

Montana State Fund

Notes to Financial Statements
June 30, 2003 and 2002

As represented in Note 5 of the Blue Cover Report from Legislative Audit Division

State law (Section 39-71-2352, MCA) requires MSF to separately determine and account for administrative expenses and benefit payments for claims for injuries resulting from accidents occurring before July 1, 1990 (Old Fund) from those occurring on or after July 1, 1990 (MSF). The law also limits annual administrative costs of claims associated with the Old Fund to \$1,250,000. MSF allocated \$1,250,000 in administration costs to the Old Fund in each of fiscal years 2003 and 2002. The Old Fund has a \$1,075,781 obligation to MSF in unrecovered administrative costs incurred in fiscal years 2003 and prior. MSF intends to recover this amount in future years where the cost of administering the Old Fund is less than the statutorily permitted \$1,250,000.