total net assets - July 1 - as restated	131,554	2,418	142,772	(7,443)
Total net assets - June 30	\$ 137,960	\$ 2,484	\$ 168,674	\$ (15,581)

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

	MONTANA STATE UNIVERSITY	UNIVERSITY OF MONTANA	TOTAL
	\$ 372,205	\$ 293,932	\$ 922,358
	149,688	129,659	469,276
	148,435	108,069	305,202
	4,554	2,378	6,932
	302,677	240,106	781,410
	(69,528)	(53,826)	(140,948)
	106	-	106
	4,044	10,134	55,997
	79,996	58,441	138,437
	-	-	11
	4,280	8,928	13,208
	88,426	77,503	207,759
	18,898	23,677	66,811
	323,151	281,556	874,008
	375	2,095	2,470
	323,526	283,651	876,478
	\$ 342,424	\$ 307,328	\$ 943,289