



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Montana State Library Commission

*For the Two Fiscal Years Ended
June 30, 2009*

SEPTEMBER 2009

LEGISLATIVE AUDIT
DIVISION

09-23

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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

September 2009

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana State Library Commission (Library) for the two fiscal years ended June 30, 2009. This report contains one recommendation related to improper revenue recognition.

The Library's written response to the audit recommendation is included on page B-3 of the audit report. We thank the Montana State Library Commission, the State Librarian, and the library staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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APPOINTED AND ADMINISTRATIVE OFFICIALS

| | | | <u>Term Expires</u> |
|---|---------------------------|-----------|---------------------|
| Montana State Library Commission | Marcia Hinch, Chairperson | Choteau | May 2010 |
| | Joyce Funda, Vice Chair | Rollins | May 2011 |
| | Bonnie Allen* | Missoula | May 2010 |
| | Donald Allen | Billings | May 2012 |
| | Colet Bartow** | Helena | |
| | Richard Quillan | Whitefish | May 2011 |
| | Anita Scheetz | Sidney | May 2012 |

*Appointed by the Commissioner of Higher Education for the Montana University system

**Serving as alternate for Superintendent of Public Instruction, Denise Juneau

Administration

Darlene Staffeldt, State Librarian

Bob Cooper, Director of Statewide Librarian Resources

Jennie Stapp, Director of Digital Library

Kris Schmitz, Central Services Manager

For additional information concerning the Montana State Library Commission, contact:

Kris Schmitz
Central Services Manager
1515 East Sixth Avenue
P.O. Box 201800
Helena, MT 59620-1800
e-mail: kschmitz@mt.gov

REPORT SUMMARY

Montana State Library

This audit report is the result of our financial-compliance audit of the Montana State Library Commission for the two fiscal years ending June 30, 2009. We issued a qualified opinion on the Schedule of Total Revenues & Transfers-In for fiscal year ending June 30, 2008 and Schedule of Changes in Fund Balances for both fiscal years. The reader should use caution in relying on the information presented on these financial schedules, as well as the supporting data on the state's accounting system. We issued an unqualified opinion on the Schedule of Total Revenues & Transfers-In for fiscal year ending June 30, 2009, and the Schedules of Total Expenditures & Transfers-Out for both fiscal years.

This report contains one recommendation related to revenue recognition by the Library. The listing below serves as a means of summarizing the recommendation, the Library's response thereto, and a reference to the supporting comments.

| | |
|---|-----|
| <u>Recommendation #1</u> | 3 |
| We recommend the Library record Enterprise Fund revenue in accordance with state accounting policy. | |
| Library Response: Concur | B-3 |

Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Montana State Library Commission (Library) for the two fiscal years ended June 30, 2009. The objectives of the audit were to:

1. Determine whether the Library complied with selected laws and regulations.
2. Obtain an understanding of the Library's control systems to the extent necessary to support our audit of the Library's financial schedules and, if appropriate, make recommendations for improvements in management and internal controls of the Library.
3. Determine whether the financial schedules present fairly the results of operations for each of the two fiscal years ended June 30, 2009.
4. Determine implementation status of prior audit recommendations.

In accordance with §5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendation.

Background

The Library Commission was created in 1929 by law, which is codified in Title 22, Chapter 1, MCA. The Library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government and consists of three main divisions: Statewide Library Resources (11 FTE), which consists of the Talking Book Library and the Library Development Department; Montana State Digital Library (15 FTE), which consists of Natural Resource Information System Program (NRIS) and Library Information Services; and Central Services Division (4.5 FTE).

The Digital Library serves the state by improving the availability and accessibility of data and information for use in maintaining Montana's natural resources, providing interactive mapping opportunities, maintaining Montana's field guides, and developing and managing relational database management systems. The Digital Library includes the Geographic Information System Portal and the Montana Natural Heritage Program, which maintains a computerized inventory of Montana's biological resources, emphasizing rare, threatened, or endangered plant and animal species, and biological communities. Funding for Digital Library operations comes from General Fund appropriations and contracts with state, federal and local government entities.

In addition to assisting state government, the Library provides services to public, academic, and specialized libraries throughout the state through the Talking Book Library, Shared Catalog, and Library Development Department. The services provided include, but are not limited to, assisting with information/reference needs, material lending, publications depository, statewide library development, and services for the blind and visually impaired. Library operations and grants to public libraries are funded by General Fund appropriations, federal assistance, and a portion of the Coal Severance Tax.

Prior Audit Recommendation

The prior financial-compliance audit of the Library for the two fiscal years ended June 30, 2007, contained one recommendation. The Library implemented this recommendation.

Chapter II – Findings and Recommendations

Improper Revenue Recognition

The Library recorded deferred revenue in its Enterprise Fund for receipts that had been earned.

The Library administers the Montana Shared Catalog Program to facilitate access of library users to the collections of member libraries across the state. As administrator, the Library provides access to the shared catalog database server to member libraries on a 24 hour a day, 365 days a year basis, including support for problems with the server. Member libraries pay an annual fee for access to the shared catalog database.

State accounting policy requires that revenue be recorded in the Enterprise Fund when it is realizable, measurable, and earned. The Library did not record revenue for access fees it had earned but had not expended. As a result, revenue was understated by \$214,789 and \$27,030 in fiscal years 2007-08 and 2008-09 respectively, and ending fund balance was understated by \$214,789 and \$241,819 at June 30, 2008 and 2009 respectively.

Library personnel said they sought guidance from the Department of Administration Accounting Bureau when the Library established the Montana Shared Catalog Fund in December 2007. Based on the guidance received, personnel deferred the revenue.

Department of Administration Accounting Bureau has since revised its guidance concerning the recognition of this revenue and advised the Library to discontinue deferring this revenue.

RECOMMENDATION #1

We recommend the Library record Enterprise Fund revenue in accordance with state accounting policy.

Independent Auditor's Report and Library Commission Financial Schedules

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the State Library Commission (Library) for each of the fiscal years ended June 30, 2009, and 2008. The information contained in these financial schedules is the responsibility of the Library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on the basis of Montana state accounting policy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the Library's assets, liabilities and cash flows.

The Library recorded deferred revenue in its Enterprise Fund for receipts that had been earned. As a result, Charges for Services Revenue is understated by \$214,789 in the Enterprise Fund on the Schedule of Total Revenues & Transfers-In for the fiscal year ended June 30, 2008. Also, Budgeted Revenues and Transfers-In and Ending Fund Balance are understated by \$214,789 in the Enterprise Fund on the Schedule of Changes in Fund Balances for the fiscal year ended June 30, 2008. In addition, Beginning Fund Balance and Ending Fund Balance are understated by \$214,789 and \$241,819, respectively, in the Enterprise Fund on the Schedule of Changes in Fund Balance for the fiscal year ended June 30, 2009.

In our opinion, except for the matters discussed in the previous paragraph, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Library for each of the fiscal years ended June 30, 2009, and 2008, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

August 14, 2009

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund |
|---|---------------------|-------------------------------|---------------------------------|--------------------|
| FUND BALANCE: July 1, 2008 | \$ (489,280) | \$ 177,290 | \$ 0 | \$ 0 |
| ADDITIONS | | | | |
| Budgeted Revenues & Transfers-In | | 419,986 | 1,276,615 | 196,390 |
| Nonbudgeted Revenues & Transfers-In | 293 | 7,672 | | 93 |
| Direct Entries to Fund Balance | 2,505,591 | 837,859 | | |
| Total Additions | <u>2,505,884</u> | <u>1,265,517</u> | <u>1,276,615</u> | <u>196,483</u> |
| REDUCTIONS | | | | |
| Budgeted Expenditures & Transfers-Out | 2,470,636 | 1,244,471 | 1,276,615 | 196,390 |
| Nonbudgeted Expenditures & Transfers-Out | (66) | 18,580 | | 1,326 |
| Prior Year Expenditures & Transfers-Out Adjustments | (31,844) | | | |
| Total Reductions | <u>2,438,726</u> | <u>1,263,051</u> | <u>1,276,615</u> | <u>197,716</u> |
| FUND BALANCE: June 30, 2009 | <u>\$ (422,122)</u> | <u>\$ 179,756</u> | <u>\$ 0</u> | <u>\$ (1,233)</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund |
|---|---------------------|-------------------------------|---------------------------------|--------------------|
| FUND BALANCE: July 1, 2007 | \$ (296,634) | \$ 300,961 | \$ 0 | \$ 0 |
| ADDITIONS | | | | |
| Budgeted Revenues & Transfers-In | | 395,553 | 1,166,144 | 47,956 |
| Nonbudgeted Revenues & Transfers-In | 269 | 39,788 | | |
| Prior Year Revenues & Transfers-In Adjustments | | (923) | | |
| Direct Entries to Fund Balance | 2,156,067 | 692,234 | | |
| Total Additions | <u>2,156,336</u> | <u>1,126,652</u> | <u>1,166,144</u> | <u>47,956</u> |
| REDUCTIONS | | | | |
| Budgeted Expenditures & Transfers-Out | 2,348,127 | 1,244,075 | 1,166,144 | 47,956 |
| Nonbudgeted Expenditures & Transfers-Out | | 7,171 | | |
| Prior Year Expenditures & Transfers-Out Adjustments | 855 | (923) | | |
| Total Reductions | <u>2,348,982</u> | <u>1,250,323</u> | <u>1,166,144</u> | <u>47,956</u> |
| FUND BALANCE: June 30, 2008 | <u>\$ (489,280)</u> | <u>\$ 177,290</u> | <u>\$ 0</u> | <u>\$ 0</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund | Total |
|---|-----------------|-------------------------------|---------------------------------|--------------------|-------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | | | |
| Taxes | \$ 293 | \$ 15 | | \$ 93 | \$ 401 |
| Charges for Services | | 88,490 | | 196,390 | 284,880 |
| Investment Earnings | | 3,287 | | | 3,287 |
| Grants, Contracts, and Donations | | 335,866 | | | 335,866 |
| Federal Indirect Cost Recoveries | | | \$ 40,319 | | 40,319 |
| Federal | | | 1,236,296 | | 1,236,296 |
| Total Revenues & Transfers-In | 293 | 427,658 | 1,276,615 | 196,483 | 1,901,049 |
| Less: Nonbudgeted Revenues & Transfers-In | 293 | 7,672 | | 93 | 8,058 |
| Actual Budgeted Revenues & Transfers-In | 0 | 419,986 | 1,276,615 | 196,390 | 1,892,991 |
| Estimated Revenues & Transfers-In | 233 | 427,137 | 1,286,651 | 198,000 | 1,912,021 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ (233) | \$ (7,151) | \$ (10,036) | \$ (1,610) | \$ (19,030) |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | | | |
| Taxes | \$ (233) | | | | \$ (233) |
| Charges for Services | | \$ (483) | | \$ (1,610) | (2,093) |
| Grants, Contracts, and Donations | | (6,668) | | | (6,668) |
| Federal | | | \$ (10,036) | | (10,036) |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ (233) | \$ (7,151) | \$ (10,036) | \$ (1,610) | \$ (19,030) |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | General Fund | State Special Revenue Fund | Federal Special Revenue Fund | Enterprise Fund | Total |
|--|-----------------|-------------------------------|---------------------------------|--------------------|-------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | | | |
| Taxes | \$ 269 | | | | \$ 269 |
| Charges for Services | | \$ 14,699 | | \$ 47,956 | 62,655 |
| Investment Earnings | | 7,846 | | | 7,846 |
| Grants, Contracts, and Donations | | 411,873 | | | 411,873 |
| Federal Indirect Cost Recoveries | | | \$ 40,321 | | 40,321 |
| Federal | | | 1,125,823 | | 1,125,823 |
| Total Revenues & Transfers-In | 269 | 434,418 | 1,166,144 | 47,956 | 1,648,787 |
| Less: Nonbudgeted Revenues & Transfers-In | 269 | 39,788 | | | 40,057 |
| Prior Year Revenues & Transfers-In Adjustments | | (923) | | | (923) |
| Actual Budgeted Revenues & Transfers-In | 0 | 395,553 | 1,166,144 | 47,956 | 1,609,653 |
| Estimated Revenues & Transfers-In | 233 | 397,376 | 1,183,913 | 47,956 | 1,629,478 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ (233) | \$ (1,823) | \$ (17,769) | \$ 0 | \$ (19,825) |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | | | |
| Taxes | \$ (233) | | | | \$ (233) |
| Charges for Services | | \$ (82) | | | (82) |
| Grants, Contracts, and Donations | | (1,741) | | | (1,741) |
| Federal | | | \$ (17,769) | | (17,769) |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ (233) | \$ (1,823) | \$ (17,769) | \$ 0 | \$ (19,825) |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT | STATEWIDE LIBRARY RESOURCES |
|---|--------------------------------|
| Personal Services | |
| Salaries | \$ 1,635,273 |
| Other Compensation | 2,375 |
| Employee Benefits | 530,834 |
| Personal Services-Other | 246 |
| Total | <u>2,168,728</u> |
| Operating Expenses | |
| Other Services | 1,437,847 |
| Supplies & Materials | 150,204 |
| Communications | 70,088 |
| Travel | 98,242 |
| Rent | 359,658 |
| Repair & Maintenance | 217,428 |
| Other Expenses | 133,964 |
| Total | <u>2,467,431</u> |
| Equipment & Intangible Assets | |
| Equipment | <u>3,957</u> |
| Total | <u>3,957</u> |
| Grants | |
| From State Sources | 476,723 |
| From Federal Sources | 13,475 |
| From Other Sources | 44,714 |
| Total | <u>534,912</u> |
| Other Post Employment Benefits | |
| Other Post Employment Benefits | <u>1,080</u> |
| Total | <u>1,080</u> |
| Total Expenditures & Transfers-Out | <u>\$ 5,176,108</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | |
| General Fund | \$ 2,438,726 |
| State Special Revenue Fund | 1,263,051 |
| Federal Special Revenue Fund | 1,276,615 |
| Enterprise Fund | 197,716 |
| Total Expenditures & Transfers-Out | 5,176,108 |
| Less: Nonbudgeted Expenditures & Transfers-Out | 19,840 |
| Prior Year Expenditures & Transfers-Out Adjustments | <u>(31,844)</u> |
| Actual Budgeted Expenditures & Transfers-Out | 5,188,112 |
| Budget Authority | 5,821,153 |
| Unspent Budget Authority | <u>\$ 633,041</u> |
| UNSPENT BUDGET AUTHORITY BY FUND | |
| General Fund | \$ 42,784 |
| State Special Revenue Fund | 140,162 |
| Federal Special Revenue Fund | 432,854 |
| Enterprise Fund | 17,241 |
| Unspent Budget Authority | <u>\$ 633,041</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT | <u>STATEWIDE LIBRARY RESOURCES</u> |
|---|--|
| Personal Services | |
| Salaries | \$ 1,587,632 |
| Other Compensation | 1,525 |
| Employee Benefits | 492,747 |
| Total | <u>2,081,904</u> |
| Operating Expenses | |
| Other Services | 1,249,612 |
| Supplies & Materials | 72,373 |
| Communications | 56,855 |
| Travel | 105,277 |
| Rent | 340,258 |
| Repair & Maintenance | 122,832 |
| Other Expenses | 187,814 |
| Total | <u>2,135,021</u> |
| Equipment & Intangible Assets | |
| Equipment | 18,314 |
| Total | <u>18,314</u> |
| Grants | |
| From State Sources | 476,723 |
| From Federal Sources | 45,412 |
| From Other Sources | 56,031 |
| Total | <u>578,166</u> |
| Total Expenditures & Transfers-Out | <u>\$ 4,813,405</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | |
| General Fund | \$ 2,348,982 |
| State Special Revenue Fund | 1,250,323 |
| Federal Special Revenue Fund | 1,166,144 |
| Enterprise Fund | 47,956 |
| Total Expenditures & Transfers-Out | 4,813,405 |
| Less: Nonbudgeted Expenditures & Transfers-Out | 7,170 |
| Prior Year Expenditures & Transfers-Out Adjustments | (68) |
| Actual Budgeted Expenditures & Transfers-Out | 4,806,303 |
| Budget Authority | 6,086,924 |
| Unspent Budget Authority | <u>\$ 1,280,621</u> |
| UNSPENT BUDGET AUTHORITY BY FUND | |
| General Fund | \$ 53,165 |
| State Special Revenue Fund | 251,664 |
| Federal Special Revenue Fund | 823,748 |
| Enterprise Fund | 152,044 |
| Unspent Budget Authority | <u>\$ 1,280,621</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Montana State Library Commission

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2009

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana State Library Commission (Library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, and Federal Special Revenue) and certain liabilities of defined benefit pension plans and certain post employment healthcare plans. In applying the modified accrual basis, the Library records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Library to record the cost of employees' annual and sick leave when used or paid.

The Library uses accrual basis accounting for its Proprietary (Enterprise) fund category. Under the accrual basis, as defined by state accounting policy, the Library records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Library receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The Library uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Library State Special Revenue Funds include allocations of Coal Severance Taxes, Resource Indemnity Trust Fund earnings, and Natural Resource Information System contracts with state and private entities.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Library Federal Special Revenue Funds include the Library Services and Technology Act grants and Natural Resource Information System contracts with federal entities.

Proprietary Fund Category

- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the legislature intends that the department finance or recover costs primarily through user charges; (b) where the legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Library Enterprise Funds include the Montana Shared Catalog.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The Library has authority to pay obligations from the statewide General Fund within its appropriation limits. The Library expends cash or other assets from the statewide fund when it pays General Fund obligations. The Library's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2009, and June 30, 2008.

3. Direct Entries to Fund Balance

Direct entries to fund balances in the General and Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

MONTANA STATE
LIBRARY COMMISSION

LIBRARY RESPONSE



PO Box 201800 • Helena, Montana 59620-1800 • 406-444-3115
FAX: 406-444-0266 • <http://msl.mt.gov>

RECEIVED

SEP 09 2009

LEGISLATIVE AUDIT DIV.

Ms. Tori Hunthausen, Legislative Auditor
Legislative Audit Division
Room 135, State Capital
Helena, MT 59620

Dear Ms. Hunthausen:

Thank you for the opportunity to respond to the financial compliance audit report on the Montana State Library for the two fiscal years ending June 30, 2009.

The financial compliance audit includes one recommendation. Our response to the recommendation is provided below:

Recommendation #1: We recommend the Library record Enterprise Fund revenue in accordance with state accounting policy.

Concur.

The enterprise fund was established in FY 08. We had not encountered this type of fund before and advice was requested of Department of Administration on how to record this type of revenue. Based on their advice at that time, we deferred the revenue. In working with the Legislative Audit staff and Department of Administration they have since revised their guidance regarding how to record this revenue and the State Library will discontinue deferring this revenue.

We will make every effort to insure that proper accounting procedures will be used to account for revenue in accordance with state policy.

I would like to personally thank your staff who conducted this audit in a very cooperative, professional manner. Their finding and recommendation have given us valuable insight as we continue to provide services in a fiscally appropriate and prudent manner.

I am available to answer questions or provide further information that you or the Legislative Audit Committee may require. I assure you that we will continue to do our very best to maintain proper fiscal accountability.

Sincerely,

A handwritten signature in cursive script that reads "Darlene M. Staffeldt".

Darlene Staffeldt
State Librarian