

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

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**BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Licenses/permits	\$ 146,697	\$ 146,697	\$ 128,834	\$ (17,863)
Taxes:				
Natural resource	129,151	129,151	184,114	54,963
Individual income	802,566	802,566	764,134	(38,432)
Corporate income	161,271	161,271	155,881	(5,390)
Property	198,117	198,117	205,044	6,927
Fuel	-	-	-	-
Other	220,890	220,890	227,968	7,078
Charges for services/fines/forfeits/settlements	35,450	35,450	36,022	572
Investment earnings	22,460	22,460	32,938	10,478
Sale of documents/merchandise/property	380	380	289	(91)
Rentals/leases/royalties	2	2	1	(1)
Contributions/premiums	-	-	17	17
Grants/contracts/donations	1,949	1,949	3,691	1,742
Federal	32,161	32,161	36,739	4,578
Federal indirect cost recoveries	128	128	93	(35)
Other revenues	-	-	(80)	(80)
Total revenues	1,751,222	1,751,222	1,775,685	24,463
EXPENDITURES				
Current:				
General government	327,113	327,332	307,759	19,573
Public safety/corrections	229,710	230,841	212,977	17,864
Transportation (Note RS-1)	3,372	3,364	453	2,911
Health/social services	381,859	379,197	356,988	22,209
Education/cultural	881,761	883,764	873,676	10,088
Resource/recreation/environment	83,213	81,544	78,515	3,029
Economic development/assistance	37,317	37,342	36,374	968
Debt service:				
Principal retirement	757	849	469	380
Interest/fiscal charges	186	186	170	16
Capital outlay (Note RS-1)	9,014	11,251	7,986	3,265
Total expenditures	1,954,302	1,955,670	1,875,367	80,303
Excess of revenue over (under) expenditures	(203,080)	(204,448)	(99,682)	104,766
OTHER FINANCING SOURCES (USES)				
Loans issued	-	-	-	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Insurance proceeds	3,122	3,122	1,408	(1,714)
General capital asset sale proceeds	44	44	28	(16)
Transfers in	79,781	79,781	59,660	(20,121)
Transfers out	(29,008)	(31,359)	(27,182)	4,177
Total other financing sources (uses)	53,939	51,588	33,914	(17,674)
Net change in fund balances (Budgetary basis)	(149,141)	(152,860)	(65,768)	87,092
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	-	-	2,964	2,964
2. Securities lending costs	-	-	(2,543)	(2,543)
3. Inception of lease/installment contract	-	-	597	597
4. Adjust expenditures for encumbrances	-	-	8,956	8,956
5. Adjustments for nonbudgeted activity	-	-	(49,327)	(49,327)
Net change in fund balances (GAAP basis)	(149,141)	(152,860)	(105,121)	47,739
Unreserved fund balances - July 1	549,158	549,158	549,158	-
Prior period adjustments	-	-	(1,273)	(1,273)
Decrease (increase):				
Encumbrances reserve	-	-	(8,911)	(8,911)
Long-term loans/notes receivable reserve	-	-	42	42
Advances to other funds reserve	-	-	1,306	1,306
Special revenue reserve	-	-	-	-
Trust principal	-	-	(10)	(10)
Escheated property reserve	-	-	(1,611)	(1,611)
Unreserved fund balances - June 30	\$ 400,017	\$ 396,298	\$ 433,580	\$ 37,282

The notes to the required supplementary information are an integral part of this schedule.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 178,199	\$ 178,199	\$ 157,695	\$ (20,504)	\$ -	\$ -	\$ -	\$ -
188,405	188,405	190,578	2,173	-	-	-	-
-	-	-	-	-	-	(5)	(5)
-	-	-	-	-	-	-	-
12,981	12,981	13,336	355	-	-	-	-
215,408	215,408	205,778	(9,630)	-	-	-	-
84,025	84,025	91,046	7,021	1	1	-	(1)
97,812	97,812	92,081	(5,731)	47,694	47,694	35,792	(11,902)
16,632	16,632	14,610	(2,022)	2,975	2,975	985	(1,990)
4,417	4,417	4,600	183	-	-	-	-
2,545	2,545	30,318	27,773	5	5	5	-
16,960	16,960	17,011	51	-	-	-	-
24,211	24,211	16,243	(7,968)	108	108	86	(22)
21,527	21,527	13,654	(7,873)	1,556,851	1,556,851	1,472,485	(84,366)
35,663	35,663	43,678	8,015	54,858	54,858	52,809	(2,049)
-	-	8	8	-	-	-	-
898,785	898,785	890,636	(8,149)	1,662,492	1,662,492	1,562,157	(100,335)
238,370	239,392	221,066	18,326	21,908	23,000	15,962	7,038
53,451	53,966	48,002	5,964	77,379	101,082	42,919	58,163
310,335	334,148	250,769	83,379	305,299	365,749	302,836	62,913
132,677	133,064	109,997	23,067	1,017,974	1,033,758	911,244	122,514
95,730	96,979	79,459	17,520	215,442	227,769	180,966	46,803
172,152	184,114	120,592	63,522	101,911	138,437	90,644	47,793
106,073	111,478	67,420	44,058	98,185	88,947	54,067	34,880
4,145	4,044	382	3,662	262	329	248	81
1,302	1,302	1,302	-	18	18	18	-
71,742	64,122	23,366	40,756	57,895	69,125	28,095	41,030
1,185,977	1,222,609	922,355	300,254	1,896,273	2,048,214	1,626,999	421,215
(287,192)	(323,824)	(31,719)	292,105	(233,781)	(385,722)	(64,842)	320,880
1,000	1,000	-	(1,000)	-	-	-	-
26,000	26,000	44,670	18,670	-	-	-	-
-	-	733	733	-	-	-	-
7,606	7,606	4,298	(3,308)	245	245	234	(11)
162	162	172	10	-	-	-	-
247,050	247,050	215,093	(31,957)	9,521	9,521	7,622	(1,899)
(16,734)	(20,214)	1,453	21,667	(62,441)	(89,686)	(22,712)	66,974
265,084	261,604	266,419	4,815	(52,675)	(79,920)	(14,856)	65,064
(22,108)	(62,220)	234,700	296,920	(286,456)	(465,642)	(79,698)	385,944
-	-	1,639	1,639	-	-	27	27
-	-	(1,313)	(1,313)	-	-	(21)	(21)
-	-	41	41	-	-	236	236
-	-	(6,222)	(6,222)	-	-	8,817	8,817
-	-	(34,592)	(34,592)	-	-	49,831	49,831
(22,108)	(62,220)	194,253	256,473	(286,456)	(465,642)	(20,808)	444,834
(42,437)	(42,437)	(42,437)	-	(5,855)	(5,855)	(5,855)	-
-	-	157	157	-	-	(408)	(408)
-	-	(1,026)	(1,026)	-	-	(250)	(250)
-	-	(17,018)	(17,018)	-	-	32	32
-	-	(1,222)	(1,222)	-	-	-	-
-	-	(154,771)	(154,771)	-	-	1,489	1,489
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ (64,545)	\$ (104,657)	\$ (22,064)	\$ 82,593	\$ (292,311)	\$ (471,497)	\$ (25,800)	\$ 445,697

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**NOTE RSI-1. BUDGETARY REPORTING****A. State Budget Process**

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature

and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2008, reverted governmental fund appropriations were as follows: General Fund - \$51.6 million, State Special Revenue Fund - \$135.1 million, and Federal Special Revenue Fund - \$298.9 million. Agencies are allowed to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in proprietary funds; certain loans from governmental funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.).

Due to large nonbudgeted expenditure transactions recorded in fiscal year 2008 by the Department of Transportation in the State Special and Federal Special Revenue Funds (transportation and capital outlay functions), there are significant differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balances. Expenditure amounts of \$18,580,485 and \$191,263,923 were moved from the transportation to the capital outlay function in the State Special and Federal Special Revenue Funds, respectively.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN INFORMATION

Pension Plan Information
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
Single Employer System						
HPORS						
6/30/2006	87,189	112,002	24,813	77.85%	7,878	314.97%
6/30/2007	95,758	128,306	32,548	74.63%	9,858	330.17%
6/30/2008	101,500	134,683	33,183	75.36%	10,866	305.38%
JRS						
6/30/2006	51,808	37,159	(14,649)	139.42%	4,762	(307.62%)
6/30/2007	57,778	36,863	(20,915)	156.74%	4,841	(432.04%)
6/30/2008	62,040	39,435	(22,605)	157.32%	5,096	(443.58%)
Multiple Employer Systems						
PERS-DBRP						
6/30/2006	3,459,084	3,919,313	460,229	88.26%	880,708	52.26%
6/30/2007	3,825,234	4,201,251	376,017	91.05%	907,424	41.44%
6/30/2008	4,065,307	4,504,743	439,436	90.25%	955,113	46.01%
MPORS						
6/30/2006	175,919	291,099	115,180	60.43%	27,644	416.65%
6/30/2007	198,310	310,423	112,113	63.88%	29,547	379.44%
6/30/2008	212,312	327,556	115,244	64.82%	32,181	358.11%
FURS						
6/30/2006	167,343	255,513	88,170	65.49%	22,917	384.74%
6/30/2007	188,545	269,399	80,854	69.99%	24,250	333.42%
6/30/2008	206,127	287,218	81,091	71.77%	29,158	278.11%
SRS						
6/30/2006	163,003	171,841	8,838	94.86%	34,242	25.81%
6/30/2007	183,894	189,036	5,142	97.28%	43,611	11.79%
6/30/2008	199,453	204,549	5,096	97.51%	47,196	10.80%
GWPORS						
6/30/2006	58,813	64,183	5,370	91.63%	25,846	20.78%
6/30/2007	68,755	72,992	4,237	94.20%	28,799	14.71%
6/30/2008	77,511	83,449	5,938	92.88%	32,365	18.35%
TRS (1)						
7/1/2006	2,745,800	3,733,600	863,100	76.10%	636,000	135.70%
7/1/2007	3,006,200	3,928,500	768,900	79.60%	664,100	115.80%
7/1/2008	3,159,100	4,110,800	794,600	79.90%	689,500	115.20%
Nonemployer Contributor						
VFCA						
6/30/2006	23,238	31,883	8,645	72.89%	N/A	N/A
6/30/2007	25,862	31,599	5,737	81.84%	N/A	N/A
6/30/2008	27,544	32,735	5,191	84.14%	N/A	N/A

(1) For TRS, the unfunded actuarial accrued liability (UAAL) amount doesn't equal column b minus column a as the UAAL amount includes the present value of future university supplemental contributions.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)**

The State of Montana and the Montana University System (MUS) implemented Governmental Accounting Standards Board (GASB) Statements 43 and 45 as of June 30, 2008 (see Notes 2 and 7).

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an “implied rate” subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units.

In accordance with GASB Statement 45, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans.

**Other Postemployment Benefits Plan Information (1)
Schedule of Funding Progress
(in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
State Agent Multiple Employer Plan						
1/1/2007	-	449,321	449,321	0.00%	519,969	86.41%
MUS Agent Multiple Employer Plan						
7/1/2007	-	182,597	182,597	0.00%	349,259	52.28%

(1) The State and the MUS implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for the fiscal year ended June 30, 2008. Information for prior years is not available.