

**State of Montana**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2006

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**BUDGETARY COMPARISON SCHEDULE  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(amounts expressed in thousands)**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Licenses/permits	\$ 128,669	\$ 128,669	\$ 130,230	\$ 1,561
Taxes:				
Natural resource	113,112	113,112	109,692	(3,420)
Individual income	677,815	677,815	698,686	20,871
Corporate income	91,427	91,427	150,802	59,375
Property	177,311	177,311	181,722	4,411
Fuel	-	-	-	-
Other	210,076	210,076	210,346	270
Charges for services/fines/forfeits/settlements	39,645	39,645	40,465	820
Investment earnings	13,909	13,909	19,494	5,585
Sale of documents/merchandise/property	396	396	374	(22)
Rentals/leases/royalties	57	57	22	(35)
Contributions/premiums	-	-	-	-
Grants/contracts/donations	3,560	3,560	2,875	(685)
Federal	26,919	26,919	30,968	4,049
Federal indirect cost recoveries	120	120	78	(42)
Other revenues	-	-	1,186	1,186
Total revenues	<u>1,483,016</u>	<u>1,483,016</u>	<u>1,576,940</u>	<u>93,924</u>
<b>EXPENDITURES</b>				
Current:				
General government	321,636	323,664	313,178	10,486
Public safety/corrections	149,417	159,560	157,609	1,951
Transportation	276	286	281	5
Health/social services	311,586	314,338	310,535	3,803
Education/cultural	721,412	722,914	697,274	25,640
Resource/recreation/environment	23,666	28,845	28,419	426
Economic development/assistance	26,580	26,646	25,526	1,120
Debt service:				
Principal retirement	2,756	2,867	700	2,167
Interest/fiscal charges	149	149	149	-
Capital outlay	5,153	5,270	1,714	3,556
Total expenditures	<u>1,562,631</u>	<u>1,584,539</u>	<u>1,535,385</u>	<u>49,154</u>
Excess of revenue over (under) expenditures	(79,615)	(101,523)	41,555	143,078
<b>OTHER FINANCING SOURCES (USES)</b>				
Loans issued	-	-	-	-
Bonds issued	-	-	-	-
Insurance proceeds	628	628	72	(556)
General capital asset sale proceeds	71	71	44	(27)
Transfers in	73,866	73,866	63,428	(10,438)
Transfers out	(22,089)	(26,076)	(25,230)	846
Total other financing sources (uses)	<u>52,476</u>	<u>48,489</u>	<u>38,314</u>	<u>(10,175)</u>
Net change in fund balances (Budgetary basis)	(27,139)	(53,034)	79,869	132,903
<b>RECONCILIATION OF BUDGETARY/GAAP REPORTING</b>				
1. Securities lending income	-	-	2,240	2,240
2. Securities lending costs	-	-	(2,197)	(2,197)
3. Inception of lease/installment contract	-	-	597	597
4. Adjust expenditures for encumbrances	-	-	(654)	(654)
5. Adjustments for nonbudgeted activity	-	-	40,514	40,514
Net change in fund balances (GAAP basis)	<u>(27,139)</u>	<u>(53,034)</u>	<u>120,369</u>	<u>173,403</u>
Unreserved fund balances - July 1	289,675	289,675	289,675	-
Prior period adjustments	-	-	(2,008)	(2,008)
Decrease (increase):				
Encumbrances reserve	-	-	681	681
Long-term loans/notes receivable reserve	-	-	(113)	(113)
Advances to other funds reserve	-	-	31	31
Special revenue reserve	-	-	-	-
Escheated property reserve	-	-	(55)	(55)
Unreserved fund balances - June 30	<u>\$ 262,536</u>	<u>\$ 236,641</u>	<u>\$ 408,580</u>	<u>\$ 171,939</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
\$ 129,800	\$ 129,800	\$ 130,000	\$ 200	\$ -	\$ -	\$ -	\$ -
130,277	130,277	123,050	(7,227)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,589	11,589	11,797	208	-	-	-	-
198,445	198,445	207,259	8,814	-	-	-	-
77,611	77,611	82,019	4,408	-	-	-	-
96,808	96,808	78,924	(17,884)	54,176	54,176	30,463	(23,713)
8,554	8,554	10,716	2,162	311	311	1,008	697
5,326	5,326	3,996	(1,330)	-	-	-	-
596	596	924	328	-	-	-	-
8,425	8,425	8,390	(35)	-	-	-	-
24,018	24,018	16,149	(7,869)	1,069	1,069	817	(252)
28,948	28,948	9,970	(18,978)	1,569,113	1,569,113	1,379,581	(189,532)
39,398	39,398	31,418	(7,980)	52,620	52,620	50,077	(2,543)
-	-	3,160	3,160	-	-	260	260
759,795	759,795	717,772	(42,023)	1,677,289	1,677,289	1,462,206	(215,083)
168,048	170,441	135,383	35,058	14,103	17,612	11,439	6,173
45,453	46,715	40,050	6,665	81,421	98,555	44,655	53,900
385,002	421,983	278,476	143,507	316,041	323,001	247,524	75,477
95,791	96,275	77,390	18,885	955,203	969,061	879,480	89,581
91,611	92,604	91,554	1,050	189,577	335,587	182,480	153,107
134,120	150,500	106,464	44,036	89,858	100,024	54,242	45,782
75,796	82,301	58,886	23,415	76,489	104,960	62,793	42,167
2,536	2,456	390	2,066	275	278	251	27
526	526	526	-	42	42	42	-
74,906	72,274	27,278	44,996	39,101	56,668	22,411	34,257
1,073,789	1,136,075	816,397	319,678	1,762,110	2,005,788	1,505,317	500,471
(313,994)	(376,280)	(98,625)	277,655	(84,821)	(328,499)	(43,111)	285,388
480	480	-	(480)	-	-	-	-
65,700	65,700	5,700	(60,000)	-	-	-	-
3,653	3,653	(753)	(4,406)	27	27	(242)	(269)
126	126	95	(31)	-	-	20	20
150,107	150,107	130,058	(20,049)	37,640	37,640	4,137	(33,503)
(18,734)	(15,749)	(4,853)	10,896	(48,364)	(48,189)	(18,400)	29,789
201,332	204,317	130,247	(74,070)	(10,697)	(10,522)	(14,485)	(3,963)
(112,662)	(171,963)	31,622	203,585	(95,518)	(339,021)	(57,596)	281,425
-	-	1,411	1,411	-	-	17	17
-	-	(1,676)	(1,676)	-	-	(17)	(17)
-	-	70	70	-	-	178	178
-	-	(9,057)	(9,057)	-	-	(1,067)	(1,067)
-	-	4,843	4,843	-	-	58,654	58,654
(112,662)	(171,963)	27,213	199,176	(95,518)	(339,021)	169	339,190
(49,508)	(49,508)	(49,508)	-	(1,502)	(1,502)	(1,502)	-
-	-	527	527	-	-	(4)	(4)
-	-	2,151	2,151	-	-	457	457
-	-	(27,606)	(27,606)	-	-	58	58
-	-	137	137	-	-	-	-
-	-	(4,611)	(4,611)	-	-	(747)	(747)
-	-	-	-	-	-	-	-
\$ (162,170)	\$ (221,471)	\$ (51,697)	\$ 169,774	\$ (97,020)	\$ (340,523)	\$ (1,569)	\$ 338,954

**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 2006, reverted governmental fund appropriations were as follows: General Fund - \$19.2 million, State Special Revenue Fund - \$147.5 million, and Federal Special Revenue Fund - \$201.2 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)
<b>HPORS</b>						
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%
06/30/06	87,189	112,002	24,813	77.85%	7,878	314.97%
<b>JRS</b>						
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)%
06/30/06	51,808	37,159	(14,649)	139.43%	4,762	(307.62)%

**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:

	<b>HPORS</b>	<b>JRS</b>
<b>Pension Plan Information</b> <b>Single Employer Systems</b>		
Contributions (in thousands)		
Employer	\$2,905	\$1,229
Employee	847	333
License and registration fees	277	
Actuarial valuation date	6/30/06	6/30/06
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	18 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