

**State of Montana**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2002

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**State of Montana**  
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For the Fiscal Year Ended June 30, 2002

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF MONTANA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(expresses in thousands)

|   | <b>GENERAL FUND</b>        |                         |                  |                                       |
|---|----------------------------|-------------------------|------------------|---------------------------------------|
|   | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>    | <b>VARIANCE WITH<br/>FINAL BUDGET</b> |
| <b>REVENUES</b>   |                            |                         |                  |                                       |
| Licenses/permits  | \$ 109,265                 | \$ 109,265              | \$ 115,808       | \$ 6,543                              |
| Taxes:  |                            |                         |                  |                                       |
| Natural resource  | 26,186                     | 26,186                  | 24,700           | (1,486)                               |
| Individual income   | 574,962                    | 574,962                 | 516,532          | (58,430)                              |
| Corporate income  | 80,301                     | 80,301                  | 68,379           | (11,922)                              |
| Property  | 173,754                    | 173,754                 | 166,786          | (6,968)                               |
| Fuel  | -                          | -                       | -                | -                                     |
| Other   | 190,873                    | 190,873                 | 151,781          | (39,092)                              |
| Charges for services/fees/forfeits/settlements  | 43,461                     | 43,461                  | 50,556           | 7,095                                 |
| Investment earnings   | 17,690                     | 17,690                  | 13,125           | (4,565)                               |
| Sale of documents/merchandise/property  | 262                        | 262                     | 291              | 29                                    |
| Rentals/leases/royalties  | 91                         | 91                      | 46               | (45)                                  |
| Contributions/premiums  | -                          | -                       | 12               | 12                                    |
| Grants/contracts/donations  | 2,305                      | 2,305                   | 1,333            | (972)                                 |
| Federal   | 24,816                     | 24,816                  | 22,866           | (1,950)                               |
| Federal indirect cost recoveries  | 100                        | 100                     | 87               | (13)                                  |
| Other revenues  | 354                        | 354                     | 195              | (159)                                 |
| Total revenues  | <u>1,244,420</u>           | <u>1,244,420</u>        | <u>1,132,497</u> | <u>(111,923)</u>                      |
| <b>EXPENDITURES</b>   |                            |                         |                  |                                       |
| Current:  |                            |                         |                  |                                       |
| General government  | 159,645                    | 160,070                 | 155,599          | 4,471                                 |
| Public safety/corrections   | 131,054                    | 131,924                 | 129,045          | 2,879                                 |
| Transportation  | 177                        | 182                     | 172              | 10                                    |
| Health/social services  | 270,653                    | 276,043                 | 275,280          | 763                                   |
| Education/cultural  | 601,167                    | 636,225                 | 538,576          | 97,649                                |
| Resource development/recreation   | 26,844                     | 30,298                  | 29,962           | 336                                   |
| Economic development/assistance   | 21,075                     | 21,071                  | 20,794           | 277                                   |
| Debt service:   |                            |                         |                  |                                       |
| Principal retirement  | 339                        | 339                     | 546              | (207)                                 |
| Interest/fiscal charges   | 59                         | 59                      | 59               | -                                     |
| Capital outlay  | 1,463                      | 1,308                   | 1,708            | (400)                                 |
| Total expenditures  | <u>1,212,476</u>           | <u>1,257,519</u>        | <u>1,151,741</u> | <u>105,778</u>                        |
| Excess of revenue over (under) expenditures   | <u>31,944</u>              | <u>(13,099)</u>         | <u>(19,244)</u>  | <u>(6,145)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                            |                         |                  |                                       |
| Loan proceeds   | -                          | -                       | -                | -                                     |
| Bond proceeds   | 303                        | 303                     | -                | (303)                                 |
| Proceeds of refunding bonds   | -                          | -                       | -                | -                                     |
| Discount on bonds/notes issued  | -                          | -                       | -                | -                                     |
| Payment to refunded bond escrow agent   | -                          | -                       | -                | -                                     |
| General fixed asset sale proceeds   | 41                         | 41                      | 82               | 41                                    |
| Operating transfers in  | 64,939                     | 64,939                  | 72,499           | 7,560                                 |
| Operating transfers out   | (25,434)                   | (24,958)                | (23,212)         | 1,746                                 |
| Transfers to component units  | (123,089)                  | (123,089)               | (123,295)        | (206)                                 |
| Total other financing sources (uses)  | <u>(83,240)</u>            | <u>(82,764)</u>         | <u>(73,926)</u>  | <u>8,838</u>                          |
| Excess of revenues/other sources over (under) expenditures/other uses (Budgetary basis) | <u>(51,296)</u>            | <u>(95,863)</u>         | <u>(93,170)</u>  | <u>2,693</u>                          |
| <b>RECONCILIATION OF BUDGETARY/GAAP REPORTING</b>                                       |                            |                         |                  |                                       |
| 1. Adjust expenditures for encumbrances   | -                          | -                       | 2,695            | 2,695                                 |
| 2. Adjustments for nonbudgeted activity   | -                          | -                       | (9,350)          | (9,350)                               |
| 3. Intrafund elimination - revenues/transfers in  | -                          | -                       | -                | -                                     |
| 4. Intrafund elimination - expenditures/transfers out                                   | -                          | -                       | -                | -                                     |
| 5. Securities lending income  | -                          | -                       | 608              | 608                                   |
| 6. Securities lending costs   | -                          | -                       | (531)            | (531)                                 |
| Excess of revenues/other sources over (under) expenditures/other uses (GAAP basis)      | <u>(51,296)</u>            | <u>(95,863)</u>         | <u>(99,748)</u>  | <u>(3,885)</u>                        |
| Unreserved fund balances - July 1   | 172,897                    | 172,897                 | 172,897          |                                       |
| Prior period adjustments  | -                          | -                       | 7,445            | 7,445                                 |
| Decrease (increase):  |                            |                         |                  |                                       |
| Encumbrances reserve  | -                          | -                       | 849              | 849                                   |
| Advances to other funds reserve   | -                          | -                       | (60)             | (60)                                  |
| Long-term loans reserve   | -                          | -                       | (67)             | (67)                                  |
| Trusts/endowments/fed loans reserve   | -                          | -                       | -                | -                                     |
| Unreserved fund balances - June 30  | <u>\$ 121,601</u>          | <u>\$ 77,034</u>        | <u>\$ 81,316</u> | <u>\$ 4,282</u>                       |

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 |
| \$ 112,429                 | \$ 112,429   | \$ 86,630  | \$ (25,799)                | \$ -                         | \$ -         | \$ -       | \$ -                       |
| 47,456                     | 47,456       | 41,981     | (5,475)                    | -                            | -            | -          | -                          |
| -                          | -            | -          | -                          | -                            | -            | -          | -                          |
| -                          | -            | -          | -                          | -                            | -            | -          | -                          |
| 9,415                      | 9,415        | 1,432      | (7,983)                    | -                            | -            | -          | -                          |
| 188,657                    | 188,657      | 192,750    | 4,093                      | -                            | -            | -          | -                          |
| 41,849                     | 41,849       | 36,193     | (5,656)                    | 1                            | 1            | 5          | 4                          |
| 87,315                     | 87,315       | 77,595     | (9,720)                    | 38,771                       | 38,771       | 32,290     | (6,481)                    |
| 9,441                      | 9,441        | 15,597     | 6,156                      | 3,062                        | 3,062        | 615        | (2,447)                    |
| 6,512                      | 6,512        | 6,604      | 92                         | 1                            | 1            | -          | (1)                        |
| 839                        | 839          | 520        | (319)                      | -                            | -            | -          | -                          |
| 5,794                      | 5,794        | 6,229      | 435                        | -                            | -            | -          | -                          |
| 14,328                     | 14,328       | 15,961     | 1,633                      | 2,355                        | 2,355        | 65         | (2,290)                    |
| 6,675                      | 6,675        | 1,857      | (4,818)                    | 1,401,565                    | 1,401,565    | 1,238,927  | (162,638)                  |
| 12                         | 12           | -          | (12)                       | 1,624                        | 1,624        | 2,652      | 1,028                      |
| 6,455                      | 6,455        | 2,302      | (4,153)                    | 1,459                        | 1,459        | 659        | (800)                      |
| 537,177                    | 537,177      | 485,651    | (51,526)                   | 1,448,838                    | 1,448,838    | 1,275,213  | (173,625)                  |
| 86,873                     | 87,438       | 58,242     | 29,196                     | 4,933                        | 5,240        | 3,737      | 1,503                      |
| 33,854                     | 34,728       | 27,609     | 7,119                      | 59,173                       | 70,640       | 29,448     | 41,192                     |
| 194,567                    | 195,413      | 157,402    | 38,011                     | 316,027                      | 328,676      | 284,799    | 43,877                     |
| 101,616                    | 103,740      | 68,525     | 35,215                     | 759,505                      | 781,655      | 681,171    | 100,484                    |
| 53,974                     | 54,159       | 50,804     | 3,355                      | 149,669                      | 153,602      | 132,641    | 20,961                     |
| 169,747                    | 102,523      | 60,932     | 41,591                     | 26,410                       | 41,513       | 20,531     | 20,982                     |
| 60,194                     | 65,367       | 45,611     | 19,756                     | 117,488                      | 129,824      | 93,093     | 36,731                     |
| 1,880                      | 64,725       | 1,151      | 63,574                     | 281                          | 266          | 182        | 84                         |
| 561                        | 12,840       | 3,955      | 8,885                      | 31                           | 30           | 20         | 10                         |
| 9,548                      | 7,161        | 20,492     | (13,331)                   | 1,183                        | 2,218        | 11,858     | (9,640)                    |
| 712,814                    | 728,094      | 494,723    | 233,371                    | 1,434,700                    | 1,513,664    | 1,257,480  | 256,184                    |
| (175,637)                  | (190,917)    | (9,072)    | 181,845                    | 14,138                       | (64,826)     | 17,733     | 82,559                     |
| 1,749                      | 1,749        | 279        | (1,470)                    | 70                           | 70           | -          | (70)                       |
| 2,016                      | 2,016        | 1,184      | (832)                      | -                            | -            | -          | -                          |
| 34,873                     | 34,873       | 33,605     | (1,268)                    | -                            | -            | -          | -                          |
| -                          | -            | (139)      | (139)                      | -                            | -            | -          | -                          |
| -                          | -            | (21,037)   | (21,037)                   | -                            | -            | -          | -                          |
| 217                        | 217          | 252        | 35                         | -                            | -            | -          | -                          |
| 83,849                     | 83,849       | 37,320     | (46,529)                   | 36,692                       | 36,692       | (27,753)   | (64,445)                   |
| (15,377)                   | (15,693)     | 74,277     | 89,970                     | (69,761)                     | (66,726)     | 4,562      | 71,288                     |
| (13,920)                   | (13,920)     | (13,920)   | -                          | (500)                        | (500)        | (500)      | -                          |
| 93,407                     | 93,091       | 111,821    | 18,730                     | (33,499)                     | (30,464)     | (23,691)   | 6,773                      |
| (82,230)                   | (97,826)     | 102,749    | 200,575                    | (19,361)                     | (95,290)     | (5,958)    | 89,332                     |
| -                          | -            | (5,731)    | (5,731)                    | -                            | -            | 889        | 889                        |
| -                          | -            | (68,841)   | (68,841)                   | -                            | -            | 2,132      | 2,132                      |
| -                          | -            | (481)      | (481)                      | -                            | -            | (1,075)    | (1,075)                    |
| -                          | -            | 481        | 481                        | -                            | -            | 1,075      | 1,075                      |
| -                          | -            | 888        | 888                        | -                            | -            | 7          | 7                          |
| -                          | -            | (778)      | (778)                      | -                            | -            | (6)        | (6)                        |
| (82,230)                   | (97,826)     | 28,287     | 126,113                    | (19,361)                     | (95,290)     | (2,936)    | 92,354                     |
| 425,608                    | 425,608      | 425,815    | 207                        | 9,967                        | 9,967        | 9,967      | -                          |
| -                          | -            | 4,566      | 4,566                      | -                            | -            | (6,408)    | (6,408)                    |
| -                          | -            | 3,186      | 3,186                      | -                            | -            | 2,475      | 2,475                      |
| -                          | -            | (10,082)   | (10,082)                   | -                            | -            | -          | -                          |
| -                          | -            | (12,300)   | (12,300)                   | -                            | -            | 128        | 128                        |
| -                          | -            | -          | -                          | -                            | -            | (5,510)    | (5,510)                    |
| \$ 343,378                 | \$ 327,782   | \$ 439,472 | \$ 111,690                 | \$ (9,394)                   | \$ (85,323)  | \$ (2,284) | \$ 83,039                  |

**State of Montana**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2002

**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 utilizes revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budgeted 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. The Governor and budget director establish priorities and the proposed budget. The Governor's budget is submitted to the Legislative Fiscal Division which prepares recommendations. A comparison of those recommendations with the Governor's budget is 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. The Office of Budget and Program Planning 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 have been budget amendments authorized for fiscal year 2002 that were material to specific budgets; however, they did not materially affect the State's budget as a whole. 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/encumbered. Fund balances/net assets are not reserved for reverted appropriations. For fiscal year 2002, reverted appropriations were as follows: General Fund - \$6.1 million, State Special Revenue Fund - \$40.6 million, and Federal Special Revenue Fund - \$107.6 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 the budget office.

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.).