

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

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BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
 (expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Licenses/permits	\$ 126,303	\$ 126,303	\$ 127,114	\$ 811
Taxes:				
Natural resource	37,309	37,309	78,202	40,893
Individual income	577,891	577,891	635,808	57,917
Corporate income	69,249	69,249	94,014	24,765
Property	175,805	175,805	175,392	(413)
Fuel	-	-	-	-
Other	204,570	204,570	202,530	(2,040)
Charges for services/fines/forfeits/settlements	38,695	38,695	31,928	(6,767)
Investment earnings	17,349	17,349	10,596	(6,753)
Sale of documents/merchandise/property	344	344	326	(18)
Rentals/leases/royalties	53	53	45	(8)
Contributions/premiums	-	-	-	-
Grants/contracts/donations	1,645	1,645	2,591	946
Federal	17,631	17,631	26,041	8,410
Federal indirect cost recoveries	142	142	145	3
Other revenues	1,738	1,738	215	(1,523)
Total revenues	<u>1,268,724</u>	<u>1,268,724</u>	<u>1,384,947</u>	<u>116,223</u>
EXPENDITURES				
Current:				
General government	198,773	187,799	187,220	579
Public safety/corrections	130,978	144,069	142,824	1,245
Transportation	181	205	199	6
Health/social services	275,120	279,597	277,571	2,026
Education/cultural	660,754	659,550	654,319	5,231
Resource/recreation/environment	20,294	31,521	31,466	55
Economic development/assistance	22,821	24,998	23,869	1,129
Debt service:				
Principal retirement	3,894	4,001	613	3,388
Interest/fiscal charges	122	122	122	-
Capital outlay	1,547	1,840	1,047	793
Total expenditures	<u>1,314,484</u>	<u>1,333,702</u>	<u>1,319,250</u>	<u>14,452</u>
Excess of revenue over (under) expenditures	(45,760)	(64,978)	65,697	130,675
OTHER FINANCING SOURCES (USES)				
Loans issued	-	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
General capital asset sale proceeds	71	71	22	(49)
Transfers in	69,334	69,334	64,760	(4,574)
Transfers out	(20,321)	(33,093)	(31,030)	2,063
Total other financing sources (uses)	<u>49,084</u>	<u>36,312</u>	<u>33,752</u>	<u>(2,560)</u>
Net change in fund balances (Budgetary basis)	3,324	(28,666)	99,449	128,115
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	-	-	1,436	1,436
2. Securities lending costs	-	-	(1,375)	(1,375)
3. Bond premium	-	-	-	-
4. Inception of lease/installment contract	-	-	264	264
5. Adjust expenditures for encumbrances	-	-	1,768	1,768
6. Adjustments for nonbudgeted activity	-	-	58,835	58,835
Net change in fund balances (GAAP basis)	<u>3,324</u>	<u>(28,666)</u>	<u>160,377</u>	<u>189,043</u>
Unreserved fund balances - July 1	132,873	132,873	132,873	-
Prior period adjustments	-	-	(2,299)	(2,299)
Decrease (increase):				
Encumbrances reserve	-	-	(1,701)	(1,701)
Long-term loans/notes receivable reserve	-	-	17	17
Advances to other funds reserve	-	-	-	-
Special revenue reserve	-	-	-	-
Escheated property reserve	-	-	408	408
Unreserved fund balances - June 30	<u>\$ 136,197</u>	<u>\$ 104,207</u>	<u>\$ 289,675</u>	<u>\$ 185,468</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
\$ 112,526	\$ 112,526	\$ 116,681	\$ 4,155	\$ -	\$ -	\$ -	\$ -
42,062	42,062	83,041	40,979	-	-	-	-
-	-	1,109	1,109	-	-	-	-
-	-	-	-	-	-	-	-
49	49	9,375	9,326	-	-	-	-
196,454	196,454	191,900	(4,554)	-	-	-	-
33,320	33,320	54,064	20,744	-	-	-	-
75,562	75,562	73,987	(1,575)	45,326	45,326	68,978	23,652
5,677	5,677	6,723	1,046	430	430	473	43
6,732	6,732	4,797	(1,935)	1	1	-	(1)
413	413	775	362	-	-	-	-
7,500	7,500	7,731	231	-	-	-	-
24,822	24,822	17,429	(7,393)	45	45	31	(14)
24,412	24,412	11,554	(12,858)	1,574,522	1,574,522	1,319,355	(255,167)
151	151	34,211	34,060	3,484	3,484	46,724	43,240
3,540	3,540	2,936	(604)	1,810	1,810	233	(1,577)
533,220	533,220	616,313	83,093	1,625,618	1,625,618	1,435,794	(189,824)
106,923	107,842	93,467	14,375	11,631	18,342	8,945	9,397
41,426	44,285	37,844	6,441	53,813	100,110	50,141	49,969
415,860	437,515	212,193	225,322	416,581	384,852	276,354	108,498
70,225	70,190	59,873	10,317	884,991	900,638	837,983	62,655
77,061	77,479	77,155	324	207,425	208,284	172,782	35,502
142,666	144,977	100,120	44,857	74,890	93,357	55,947	37,410
68,587	72,368	65,859	6,509	76,996	82,080	64,999	17,081
9,795	9,175	432	8,743	162	359	196	163
1,060	1,060	1,060	-	29	29	29	-
68,509	74,548	27,360	47,188	48,991	62,271	24,735	37,536
1,002,112	1,039,439	675,363	364,076	1,775,509	1,850,322	1,492,111	358,211
(468,892)	(506,219)	(59,050)	447,169	(149,891)	(224,704)	(56,317)	168,387
570	570	-	(570)	-	-	-	-
198,225	198,225	133,988	(64,237)	-	-	-	-
5,070	5,070	5,070	-	-	-	-	-
193	193	141	(52)	5	5	3	(2)
208,677	208,677	136,292	(72,385)	36,383	36,383	6,446	(29,937)
(20,254)	(15,984)	(4,692)	11,292	(50,994)	(46,917)	(13,447)	33,470
392,481	396,751	270,799	(125,952)	(14,606)	(10,529)	(6,998)	3,531
(76,411)	(109,468)	211,749	321,217	(164,497)	(235,233)	(63,315)	171,918
-	-	1,033	1,033	-	-	-	-
-	-	(978)	(978)	-	-	-	-
-	-	6,653	6,653	-	-	-	-
-	-	131	131	-	-	122	122
-	-	11,465	11,465	-	-	1,510	1,510
-	-	(16,330)	(16,330)	-	-	57,400	57,400
(76,411)	(109,468)	213,723	323,191	(164,497)	(235,233)	(4,283)	230,950
(73,620)	(73,620)	(73,620)	-	(10,271)	(10,271)	(10,271)	-
-	-	463	463	-	-	277	277
-	-	2,804	2,804	-	-	12,858	12,858
-	-	(8,942)	(8,942)	-	-	55	55
-	-	(2,923)	(2,923)	-	-	100	100
-	-	(181,050)	(181,050)	-	-	(238)	(238)
-	-	37	37	-	-	-	-
\$ (150,031)	\$ (183,088)	\$ (49,508)	\$ 133,580	\$ (174,768)	\$ (245,504)	\$ (1,502)	\$ 244,002

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 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 receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and along with other information 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 2005, reverted governmental fund appropriations were as follows: General Fund - \$26.5 million, State Special Revenue Fund - \$32.3 million, and Federal Special Revenue Fund - \$52.8 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.).

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN INFORMATION**

**Pension Plan Information
Single Employer Systems
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)
HPORS						
07/01/02	81,734	94,850	13,116	86.17%	7,536	174.04%
07/01/04	79,104	104,069	24,965	76.01%	7,844	318.27%
06/30/05	82,050	112,938	30,888	72.65%	9,104	339.28%
JRS						
07/01/02	44,963	30,882	(14,081)	145.60%	4,000	(352.03)%
07/01/04	45,134	34,724	(10,410)	129.98%	4,403	(236.43)%
06/30/05	47,552	34,525	(13,027)	137.73%	4,462	(291.95)%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-2. PENSION PLAN INFORMATION

The information presented in this required supplementary schedule was determined as part of the actuarial valuations at the dates indicated in the table below. Additional information as of the latest actuarial valuation follows:

	HPORS	JRS
Pension Plan Information Single Employer Systems		
Contributions (in thousands)		
Employer	\$3,324	\$1,162
Employee	862	394
License and registration fees	669	
Actuarial valuation date	6/30/05	6/30/05
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	21.1 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases (includes inflation factor)	4.25%	4.25%
Merit	0%-7.3%	None
Postretirement benefit increases	None	None