

State of Montana
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

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**BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Licenses/permits	\$ 139,826	\$ 139,826	\$ 132,900	\$ (6,926)
Taxes:				
Natural resource	105,102	105,102	116,663	11,561
Individual income	793,847	793,847	743,941	(49,906)
Corporate income	161,057	161,057	173,898	12,841
Property	192,084	192,084	190,982	(1,102)
Fuel	-	-	-	-
Other	214,228	214,228	220,369	6,141
Charges for services/fines/forfeits/settlements	33,144	33,144	30,127	(3,017)
Investment earnings	27,484	27,484	34,861	7,377
Sale of documents/merchandise/property	356	356	361	5
Rentals/leases/royalties	45	45	9	(36)
Contributions/premiums	-	-	-	-
Grants/contracts/donations	3,677	3,677	1,727	(1,950)
Federal	29,024	29,024	28,573	(451)
Federal indirect cost recoveries	111	111	74	(37)
Other revenues	-	-	-	-
Total revenues	1,699,985	1,699,985	1,674,485	(25,500)
EXPENDITURES				
Current:				
General government	249,470	251,506	244,681	6,825
Public safety/corrections	170,160	191,690	186,110	5,580
Transportation	269	299	294	5
Health/social services	316,898	325,001	319,872	5,129
Education/cultural	814,077	815,264	790,403	24,861
Resource/recreation/environment	41,477	61,822	57,634	4,188
Economic development/assistance	29,166	29,141	12,386	16,755
Debt service:				
Principal retirement	2,944	2,950	460	2,490
Interest/fiscal charges	53	53	53	-
Capital outlay	4,934	4,826	2,089	2,737
Total expenditures	1,629,448	1,682,552	1,613,982	68,570
Excess of revenue over (under) expenditures	70,537	17,433	60,503	43,070
OTHER FINANCING SOURCES (USES)				
Loans issued	-	-	-	-
Bonds issued	-	-	-	-
Insurance proceeds	308	308	1,199	891
General capital asset sale proceeds	76	76	49	(27)
Transfers in	69,016	69,016	68,531	(485)
Transfers out	(27,477)	(27,315)	(27,723)	(408)
Total other financing sources (uses)	41,923	42,085	42,056	(29)
Net change in fund balances (Budgetary basis)	112,460	59,518	102,559	43,041
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	-	-	2,220	2,220
2. Securities lending costs	-	-	(2,208)	(2,208)
3. Inception of lease/installment contract	-	-	13	13
4. Adjust expenditures for encumbrances	-	-	4,324	4,324
5. Adjustments for nonbudgeted activity	-	-	42,411	42,411
Net change in fund balances (GAAP basis)	112,460	59,518	149,319	89,801
Unreserved fund balances - July 1	408,580	408,580	408,580	-
Prior period adjustments	-	-	(247)	(247)
Decrease (increase):				
Encumbrances reserve	-	-	(4,291)	(4,291)
Long-term loans/notes receivable reserve	-	-	(55)	(55)
Advances to other funds reserve	-	-	(3,881)	(3,881)
Special revenue reserve	-	-	-	-
Escheated property reserve	-	-	(267)	(267)
Unreserved fund balances - June 30	\$ 521,040	\$ 468,098	\$ 549,158	\$ 81,060

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
\$ 163,580	\$ 163,580	\$ 152,261	\$ (11,319)	\$ -	\$ -	\$ -	\$ -
172,173	172,173	126,515	(45,658)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,802	11,802	12,360	558	-	-	-	-
195,376	195,376	211,228	15,852	-	-	-	-
78,296	78,296	86,936	8,640	-	-	-	-
99,892	99,892	83,367	(16,525)	37,225	37,225	31,062	(6,163)
14,525	14,525	16,449	1,924	775	775	1,057	282
4,169	4,169	2,774	(1,395)	-	-	-	-
485	485	771	286	-	-	-	-
9,000	9,000	8,939	(61)	-	-	-	-
20,940	20,940	16,807	(4,133)	74	74	53	(21)
20,089	20,089	10,781	(9,308)	1,603,004	1,603,004	1,379,912	(223,092)
39,283	39,283	30,991	(8,292)	58,551	58,551	50,761	(7,790)
-	-	4	4	-	-	-	-
829,610	829,610	760,183	(69,427)	1,699,629	1,699,629	1,462,845	(236,784)
181,424	183,813	153,716	30,097	9,919	13,117	1,486	11,631
48,785	50,360	45,852	4,508	80,510	99,413	44,212	55,201
418,074	414,627	267,859	146,768	390,028	390,124	273,935	116,189
107,453	108,174	91,539	16,635	1,022,889	1,031,252	877,320	153,932
73,919	74,771	74,179	592	351,002	210,508	182,291	28,217
147,813	151,410	120,814	30,596	98,281	108,259	63,106	45,153
77,497	83,583	76,837	6,746	103,311	102,623	62,893	39,730
1,391	1,283	383	900	272	243	219	24
703	703	703	-	35	35	35	-
81,721	83,058	35,679	47,379	37,795	42,582	13,604	28,978
1,138,780	1,151,782	867,561	284,221	2,094,042	1,998,156	1,519,101	479,055
(309,170)	(322,172)	(107,378)	214,794	(394,413)	(298,527)	(56,256)	242,271
-	-	480	480	-	-	-	-
30,000	30,000	-	(30,000)	-	-	-	-
4,612	4,612	1,149	(3,463)	46	46	22	(24)
185	185	195	10	-	-	-	-
132,558	132,558	128,596	(3,962)	42,118	42,118	7,835	(34,283)
(14,010)	(14,029)	(11,695)	2,334	(44,669)	(32,843)	(19,613)	13,230
153,345	153,326	118,725	(34,601)	(2,505)	9,321	(11,756)	(21,077)
(155,825)	(168,846)	11,347	180,193	(396,918)	(289,206)	(68,012)	221,194
-	-	1,106	1,106	-	-	1	1
-	-	(1,087)	(1,087)	-	-	(1)	(1)
-	-	8	8	-	-	9	9
-	-	17,567	17,567	-	-	5,681	5,681
-	-	20,648	20,648	-	-	58,155	58,155
(155,825)	(168,846)	49,589	218,435	(396,918)	(289,206)	(4,167)	285,039
(51,697)	(51,697)	(51,697)	-	(1,569)	(1,569)	(1,569)	-
-	-	(563)	(563)	-	-	(465)	(465)
-	-	(7,075)	(7,075)	-	-	578	578
-	-	(6,598)	(6,598)	-	-	(146)	(146)
-	-	(1,070)	(1,070)	-	-	-	-
-	-	(25,023)	(25,023)	-	-	(86)	(86)
-	-	-	-	-	-	-	-
\$ (207,522)	\$ (220,543)	\$ (42,437)	\$ 178,106	\$ (398,487)	\$ (290,775)	\$ (5,855)	\$ 284,920

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 2007, reverted governmental fund appropriations were as follows: General Fund - \$30.5 million, State Special Revenue Fund - \$57.1 million, and Federal Special Revenue Fund - \$98.2 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
Schedules of Funding Progress
(in thousands)
Single Employer Systems

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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						
6/30/2005	82,050	112,938	30,888	72.65%	9,104	339.28%
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%
JRS						
6/30/2005	47,552	34,525	(13,027)	137.73%	4,462	(291.95%)
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%)
Multiple Employer Systems						
PERS-DBRP						
6/30/2005	3,179,010	3,719,998	540,988	85.46%	847,431	63.84%
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%
MPORS						
6/30/2005	159,417	276,379	116,962	57.68%	26,198	446.45%
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%
FURS						
6/30/2005	151,393	238,157	86,764	63.57%	20,474	423.78%
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%
SRS						
6/30/2005	148,458	159,347	10,889	93.17%	28,423	38.31%
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%
GWPORS						
6/30/2005	50,961	56,414	5,453	90.33%	22,796	24.24%
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%
TRS (1)						
7/1/2005	2,497,500	3,527,000	903,300	73.40%	612,600	147.50%
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%
Nonemployer Contributor						
VFCA						
6/30/2005	21,311	30,773	9,462	69.25%	N/A	N/A
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

(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.

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:

Pension Plan Information Single Employer Systems		
	HPORS	JRS
Contributions (in thousands)		
Employer	\$3,634	\$1,249
Employee	988	339
License and registration fees	284	
Actuarial valuation date	6/30/07	6/30/07
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of total salaries, open	Level percentage of total salaries, open
Remaining amortization period	19.1 years	30 years (1)
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

(1) Assets are larger than the past service liability, creating an unfunded credit; the credit is amortized over future costs.