

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

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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.....	11
State Organization Chart.....	12
Selected State Officials.....	13

FINANCIAL SECTION

Independent Auditor's Report.....	16
Management's Discussion and Analysis.....	20

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets.....	32
Statement of Activities.....	34
Governmental Fund Financial Statements	
Balance Sheet.....	38
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets.....	39
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	42
Proprietary Fund Financial Statements	
Statement of Net Assets.....	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	48
Statement of Cash Flows.....	50
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	54
Statement of Changes in Fiduciary Net Assets.....	55
Component Unit Financial Statements	
Combining Statement of Net Assets.....	58
Combining Statement of Activities.....	60
Notes to the Financial Statements	
Note 1 – Summary of Significant Accounting Policies.....	62
Note 2 – Other Accounting Issues.....	69
Note 3 – Cash/Cash Equivalents and Investments.....	69
Note 4 – Disaggregation of Accounts Receivable and Payable.....	81
Note 5 – Capital Assets.....	83
Note 6 – Retirement Plans.....	86
Note 7 – Other Postemployment Benefits.....	96
Note 8 – Risk Management.....	100

Notes to the Financial Statements (<i>continued</i>)	
Note 9 – Commitments.....	108
Note 10 – Leases/Installment Purchases Payable.....	109
Note 11 – State Debt.....	110
Note 12 – Interfund Balances and Transfers.....	118
Note 13 – Fund Deficits.....	121
Note 14 – Reserved Fund Balances.....	121
Note 15 – Related Party Transactions.....	121
Note 16 – Contingencies.....	122
Note 17 – Subsequent Events.....	126
Note 18 – Material Violations of Finance-Related Legal Provisions.....	127

Required Supplementary Information

Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	130
Notes to the Required Supplementary Information – Budgetary Reporting.....	132
Pension Plan Information – Schedule of Funding Progress.....	133
Notes to the Required Supplementary Information – Other Postemployment Benefits Plan Information.....	134
Other Postemployment Benefits Plan Information – Schedule of Funding Progress.....	134

Supplementary Information – Combining Statements and Individual Fund Statements and Schedules

Nonmajor Governmental Funds	
Combining Balance Sheet – Governmental Funds by Fund Type.....	136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds by Fund Type.....	137
Combining Balance Sheet – Debt Service Funds.....	140
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds.....	142
Combining Balance Sheet – Capital Projects Funds.....	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Funds.....	147
Combining Balance Sheet – Permanent Funds.....	150
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Permanent Funds.....	152
Proprietary Funds	
Nonmajor Enterprise Funds	
Combining Statement of Net Assets.....	156
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	164
Combining Statement of Cash Flows.....	168
Internal Service Funds	
Combining Statement of Net Assets.....	178
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	182
Combining Statement of Cash Flows.....	186
Fiduciary Funds	
Pension (and Other Employee Benefit) Trust Funds	
Combining Statement of Fiduciary Net Assets.....	196
Combining Statement of Changes in Fiduciary Net Assets.....	198
Private-Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets.....	202
Combining Statement of Changes in Fiduciary Net Assets.....	204
Agency Funds	
Combining Statement of Fiduciary Net Assets.....	208
Combining Statement of Changes in Assets and Liabilities.....	210

STATISTICAL SECTION

Index to the Statistical Sections	213
Schedule A-1 – Net Assets by Component	214
Schedule A-2 – Change in Net Assets	216
Schedule A-3 – Fund Balances, Governmental Funds.....	220
Schedule A-4 – Changes in Fund Balances, Governmental Funds.....	222
Schedule B-1 – Personal Income by Industry	224
Schedule B-2 – Personal Income Tax Rates	225
Schedule B-3 – Personal Income Tax Filers and Liability by Income Level.....	226
Schedule C-1 – Ratios of Outstanding Debt by Type	227
Schedule C-2 – Pledged Revenue Coverage.....	228
Schedule C-3 – Ratios of General Bonded Debt Outstanding	234
Schedule D-1 – Demographic and Economic Statistics.....	235
Schedule D-2 – Principal Employers.....	236
Schedule E-1 – Full-Time Equivalent State Employees by Function/Program	238
Schedule E-2 – Operating Indicators by Function/Program	240
Schedule E-3 – Capital Asset Statistics by Function/Program	244

LEGISLATIVE AUDIT DIVISION

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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2008, which collectively comprise the state's basic financial statements, as follows:

- Statement of Net Assets
- Statement of Activities
- Balance Sheet - Governmental Funds
- Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Net Assets - Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
- Statement of Cash Flows - Proprietary Funds
- Statement of Fiduciary Net Assets - Fiduciary Funds
- Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
- Combining Statement of Net Assets - Component Units
- Combining Statement of Activities - Component Units

These financial statements are the responsibility of the state of Montana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State Lottery and the Montana University System Self-Funded Workers' Compensation Program, which represent 0.2, 0.0, and 3.0 percent, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Montana State University component units and University of Montana component units, which represent, 11.0, 31.4, and 4.3 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Montana State Lottery, the Montana University System Self-Funded Workers' Compensation Program, and university component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the university component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, and the Other Postemployment Benefits Plan Information listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements. The Combining Statements and Individual Fund Statements and Schedules listed in the table of contents are for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated December 11, 2008, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed

in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It is included in the Legislative Auditor's separately issued report (08-01A) on the State's basic financial statements.

The Introductory and Statistical Section listed in the table of contents were not audited by us, and accordingly, we express no opinion on them.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 11, 2008