

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

Prepared By:

Department of Administration

Janet Kelly, Director

Sheryl Olson, Deputy Director

Administrative Financial Services Division

Paul Christofferson, CPA, Administrator

Accounting Bureau

Julie Feldman, Bureau Chief

Accounting Principles/Financial Reporting Section

Janet Atchison, Accountant

Wendy Feth, Accountant

Charles Idehen, CPA

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, 2007

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STATEMENT OF NET ASSETS

JUNE 30, 2007

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash/cash equivalents (Note 3)	\$ 1,298,950	\$ 360,741	\$ 1,659,691	\$ 246,848
Receivables (net)	333,601	35,626	369,227	98,053
Due from primary government	-	-	-	4,017
Due from other governments	170,025	907	170,932	21,914
Due from component units	1,860	4,167	6,027	1,043
Internal balances	(8,857)	8,857	-	-
Inventories	29,836	7,443	37,279	4,577
Advances to component units	8,722	5,184	13,906	-
Long-term loans/notes receivable	250,866	32,820	283,686	826,208
Equity in pooled investments (Note 3)	1,362,728	-	1,362,728	21,468
Investments (Note 3)	294,008	6,351	300,359	1,483,274
Securities lending collateral (Note 3)	75,304	474	75,778	161,058
Deferred charges	3,652	1,535	5,187	11,224
Capital assets (net) (Note 5)	3,402,036	8,698	3,410,734	571,618
Other assets	9,795	1,958	11,753	34,010
Total assets	7,232,526	474,761	7,707,287	3,485,312
LIABILITIES				
Accounts payable	433,584	10,968	444,552	63,707
Lottery prizes payable	-	2,706	2,706	-
Due to primary government	-	-	-	6,027
Due to other governments	2,697	53	2,750	54
Due to component units	4,010	7	4,017	1,043
Advances from primary government	-	-	-	13,906
Deferred revenue	32,289	6,320	38,609	31,728
Amounts held in custody for others	34,985	649	35,634	48,562
Securities lending liability (Note 3)	75,304	474	75,778	161,058
Other liabilities	2,055	-	2,055	3,670
Short-term debt (Note 11)	-	98,460	98,460	-
Long-term liabilities (Note 11):				
Due within one year	93,251	9,731	102,982	195,714
Due in more than one year	415,944	10,212	426,156	1,832,513
Total liabilities	1,094,119	139,580	1,233,699	2,357,982

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 3,115,260	\$ 8,698	\$ 3,123,958	\$ 325,019
Restricted for:				
Transportation	79,816	-	79,816	-
Fish, wildlife, and parks	79,714	-	79,714	-
Federal grants	24,573	-	24,573	-
Debt service/construction	33,264	-	33,264	24,086
Unemployment compensation	-	261,618	261,618	-
Funds held as permanent investments:				
Nonexpendable	1,414,841	-	1,414,841	211,459
Expendable	21,014	-	21,014	-
Housing authority	-	-	-	146,186
Resource/environment	621,245	-	621,245	-
Other purposes	72,928	53,104	126,032	141,153
Unrestricted	675,752	11,761	687,513	279,427
Total net assets	\$ 6,138,407	\$ 335,181	\$ 6,473,588	\$ 1,127,330

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

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(amounts 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	\$ 450,646	\$ 61,713	\$ 50,974	\$ 1,583	\$ (336,376)
Public safety/corrections	293,193	153,577	54,461	-	(85,155)
Transportation	197,510	34,963	34,290	316,716	188,459
Health/social services	1,266,098	30,547	874,617	-	(360,934)
Education/cultural	1,065,504	96,903	185,491	304	(782,806)
Resource/recreation/environment	256,751	80,320	124,397	5,655	(46,379)
Economic development/assistance	152,154	38,441	71,094	1,094	(41,525)
Interest on long-term debt	19,418	-	-	-	(19,418)
Total governmental activities	3,701,274	496,464	1,395,324	325,352	(1,484,134)
Business-type activities:					
Unemployment Insurance	72,378	83,661	18,556	-	29,839
Liquor Stores	55,521	63,943	-	-	8,422
State Lottery	30,416	41,567	-	-	11,151
Economic Development Bonds	4,167	22	4,306	-	161
Hail Insurance	4,663	6,042	560	-	1,939
General Government Services	53,851	18,176	38,785	171	3,281
Prison Funds	6,487	5,600	-	-	(887)
MUS Group Insurance	58,532	57,159	2,142	-	769
MUS Workers Compensation	2,647	4,047	342	-	1,742
Total business-type activities	288,662	280,217	64,691	171	56,417
Total primary government	\$ 3,989,936	\$ 776,681	\$ 1,460,015	\$ 325,523	\$ (1,427,717)
Component units:					
Housing Authority	\$ 49,114	\$ 380	\$ 54,973	\$ -	\$ 6,239
Facility Finance Authority	324	584	143	-	403
State Compensation Insurance (New Fund)	259,663	238,282	-	-	(21,381)
State Compensation Insurance (Old Fund)	13,750	2	-	-	(13,748)
Montana Surplus Lines	543	613	-	-	70
Montana State University	410,657	170,960	168,314	15,257	(56,126)
University of Montana	326,068	153,898	107,890	8,150	(56,130)
Total component units	\$ 1,060,119	\$ 564,719	\$ 331,320	\$ 23,407	\$ (140,673)

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	\$ (1,484,134)	\$ 56,417	\$ (1,427,717)	\$ (140,673)
General revenues:				
Taxes:				
Property	206,527	-	206,527	-
Fuel	210,573	-	210,573	-
Natural resource	276,793	-	276,793	-
Individual income	819,473	-	819,473	-
Corporate income	183,913	-	183,913	-
Other	309,232	19,046	328,278	-
Unrestricted grants and contributions	3,911	-	3,911	106
Settlements	27,853	10	27,863	-
Unrestricted investment earnings	78,032	569	78,601	110,622
Payment from State of Montana	-	-	-	153,986
Gain on sale of capital assets	10,823	-	10,823	182
Miscellaneous	3,050	1,953	5,003	-
Contributions to term and permanent endowments	-	-	-	11,313
Transfers	41,080	(41,080)	-	-
Total general revenues, contributions, and transfers	2,171,260	(19,502)	2,151,758	276,209
Change in net assets	687,126	36,915	724,041	135,536
Total net assets - July 1 - as previously reported	5,692,482	296,930	5,989,412	991,824
Prior period adjustments (Note 2)	(241,201)	1,336	(239,865)	(30)
Total net assets - July 1 - as restated	5,451,281	298,266	5,749,547	991,794
Total net assets - June 30	\$ 6,138,407	\$ 335,181	\$ 6,473,588	\$ 1,127,330

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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 128.

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

(amounts expressed in thousands)

	SPECIAL REVENUE			PERMANENT			TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	
ASSETS							
Cash/cash equivalents (Note 3)	\$ 517,244	\$ 522,661	\$ 40,519	\$ 52,102	\$ 17,289	\$ 73,829	\$ 1,223,644
Receivables (net) (Note 4)	184,636	115,163	10,141	8,641	4,731	5,235	328,547
Interfund loans receivable (Note 12)	33,717	33,241	724	-	-	-	67,682
Due from other governments	25,053	1,927	143,037	-	-	-	170,017
Due from other funds (Note 12)	71,186	16,896	603	-	431	41	89,157
Due from component units	229	1,079	142	80	-	-	1,530
Inventories	5,033	22,294	-	-	-	-	27,327
Equity in pooled investments (Note 3)	-	233,153	-	483,231	429,615	216,728	1,362,727
Long-term loans/notes receivable	198	221,971	385	-	-	28,313	250,867
Advances to other funds (Note 12)	3,950	15,439	-	14,326	-	2,916	36,631
Advances to component units	-	-	-	8,722	-	-	8,722
Investments (Note 3)	15,116	60,353	3,161	204,074	-	6,557	289,261
Securities lending collateral (Note 3)	-	22,818	-	21,397	19,023	11,521	74,759
Other assets	2,199	6,724	313	-	-	-	9,236
Total assets	\$ 858,561	\$ 1,273,719	\$ 199,025	\$ 792,573	\$ 471,089	\$ 345,140	\$ 3,940,107
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable (Note 4)	170,823	120,194	103,372	-	4,537	3,832	402,758
Interfund loans payable (Note 12)	-	15,124	50,831	-	-	42	65,997
Due to other governments	47	975	1,675	-	-	-	2,697
Due to other funds (Note 12)	9,012	54,881	2,716	6,849	7,031	2,331	82,820
Due to component units	16,996	1,658	1,816	-	418	2	20,890
Advances from other funds (Note 12)	-	30,776	1,893	-	-	14,271	46,940
Deferred revenue	70,202	28,607	13,557	-	-	337	112,703
Amounts held in custody for others	21,825	12,839	242	-	78	-	34,984
Securities lending liability (Note 3)	-	22,818	-	21,397	19,023	11,521	74,759
Other liabilities	-	1,409	-	-	-	-	1,409
Total liabilities	288,905	289,281	176,102	28,246	31,087	32,336	845,957
Fund balances:							
Reserved for:							
Encumbrances	10,329	17,987	265	-	-	8	28,589
Inventories	5,033	22,294	-	-	-	-	27,327
Long-term loans/notes receivable	198	221,971	385	-	-	28,313	250,867
Advances to other funds/component units	3,950	15,439	-	23,048	-	2,916	45,353
Special revenue (Note 14)	-	749,184	28,128	-	-	-	777,312
Debt service	-	-	-	-	-	4,599	4,599
Trust principal (Note 14)	-	-	-	741,279	440,002	233,313	1,414,594
Escheated property	988	-	-	-	-	-	988
Unreserved, designated, reported in nonmajor (Note 1):							
Debt service funds	-	-	-	-	-	10,331	10,331
Unreserved, undesignated	549,158	(42,437)	(5,855)	-	-	-	500,866
Unreserved, undesignated, reported in nonmajor:							
Debt service funds	-	-	-	-	-	(4,411)	(4,411)
Capital projects funds	-	-	-	-	-	37,735	37,735
Total fund balances	569,656	984,438	22,923	764,327	440,002	312,804	3,094,150
Total liabilities and fund balances	\$ 858,561	\$ 1,273,719	\$ 199,025	\$ 792,573	\$ 471,089	\$ 345,140	\$ 3,940,107

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, 2007

(amounts expressed in thousands)

Total fund balances for governmental funds \$ 3,094,150

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	416,193	
Land improvements	21,547	
Buildings/improvements	390,911	
Equipment	83,169	
Infrastructure	3,509,995	
Other capital assets	159,791	
Construction in progress	348,098	
Intangible assets	28,121	
Less accumulated depreciation	<u>(1,647,082)</u>	
Total capital assets		3,310,743

Certain revenues are earned, but not available and therefore deferred in the funds. 81,445

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. 130,944

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. 3,652

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	(5,652)	
Lease/installment purchase payable	(1,057)	
Bonds/notes payable (net)	(395,967)	
Compensated absences payable	(78,793)	
Early retirement benefits payable	(48)	
Arbitrage rebate tax payable	(364)	
Other liabilities	<u>(646)</u>	
Total long-term liabilities		<u>(482,527)</u>

Net assets of governmental activities \$ 6,138,407

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, 2007
 (amounts expressed in thousands)

	SPECIAL REVENUE			PERMANENT		NONMAJOR	TOTAL
	GENERAL	STATE	FEDERAL	COAL SEVERANCE TAX	LAND GRANT		
REVENUES							
Licenses/permits	\$ 133,205	\$ 151,236	\$ -	\$ -	\$ 1,018	\$ 431	\$ 285,890
Taxes:							
Natural resource	118,864	130,073	-	20,186	-	6,289	275,412
Individual income	828,452	-	-	-	-	-	828,452
Corporate income	177,852	-	-	-	-	-	177,852
Property	191,075	15,451	-	-	-	-	206,526
Fuel	-	210,559	-	-	-	14	210,573
Other (Note 1)	221,030	87,710	-	-	-	2,065	310,805
Charges for services/fines/forfeits/settlements	32,093	85,857	31,061	-	-	11,560	160,571
Investment earnings	34,901	37,210	1,050	44,713	29,229	23,944	171,047
Securities lending income	2,220	1,109	1	844	761	404	5,339
Sale of documents/merchandise/property	366	2,943	6	-	14,086	3,059	20,460
Rentals/leases/royalties	29	826	-	-	50,456	131	51,442
Contributions/premiums	-	9,240	-	-	-	-	9,240
Grants/contracts/donations	2,654	23,276	(687)	-	119	-	25,362
Federal	28,024	10,752	1,465,819	-	-	-	1,504,595
Federal indirect cost recoveries	82	31,002	50,527	-	-	-	81,611
Other revenues	1,301	1,520	(120)	-	-	-	2,701
Total revenues	1,772,148	798,764	1,547,657	65,743	95,669	47,897	4,327,878
EXPENDITURES							
Current:							
General government	240,408	156,834	4,089	-	-	-	401,331
Public safety/corrections	186,569	50,182	43,817	-	-	4,209	284,777
Transportation	290	270,094	304,773	-	-	-	575,157
Health/social services	317,091	91,437	859,326	-	-	-	1,267,854
Education/cultural	789,124	75,122	182,295	-	3,692	6	1,050,239
Resource/recreation/environment	58,048	124,931	64,070	-	-	41	247,090
Economic development/assistance	28,103	67,579	56,760	-	-	-	152,442
Debt service:							
Principal retirement	460	383	206	-	-	32,054	33,103
Interest/fiscal charges	52	863	35	-	-	18,130	19,080
Capital outlay	1,720	35,825	13,688	-	9,097	35,504	95,834
Securities lending	2,208	1,087	1	825	744	396	5,261
Total expenditures	1,624,073	874,337	1,529,060	825	13,533	90,340	4,132,168
Excess of revenue over (under) expenditures	148,075	(75,573)	18,597	64,918	82,136	(42,443)	195,710
OTHER FINANCING SOURCES (USES)							
Refunding bonds issued	-	-	-	-	-	16,740	16,740
Bond premium	-	-	-	-	-	946	946
Payment to refunding bond escrow agent	-	-	-	-	-	(17,504)	(17,504)
Inception of lease/installment contract	13	2	34	-	-	-	49
Insurance proceeds	-	115	-	-	-	-	115
General capital asset sale proceeds	49	223	1	-	10,671	2	10,946
Transfers in (Note 12)	72,840	154,536	2,255	2,459	-	74,777	306,867
Transfers out (Note 12)	(71,658)	(29,714)	(25,054)	(41,437)	(81,092)	(20,640)	(269,595)
Total other financing sources (uses)	1,244	125,162	(22,764)	(38,978)	(70,421)	54,321	48,564
Net change in fund balances	149,319	49,589	(4,167)	25,940	11,715	11,878	244,274
Fund balances - July 1 - as previously reported	420,113	936,941	27,555	738,387	428,287	300,923	2,852,206
Prior period adjustments (Note 2)	(247)	(563)	(465)	-	-	3	(1,272)
Fund balances - July 1 - as restated	419,866	936,378	27,090	738,387	428,287	300,926	2,850,934
Increase (decrease) in inventories	471	(1,529)	-	-	-	-	(1,058)
Fund balances - June 30	\$ 569,656	\$ 984,438	\$ 22,923	\$ 764,327	\$ 440,002	\$ 312,804	\$ 3,094,150

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds \$ 244,274

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	538,336	
Depreciation expense	<u>(141,345)</u>	
Excess of capital outlay over depreciation expense		396,991

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. (731)

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. 2,020

Inventories of governmental funds are recorded as expenditures when purchased. However, in the statement of activities, inventories are expensed when consumed. (1,058)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (179)

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. 17,900

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:

Refunding bonds issued	(16,740)	
Bond premium	(946)	
Payment to refunding bond escrow agent	17,504	
Capital lease financing	(49)	
Principal retirement	33,103	
Issuance costs deferral	237	
Bond issuance costs amortization	(364)	
Bond refunding gain amortization	131	
Bond discount amortization	(13)	
Bond premium amortization	<u>1,314</u>	
Total long-term debt proceeds/repayment		34,177

Some expenses 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	(1,589)	
Compensated absences	(4,547)	
Early retirement benefits	2	
Arbitrage rebate tax	(290)	
Other liabilities	156	
Total additional expenditures		<u>(6,268)</u>
Change in net assets of governmental activities		<u>\$ 687,126</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, local governments, and state agencies in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Nonmajor Funds

Nonmajor enterprise funds are presented beginning on page 148.

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 170.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2007

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT		TOTAL	
		BONDS	NONMAJOR		
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 259,402	\$ 29,713	\$ 71,626	\$ 360,741	\$ 75,307
Receivables (net) (Note 4)	2,735	9,031	23,857	35,623	4,959
Interfund loans receivable (Note 12)	-	-	-	-	269
Due from other governments	22	-	885	907	7
Due from other funds (Note 12)	-	5,071	371	5,442	5,845
Due from component units	-	1,815	2,354	4,169	426
Inventories	-	-	7,443	7,443	2,509
Short-term investments (Note 3)	-	1,063	-	1,063	-
Securities lending collateral (Note 3)	-	-	474	474	546
Other current assets	-	-	156	156	556
Total current assets	262,159	46,693	107,166	416,018	90,424
Noncurrent assets:					
Advances to other funds (Note 12)	-	18,046	75	18,121	-
Advances to component units	-	5,184	-	5,184	-
Long-term investments (Note 3)	-	3,630	1,658	5,288	4,747
Long-term notes/loans receivable	-	32,280	539	32,819	-
Deferred charges	-	1,526	9	1,535	-
Other long-term assets	-	-	1,802	1,802	-
Capital assets (Note 5):					
Land	-	-	800	800	236
Land improvements	-	-	2,343	2,343	95
Buildings/improvements	-	-	7,316	7,316	3,645
Equipment	-	3	5,283	5,286	198,030
Infrastructure	-	-	884	884	-
Construction in progress	-	-	459	459	5,639
Intangible assets	-	-	275	275	1,347
Less accumulated depreciation	-	(3)	(8,662)	(8,665)	(117,701)
Total capital assets	-	-	8,698	8,698	91,291
Total noncurrent assets	-	60,666	12,781	73,447	96,038
Total assets	262,159	107,359	119,947	489,465	186,462

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2007

(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	ECONOMIC DEVELOPMENT		TOTAL	
		BONDS	NONMAJOR		
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	\$ 431	\$ 1,364	\$ 9,173	\$ 10,968	\$ 8,215
Lottery prizes payable	-	-	1,600	1,600	-
Interfund loans payable (Note 12)	-	-	307	307	1,647
Due to other governments	-	-	52	52	-
Due to other funds (Note 12)	110	5	14,283	14,398	3,226
Due to component units	-	-	7	7	77
Deferred revenue	-	-	6,321	6,321	1,031
Short-term debt (Note 11)	-	98,460	-	98,460	-
Bonds/notes payable - net (Note 11)	-	662	430	1,092	-
Amounts held in custody for others	-	58	590	648	-
Securities lending liability (Note 3)	-	-	474	474	546
Estimated insurance claims (Note 8)	-	-	7,901	7,901	14,126
Compensated absences payable (Note 11)	-	15	688	703	2,893
Arbitrage rebate tax payable	-	35	-	35	-
Total current liabilities	541	100,599	41,826	142,966	31,761
Noncurrent liabilities:					
Lottery prizes payable	-	-	1,106	1,106	-
Advances from other funds (Note 12)	-	-	-	-	7,812
Bonds/notes payable - net (Note 11)	-	2,015	-	2,015	-
Estimated insurance claims (Note 8)	-	-	7,577	7,577	13,503
Compensated absences payable (Note 11)	-	29	566	595	2,442
Arbitrage rebate tax payable	-	25	-	25	-
Total noncurrent liabilities	-	2,069	9,249	11,318	23,757
Total liabilities	541	102,668	51,075	154,284	55,518
NET ASSETS					
Invested in capital assets, net of related debt	-	-	8,698	8,698	91,292
Restricted for:					
Unemployment Compensation	261,618	-	-	261,618	-
Other Purposes	-	3,078	50,026	53,104	-
Unrestricted	-	1,613	10,148	11,761	39,652
Total net assets	\$ 261,618	\$ 4,691	\$ 68,872	\$ 335,181	\$ 130,944

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, 2007

(amounts 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	\$ -	\$ 22	\$ 118,780	\$ 118,802	\$ 112,272
Investment earnings	11,656	932	3,374	15,962	3,269
Securities lending income	-	-	18	18	13
Financing income	-	3,450	-	3,450	-
Contributions/premiums	83,661	-	77,523	161,184	120,453
Grants/contracts/donations	6,899	-	38,930	45,829	-
Taxes	-	-	19,046	19,046	-
Other operating revenues	1,130	-	1,064	2,194	2,396
Total operating revenues	103,346	4,404	258,735	366,485	238,403
Operating expenses:					
Personal services	-	257	11,313	11,570	41,368
Contractual services	-	32	12,255	12,287	23,264
Supplies/materials	-	4	57,030	57,034	23,350
Benefits/claims	73,503	-	99,690	173,193	98,811
Depreciation	-	-	635	635	11,303
Amortization	-	-	759	759	524
Utilities/rent	-	42	854	896	8,814
Communications	-	7	1,593	1,600	9,832
Travel	-	2	267	269	470
Repair/maintenance	-	-	725	725	8,419
Grants	-	-	1,333	1,333	256
Lottery prize payments	-	-	21,417	21,417	-
Interest expense	-	3,837	34	3,871	395
Securities lending expense	-	-	17	17	12
Arbitrage rebate tax	-	(51)	-	(51)	-
Dividend expense	-	-	2,583	2,583	-
Other operating expenses	(1,127)	38	1,538	449	3,005
Total operating expenses	72,376	4,168	212,043	288,587	229,823
Operating income (loss)	30,970	236	46,692	77,898	8,580
Nonoperating revenues (expenses):					
Insurance proceeds	-	-	-	-	376
Gain (loss) on sale of capital assets	-	-	(18)	(18)	(520)
Federal indirect cost recoveries	-	-	-	-	4,424
Increase (decrease) value of livestock	-	-	(57)	(57)	-
Total nonoperating revenues (expenses)	-	-	(75)	(75)	4,280
Income (loss) before contributions and transfers	30,970	236	46,617	77,823	12,860
Capital contributions	-	-	171	171	1,450
Transfers in (Note 12)	-	-	79	79	4,226
Transfers out (Note 12)	(1,066)	(900)	(39,192)	(41,158)	(636)
Change in net assets	29,904	(664)	7,675	36,915	17,900
Total net assets - July 1 - as previously reported	231,715	5,355	59,860	296,930	113,160
Prior period adjustments (Note 2)	(1)	-	1,337	1,336	(116)
Total net assets - July 1 - as restated	231,714	5,355	61,197	298,266	113,044
Total net assets - June 30	\$ 261,618	\$ 4,691	\$ 68,872	\$ 335,181	\$ 130,944

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, 2007

(amounts 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	\$ 83,442	\$ 22	\$ 193,869	\$ 277,333	\$ 231,825
Payments to suppliers for goods and services	1,127	(137)	(94,521)	(93,531)	(75,947)
Payments to employees	-	(243)	(11,436)	(11,679)	(24,561)
Grant receipts	6,947	-	36,137	43,084	4,279
Grant payments	-	-	(1,333)	(1,333)	-
Cash payments for claims	(73,238)	-	(64,824)	(138,062)	(114,710)
Cash payments for prizes	-	-	(21,346)	(21,346)	-
Other operating revenues	1,130	-	1,053	2,183	2,834
Other operating payments	-	-	(2,587)	(2,587)	-
Net cash provided by (used for) operating activities	19,408	(358)	35,012	54,062	23,720
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	-	-	19,044	19,044	-
Transfers to other funds	(1,066)	(900)	(48,813)	(50,779)	(744)
Transfers from other funds	-	-	79	79	4,177
Proceeds from interfund loans/advances	-	-	49	49	(6,498)
Payments of interfund loans/advances	-	-	3	3	6,103
Payment of principal and interest on bonds and notes	-	(5,650)	(444)	(6,094)	(387)
Proceeds from issuance of bonds and notes	-	16,532	-	16,532	-
Payment of bond issuance costs	-	(325)	-	(325)	-
Net cash provided by (used for) noncapital financing activities	(1,066)	9,657	(30,082)	(21,491)	2,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	-	-	-	-	378
Acquisition of capital assets	-	-	368	368	(18,183)
Proceeds from sale of capital assets	-	-	3	3	294
Principal and interest payments on bonds and notes	-	-	-	-	(16)
Net cash used for capital and related financing activities	-	-	371	371	(17,527)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	-	(271)	(271)	-
Proceeds from sales or maturities of investments	-	1,521	1,545	3,066	13,959
Proceeds from securities lending transactions	-	-	18	18	302
Interest and dividends on investments	11,656	804	3,308	15,768	3,331
Payment of securities lending costs	-	-	(17)	(17)	(301)
Collections of principal and interest on loans	-	27,152	-	27,152	-
Cash payment for loans	-	(20,286)	-	(20,286)	-
Arbitrage rebate tax	-	(19)	-	(19)	-
Net cash provided by (used for) investing activities	11,656	9,172	4,583	25,411	17,291
Net increase (decrease) in cash and cash equivalents	29,998	18,471	9,884	58,353	26,135
Cash and cash equivalents, July 1	229,404	11,242	61,742	302,388	49,172
Cash and cash equivalents, June 30	\$ 259,402	\$ 29,713	\$ 71,626	\$ 360,741	\$ 75,307

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)	\$ 30,970	\$ 236	\$ 46,692	\$ 77,898	\$ 8,580
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	-	-	635	635	11,300
Amortization	-	-	768	768	524
Taxes	-	-	(19,046)	(19,046)	-
Interest expense	-	3,837	24	3,861	395
Securities lending expense	-	-	17	17	12
Investment Earnings	(11,656)	(932)	(3,322)	(15,910)	(3,269)
Securities lending income	-	-	(18)	(18)	(13)
Financing income	-	(3,450)	-	(3,450)	-
Federal indirect cost recoveries	-	-	-	-	4,424
Arbitrage rebate tax	-	(51)	-	(51)	-
Change in assets and liabilities:					
Decr (incr) in accounts receivable	(219)	-	(4,665)	(4,884)	(306)
Decr (incr) in due from other funds	50	-	(125)	(75)	338
Decr (incr) in due from component units	(3)	-	(514)	(517)	55
Decr (incr) in due from other governments	-	-	(584)	(584)	(6)
Decr (incr) in inventories	-	-	426	426	(267)
Decr (incr) in other assets	-	-	(580)	(580)	3,123
Incr (decr) in accounts payable	157	(2)	2,703	2,858	(605)
Incr (decr) in lottery prizes payable	-	-	(101)	(101)	-
Incr (decr) in due to other funds	109	1	10,999	11,109	86
Incr (decr) in due to component units	-	-	34	34	23
Incr (decr) in due to other governments	-	-	(409)	(409)	-
Incr (decr) in deferred revenue	-	-	102	102	(27)
Incr (decr) in amounts held in custody for others	-	-	505	505	(3)
Incr (decr) in compensated absences payable	-	3	74	77	462
Incr (decr) in estimated claims	-	-	1,397	1,397	(1,106)
Net cash provided by (used for) operating activities	\$ 19,408	\$ (358)	\$ 35,012	\$ 54,062	\$ 23,720
Schedule of noncash transactions:					
Capital contributions from other funds	- \$	- \$	- \$	- \$	1,177
Incr (decr) in fair value of investments	\$ -	\$ (92)	\$ -	\$ (92)	\$ -
Total noncash transactions	\$ -	\$ (92)	\$ -	\$ (92)	\$ 1,177

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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 Fund

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 188.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 JUNE 30, 2007
 (amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 227,222	\$ 121,707	\$ 924,559	\$ 7,048
Receivables (net):				
Accounts receivable	16,682	-	4,076	315
Interest	15,865	8	-	1
Due from primary government	16,955	-	-	-
Due from other PERB plans	498	-	-	-
Long-term loans/notes receivable	85	-	-	-
Total receivables	50,085	8	4,076	316
Investments at fair value:				
Equity in pooled investments (Note 3)	7,828,284	-	-	-
Other investments (Note 3)	415,112	88,441	-	-
Total investments	8,243,396	88,441	-	-
Securities lending collateral (Note 3)	401,670	-	-	-
Capital Assets:				
Land	35	-	-	-
Buildings/improvements	158	-	-	-
Equipment	152	-	-	-
Accumulated depreciation	(276)	-	-	-
Intangible assets	534	-	-	-
Total capital assets	603	-	-	-
Other assets	75	7,930	-	12,374
Total assets	8,923,051	218,086	928,635	19,738
LIABILITIES				
Accounts payable	714	5	4,076	619
Due to primary government	98	-	-	-
Due to other PERB plans	498	-	-	-
Deferred revenue	72	-	-	-
Amounts held in custody for others	-	-	-	19,119
Securities lending liability (Note 3)	401,670	-	-	-
Compensated absences payable	406	-	-	-
Total liabilities	403,458	5	4,076	19,738
NET ASSETS				
Held in trust for pension benefits and other purposes	\$ 8,519,593	\$ 218,081	\$ 924,559	\$ -

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, 2007

(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	INVESTMENT TRUST
ADDITIONS			
Contributions/premiums:			
Employer	\$ 152,309	\$ -	\$ -
Employee	162,362	-	-
Participant contributions	-	35,047	-
Other contributions	20,233	-	1,512,776
Net investment earnings:			
Investment earnings	1,306,980	5,183	39,296
Administrative investment expense	(20,241)	-	-
Securities lending income	14,946	-	47
Securities lending expense	(14,159)	-	(47)
Grants/contracts/donations	-	-	-
Charges for services	480	-	-
Other additions	333	5,107	-
Payment from State of Montana	51,375	-	-
Total additions	1,674,618	45,337	1,552,072
DEDUCTIONS			
Benefits	410,059	-	-
Refunds	22,103	-	-
Distributions	-	20,027	1,282,428
Administrative expenses:			
Personal services	2,573	-	-
Contractual services	2,182	545	-
Supplies/materials	78	-	-
Depreciation	5	-	-
Amortization	163	-	-
Utilities/rent	262	-	-
Communications	174	-	-
Travel	69	-	-
Repair/maintenance	43	-	-
Grants	-	13	-
Interest expense	56	-	-
Other operating expenses	408	-	-
Local assistance	13	-	-
Gain (loss) on sale of capital assets	502	-	-
Transfers to ORP	211	-	-
Transfers to PERS-DCRP	1,209	-	-
Total deductions	440,110	20,585	1,282,428
Change in net assets	1,234,508	24,752	269,644
Net assets - July 1 - as previously reported	7,283,826	10,441	654,915
Prior period adjustments (Note 2)	1,259	182,888	-
Net assets - July 1 - as restated	7,285,085	193,329	654,915
Net assets - June 30	\$ 8,519,593	\$ 218,081	\$ 924,559

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.

Montana State Fund (New and Old Fund)

These funds provide workers compensation insurance. These funds consist 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.

Montana Surplus Lines

Montana Surplus Lines Agents Association is a legally separate entity appointed as an advisory organization by the Montana Insurance Commissioner, and primarily performs services as directed by the Commissioner, located within the Montana State Auditors' Office. The Association was reactivated in 1989 to operate the Montana State Insurance Commissioner's Surplus Lines stamping office. The Association regulates insurance companies that provide specialized insurance coverage, of an unusual or high risk nature, that is not provided by other insurance companies.

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, 2007

(amounts expressed in thousands)

	HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	MONTANA STATE FUND (NEW FUND)	MONTANA STATE FUND (OLD FUND)
ASSETS				
Cash/cash equivalents (Note 3)	\$ 13,818	\$ 2,438	\$ 13,744	\$ 7,862
Receivables (net)	21,419	266	31,041	575
Due from primary government	8	-	13	-
Due from other governments	2	-	-	-
Due from component units	-	-	612	-
Inventories	-	-	-	-
Long-term loans/notes receivable	799,348	452	34	-
Equity in pooled investments (Note 3)	-	-	-	-
Investments (Note 3)	223,755	-	868,027	34,713
Securities lending collateral (Note 3)	-	-	146,413	13,688
Deferred charges	8,719	-	-	-
Capital assets (net) (Note 5)	52	-	6,772	-
Other assets	65	-	25,884	-
Total assets	1,067,186	3,156	1,092,540	56,838
LIABILITIES				
Accounts payable	4,729	14	17,213	108
Due to primary government	19	2	1,415	1
Due to component units	-	-	-	612
Due to other governments	-	-	-	-
Advances from primary government	-	-	-	-
Deferred revenue	-	-	10,216	-
Amounts held in custody for others	-	-	34,274	-
Securities lending liability (Note 3)	-	-	146,413	13,688
Other liabilities	-	-	-	-
Long-term liabilities (Note 11):				
Due within one year	12,392	1	139,297	10,354
Due in more than one year	903,808	26	542,107	64,709
Total liabilities	920,948	43	890,935	89,472
NET ASSETS				
Invested in capital assets, net of related debt	52	-	6,772	-
Restricted for:				
Debt service/construction	-	-	-	-
Funds held as permanent investments:				
Nonexpendable	-	-	-	-
Housing authority	146,186	-	-	-
Other purposes	-	-	-	-
Unrestricted	-	3,113	194,833	(32,634)
Total net assets	\$ 146,238	\$ 3,113	\$ 201,605	\$ (32,634)

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

MONTANA SURPLUS LINES		MONTANA STATE UNIVERSITY		UNIVERSITY OF MONTANA		TOTAL	
\$	462	\$	112,405	\$	96,119	\$	246,848
	164		20,900		23,688		98,053
	-		1,652		2,344		4,017
	-		14,155		7,757		21,914
	-		39		392		1,043
	-		2,775		1,802		4,577
	-		17,333		9,041		826,208
	-		14,422		7,046		21,468
	97		169,011		187,671		1,483,274
	-		639		318		161,058
	-		-		2,505		11,224
	-		296,640		268,154		571,618
	23		5,179		2,859		34,010
	746		655,150		609,696		3,485,312
	296		25,563		15,784		63,707
	-		3,666		924		6,027
	-		392		39		1,043
	-		-		54		54
	-		8,830		5,076		13,906
	2		8,025		13,485		31,728
	-		3,351		10,937		48,562
	-		639		318		161,058
	-		3,670		-		3,670
	-		18,590		15,080		195,714
	-		157,109		164,754		1,832,513
	298		229,835		226,451		2,357,982
	-		179,205		138,990		325,019
	-		24,086		-		24,086
	-		92,887		118,572		211,459
	-		-		-		146,186
	338		55,150		85,665		141,153
	110		73,987		40,018		279,427
\$	448	\$	425,315	\$	383,245	\$	1,127,330

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (amounts expressed in thousands)

	HOUSING AUTHORITY	FACILITY FINANCE AUTHORITY	MONTANA STATE FUND (NEW FUND)	MONTANA STATE FUND (OLD FUND)
EXPENSES	\$ 49,114	\$ 324	\$ 259,663	\$ 13,750
PROGRAM REVENUES:				
Charges for services	380	584	238,282	2
Operating grants and contributions	54,973	143	-	-
Capital grants and contributions	-	-	-	-
Total program revenues	55,353	727	238,282	2
Net (expenses) program revenues	6,239	403	(21,381)	(13,748)
GENERAL REVENUES:				
Unrestricted grants and contributions	-	-	-	-
Unrestricted investment earnings	-	-	65,402	3,015
Payment from State of Montana	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Miscellaneous	-	-	-	-
Contributions to term and permanent endowments	-	-	-	-
Total general revenues and contributions	-	-	65,402	3,015
Change in net assets	6,239	403	44,021	(10,733)
Total net assets - July 1 - as previously reported	139,999	2,710	157,584	(21,901)
Prior period adjustments (Note 2)	-	-	-	-
Total net assets - July 1 - as restated	139,999	2,710	157,584	(21,901)
Total net assets - June 30	\$ 146,238	\$ 3,113	\$ 201,605	\$ (32,634)

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

MONTANA SURPLUS LINES	MONTANA STATE UNIVERSITY	UNIVERSITY OF MONTANA	TOTAL
\$ 543	\$ 410,657	\$ 326,068	\$ 1,060,119
613	170,960	153,898	564,719
-	168,314	107,890	331,320
-	15,257	8,150	23,407
613	354,531	269,938	919,446
70	(56,126)	(56,130)	(140,673)
-	106	-	106
11	12,860	29,334	110,622
-	89,025	64,961	153,986
-	-	182	182
-	-	-	-
-	3,458	7,855	11,313
11	105,449	102,332	276,209
81	49,323	46,202	135,536
367	376,022	337,043	991,824
-	(30)	-	(30)
367	375,992	337,043	991,794
\$ 448	\$ 425,315	\$ 383,245	\$ 1,127,330