

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2011**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors**

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angie Grove

November 2011

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2011.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Branch's written response to the report is included in the back of the audit report.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

11C-09

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LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
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**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2011**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Chuck Hunter
Margaret MacDonald
Tom McGillvray
Mike Milburn - Vice Presiding Officer
Jesse O'Hara
Jon Sesso

SENATORS

Jeff Essmann
Jim Peterson
Mitch Tropila
Bruce Tutvedt
David Wanzenried
Carol Williams - Presiding Officer

EXECUTIVE DIRECTOR: Susan Byorth Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

Randy Brodehl
Tom Burnett
Virginia Court
Wayne Stahl - Vice Presiding Officer
Mary McNally
Trudi Schmidt

SENATORS

Debby Barrett
Gary Branae
Taylor Brown
Frederick Moore
Mitch Tropila - Presiding Officer
Cliff Larsen

LEGISLATIVE AUDITOR: Tori Hunthausen

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

REPRESENTATIVES

John Esp
Galen Hollenbaugh
Jon Sesso - Presiding Officer
Cynthia Hiner
Steve Gibson
Rob Cook

SENATORS

Llew Jones
Carol Williams
Dave Wanzenried
Dave Lewis
Steve Gallus
Rick Ripley - Vice Presiding Officer

LEGISLATIVE FISCAL ANALYST: Amy Carlson



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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 2010 and 2011, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011 on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 31, 2011

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>State Special Revenue Fund</u>
FUND BALANCE: July 1, 2009	\$ <u>(352,479)</u>	\$ <u>1,130,846</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	5,843	3,236,091
Nonbudgeted Revenues & Transfers-In	6,014	33,828
Prior Year Revenues & Transfers-In Adjustments	(286)	1,516
Direct Entries to Fund Balance	<u>12,396,238</u>	<u>165,089</u>
Total Additions	<u>12,407,809</u>	<u>3,436,524</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	12,243,531	2,489,050
Nonbudgeted Expenditures & Transfers-Out	43	3,556
Prior Year Expenditures & Transfers-Out Adjustments	<u>310,737</u>	<u>(471)</u>
Total Reductions	<u>12,554,311</u>	<u>2,492,135</u>
FUND BALANCE: June 30, 2010	\$ <u><u>(498,981)</u></u>	\$ <u><u>2,075,235</u></u>

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	\$ 2,425		\$ 2,425
Charges for Services		\$ 1,867,300	1,867,300
Investment Earnings		2,846	2,846
Sale of Documents, Merchandise and Property	5,557	1,095,689	1,101,246
Transfers-in		305,600	305,600
Miscellaneous	3,589		3,589
Total Revenues & Transfers-In	<u>11,571</u>	<u>3,271,435</u>	<u>3,283,006</u>
Less: Nonbudgeted Revenues & Transfers-In	6,014	33,828	39,842
Prior Year Revenues & Transfers-In Adjustments	(286)	1,516	1,230
Actual Budgeted Revenues & Transfers-In	<u>5,843</u>	<u>3,236,091</u>	<u>3,241,934</u>
Estimated Revenues & Transfers-In	<u>1,000</u>	<u>3,273,388</u>	<u>3,274,388</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 4,843</u>	<u>\$ (37,297)</u>	<u>\$ (32,454)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ 69,808	\$ 69,808
Investment Earnings		(5,415)	(5,415)
Sale of Documents, Merchandise and Property	\$ 4,843	(101,690)	(96,847)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 4,843</u>	<u>\$ (37,297)</u>	<u>\$ (32,454)</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>AUDIT & EXAMINATION</u>	<u>FISCAL ANALYSIS & REVIEW</u>	<u>LEGIS. COMMITTEES & ACTIVITIES</u>	<u>LEGISLATIVE SERVICES</u>	<u>LEGISLATIVE SERVICES FEED BILL</u>	<u>LEGISLATURE - HOUSE</u>	<u>LEGISLATURE - SENATE</u>	<u>Total</u>
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT								
Personal Services								
Salaries	\$ 2,720,217	\$ 1,412,982	\$ 93,911	\$ 3,629,657	\$ 279	\$ 4,639	\$ 10,989	\$ 7,872,674
Employee Benefits	<u>796,050</u>	<u>359,056</u>	<u>8,842</u>	<u>1,005,679</u>	<u>26</u>	<u>818,209</u>	<u>445,707</u>	<u>3,433,569</u>
Total	<u>3,516,267</u>	<u>1,772,038</u>	<u>102,753</u>	<u>4,635,336</u>	<u>305</u>	<u>822,848</u>	<u>456,696</u>	<u>11,306,243</u>
Operating Expenses								
Other Services	39,026	18,741	90,631	1,181,667	27,734	631	266	1,358,696
Supplies & Materials	21,579	11,031	924	469,950		17,032	95	520,611
Communications	14,241	9,291	4,955	255,222	7,030	23	9	290,771
Travel	45,741	20,078	185,995	33,838	140	6,932	1,173	293,897
Rent	90	50	170	206,409				206,719
Repair & Maintenance				161,098				161,098
Other Expenses	<u>55,620</u>	<u>3,563</u>	<u>277,415</u>	<u>131,339</u>		<u>1,354</u>	<u>37</u>	<u>469,328</u>
Total	<u>176,297</u>	<u>62,754</u>	<u>560,090</u>	<u>2,439,523</u>	<u>34,904</u>	<u>25,972</u>	<u>1,580</u>	<u>3,301,120</u>
Equipment & Intangible Assets								
Equipment				<u>133,233</u>				<u>133,233</u>
Total				<u>133,233</u>				<u>133,233</u>
Benefits & Claims								
Insurance Payments	<u>250</u>							<u>250</u>
Total	<u>250</u>							<u>250</u>
Transfers-out								
Fund transfers					<u>82,900</u>	<u>80,800</u>	<u>141,900</u>	<u>305,600</u>
Total					<u>82,900</u>	<u>80,800</u>	<u>141,900</u>	<u>305,600</u>
Total Expenditures & Transfers-Out	\$ <u>3,692,814</u>	\$ <u>1,834,792</u>	\$ <u>662,843</u>	\$ <u>7,208,092</u>	\$ <u>118,109</u>	\$ <u>929,620</u>	\$ <u>600,176</u>	\$ <u>15,046,446</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,204,755	\$ 1,834,792	\$ 662,843	\$ 6,204,016	\$ 118,109	\$ 929,620	\$ 600,176	\$ 12,554,311
State Special Revenue Fund	<u>1,488,059</u>			<u>1,004,076</u>				<u>2,492,135</u>
Total Expenditures & Transfers-Out	<u>3,692,814</u>	<u>1,834,792</u>	<u>662,843</u>	<u>7,208,092</u>	<u>118,109</u>	<u>929,620</u>	<u>600,176</u>	<u>15,046,446</u>
Less: Nonbudgeted Expenditures & Transfers-Out				3,599				3,599
Prior Year Expenditures & Transfers-Out Adjustments	<u>255</u>	<u>224</u>	<u>5,738</u>	<u>(1,551)</u>	<u>82,900</u>	<u>80,800</u>	<u>141,900</u>	<u>310,266</u>
Actual Budgeted Expenditures & Transfers-Out	<u>3,692,559</u>	<u>1,834,568</u>	<u>657,105</u>	<u>7,206,044</u>	<u>35,209</u>	<u>848,820</u>	<u>458,276</u>	<u>14,732,581</u>
Budget Authority	<u>4,303,922</u>	<u>1,951,271</u>	<u>1,099,014</u>	<u>8,511,298</u>	<u>245,925</u>	<u>1,668,697</u>	<u>1,014,050</u>	<u>18,794,177</u>
Unspent Budget Authority	\$ <u>611,363</u>	\$ <u>116,703</u>	\$ <u>441,909</u>	\$ <u>1,305,254</u>	\$ <u>210,716</u>	\$ <u>819,877</u>	\$ <u>555,774</u>	\$ <u>4,061,596</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 363,585	\$ 116,703	\$ 441,909	\$ 884,973	\$ 210,716	\$ 819,877	\$ 555,774	\$ 3,393,537
State Special Revenue Fund	<u>247,778</u>			<u>420,281</u>				<u>668,059</u>
Unspent Budget Authority	\$ <u>611,363</u>	\$ <u>116,703</u>	\$ <u>441,909</u>	\$ <u>1,305,254</u>	\$ <u>210,716</u>	\$ <u>819,877</u>	\$ <u>555,774</u>	\$ <u>4,061,596</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>State Special Revenue Fund</u>
FUND BALANCE: July 1, 2010	\$ <u>(498,981)</u>	\$ <u>2,075,235</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	30,636	1,717,348
Nonbudgeted Revenues & Transfers-In	7,446	37,690
Prior Year Revenues & Transfers-In Adjustments		(389)
Direct Entries to Fund Balance	<u>17,370,398</u>	<u>(130,184)</u>
Total Additions	<u>17,408,480</u>	<u>1,624,465</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	17,847,432	2,555,813
Nonbudgeted Expenditures & Transfers-Out	<u>(1,550)</u>	<u>108</u>
Total Reductions	<u>17,845,882</u>	<u>2,555,921</u>
FUND BALANCE: June 30, 2011	\$ <u><u>(936,383)</u></u>	\$ <u><u>1,143,779</u></u>

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	\$ 2,637		\$ 2,637
Charges for Services		\$ 1,490,526	1,490,526
Investment Earnings		1,936	1,936
Sale of Documents, Merchandise and Property	30,636	24,167	54,803
Transfers-in		238,020	238,020
Miscellaneous	4,809		4,809
Total Revenues & Transfers-In	<u>38,082</u>	<u>1,754,649</u>	<u>1,792,731</u>
Less: Nonbudgeted Revenues & Transfers-In	7,446	37,690	45,136
Prior Year Revenues & Transfers-In Adjustments		(389)	(389)
Actual Budgeted Revenues & Transfers-In	<u>30,636</u>	<u>1,717,348</u>	<u>1,747,984</u>
Estimated Revenues & Transfers-In	<u>23,000</u>	<u>1,975,945</u>	<u>1,998,945</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 7,636</u>	<u>\$ (258,597)</u>	<u>\$ (250,961)</u>
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services	\$	\$ (245,840)	\$ (245,840)
Investment Earnings		(6,313)	(6,313)
Sale of Documents, Merchandise and Property	7,636	(6,444)	1,192
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 7,636</u>	<u>\$ (258,597)</u>	<u>\$ (250,961)</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>AUDIT & EXAMINATION</u>	<u>FISCAL ANALYSIS & REVIEW</u>	<u>LEGIS. COMMITTEES & ACTIVITIES</u>	<u>LEGISLATIVE SERVICES</u>	<u>LEGISLATIVE SERVICES FEED BILL</u>	<u>LEGISLATURE - HOUSE</u>	<u>LEGISLATURE - SENATE</u>	<u>Total</u>
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT								
Personal Services								
Salaries	\$ 2,660,879	\$ 1,371,691	\$ 50,594	\$ 3,852,284	\$ 87,347	\$ 1,356,002	\$ 1,000,162	\$ 10,378,959
Other Compensation						1,168,520	587,524	1,756,044
Employee Benefits	797,921	367,450	4,683	1,080,539	8,415	1,129,200	660,176	4,048,384
Total	<u>3,458,800</u>	<u>1,739,141</u>	<u>55,277</u>	<u>4,932,823</u>	<u>95,762</u>	<u>3,653,722</u>	<u>2,247,862</u>	<u>16,183,387</u>
Operating Expenses								
Other Services	35,169	28,901	99,688	1,003,840	207,160	28,373	16,935	1,420,066
Supplies & Materials	15,180	7,757	829	787,781	2,994	25,376	29,526	869,443
Communications	14,781	5,626	2,212	235,166	31,107	8,060	3,552	300,504
Travel	48,973	16,115	103,428	27,740		112,308	57,938	366,502
Rent				205,256		556	355	206,167
Repair & Maintenance				138,881				138,881
Other Expenses	18,502	2,186	290,301	94,448	34,135	29,354	7,215	476,141
Total	<u>132,605</u>	<u>60,585</u>	<u>496,458</u>	<u>2,493,112</u>	<u>275,396</u>	<u>204,027</u>	<u>115,521</u>	<u>3,777,704</u>
Equipment & Intangible Assets								
Equipment				172,243				172,243
Total				<u>172,243</u>				<u>172,243</u>
Transfers-out								
Fund transfers	134,600		23,570	110,299				268,469
Total	<u>134,600</u>		<u>23,570</u>	<u>110,299</u>				<u>268,469</u>
Total Expenditures & Transfers-Out	<u>\$ 3,726,005</u>	<u>\$ 1,799,726</u>	<u>\$ 575,305</u>	<u>\$ 7,708,477</u>	<u>\$ 371,158</u>	<u>\$ 3,857,749</u>	<u>\$ 2,363,383</u>	<u>\$ 20,401,803</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 1,779,679	\$ 1,799,726	\$ 575,305	\$ 7,098,883	\$ 371,158	\$ 3,857,749	\$ 2,363,383	\$ 17,845,882
State Special Revenue Fund	1,946,326			609,594				2,555,921
Total Expenditures & Transfers-Out	3,726,005	1,799,726	575,305	7,708,477	371,158	3,857,749	2,363,383	20,401,803
Less: Nonbudgeted Expenditures & Transfers-Out	(655)	(297)	(31)	(477)	(0)	20	(2)	(1,442)
Prior Year Expenditures & Transfers-Out Adjustments								
Actual Budgeted Expenditures & Transfers-Out	3,726,660	1,800,023	575,336	7,708,954	371,158	3,857,729	2,363,385	20,403,245
Budget Authority	4,554,774	1,958,666	836,992	8,715,260	832,952	5,754,708	3,566,854	26,220,206
Unspent Budget Authority	<u>\$ 828,114</u>	<u>\$ 158,643</u>	<u>\$ 261,656</u>	<u>\$ 1,006,306</u>	<u>\$ 461,794</u>	<u>\$ 1,896,979</u>	<u>\$ 1,203,469</u>	<u>\$ 5,816,961</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 808,790	\$ 158,643	\$ 261,656	\$ 833,290	\$ 461,794	\$ 1,896,979	\$ 1,203,469	\$ 5,624,621
State Special Revenue Fund	19,324			173,016				192,340
Unspent Budget Authority	<u>\$ 828,114</u>	<u>\$ 158,643</u>	<u>\$ 261,656</u>	<u>\$ 1,006,306</u>	<u>\$ 461,794</u>	<u>\$ 1,896,979</u>	<u>\$ 1,203,469</u>	<u>\$ 5,816,961</u>

See Notes to the Financial Schedules

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. This basis differs from generally accepted accounting policies in the following respects:

In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable 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 Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch 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.

Financial Schedule Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting and Human Resource System (SABHRS) without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

Governmental Funds:

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2010, the Legislative Branch implemented the provisions GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is found to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions should reduce uncertainty about which resources can or should be reported in the respective fund types. These new classifications include nonspendable and spendable, which is further reported as restricted, committed, assigned and unassigned. The new fund balance classifications and the minimum fund balance disclosure provided in Statement 54 are discussed in further detail later in footnote 1.

Fund Balances

As discussed above in footnote 1, the Legislative Branch has implemented Governmental Accounting Standards Board Statement 54. As a result, the classifications for fund balance now used for governmental fund are reported in two general classifications, nonspendable and spendable. As of June 30, 2011 and 2010, fund balances of the governmental revenue funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by state legislation and appropriated to the Legislative Branch.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Legislative Branch had no assigned fund balances as of June 30, 2011 and 2010.

Unassigned — all other spendable amounts.

When both restricted and unrestricted resources are available in a fund, the assumed order of spending is restricted first, next committed, next assigned, and finally unassigned.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Legislative Branch. Expenditures for termination pay are currently absorbed in the annual operational costs of the Legislative Branch. At June 30, 2011 and 2010, the Legislative Branch had liabilities for compensated absences of \$1,486,916 and \$1,468,377, respectively.

2. PENSION PLAN

Plan Description

The Public Employees' Retirement System (PERS) is a statewide retirement plan established in 1945 and governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS offers retirement, disability, and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Members' rights become vested after five years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

100 North Park Avenue Suite 200, P.O. Box 200131, Helena, MT 59620-0131

Funding Policy

Contribution rates for the plan are required and determined by State law. The PERS rates for employees and employers expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
2011	7.070%	7.17%	14.07%
2010	7.070%	7.17%	14.07%
2009	6.935%	7.035%	13.94%

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2011**

2. PENSION PLAN (Continued)

The amounts contributed to the plan during the years ended June 30, 2011 and 2010, were equal to the required contribution. The amount contributed by both the Legislative Branch and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
2011	\$ 801,548	\$ 597,902
2010	\$ 661,727	\$ 567,992

3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balances and Property Held in Trust reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 2010 and 2011.

4. MAJOR PURPOSE PRESENTATION

The tables presented below displays the Legislative Branch's fund balances by major purpose. Statement 54 requires the disclosure of the purpose of each Major Special Revenue Fund.

As of June 30, 2011, fund balances are composed of the following:

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Nonspendable			
MCA's and Annotations	\$ -	\$ 21,920	\$ 21,920
Restricted			
MCA's and Annotations	-	162,778	162,778
State Gov't Broadcasting	-	26,989	26,989
Committed			
Legislative Audit Services	-	127,000	127,000
Legislative Branch IT Reserve	-	672,231	672,231
Legislative Branch Retir. Reserve	-	132,861	132,861
Unassigned	<u>(936,383)</u>	<u>-</u>	<u>(936,383)</u>
TOTALS	<u>\$ (936,383)</u>	<u>\$ 1,143,779</u>	<u>\$ 207,396</u>

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2011**

2. MAJOR PURPOSE PRESENTATION (Continued)

As of June 30, 2010, fund balances are composed of the following:

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
Nonspendable			
MCA's and Annotations	\$ -	\$ 198,305	\$ 198,305
Restricted			
MCA's and Annotations	-	504,181	504,181
State Gov't Broadcasting	-	10,716	10,716
Committed			
Legislative Audit Services	-	515,053	515,053
Legislative Branch IT Reserve	-	546,495	546,495
Legislative Branch Retir. Reserve	-	300,485	300,485
Unassigned	<u>(498,981)</u>	<u>-</u>	<u>(498,981)</u>
TOTALS	<u>\$ (498,981)</u>	<u>\$ 2,075,235</u>	<u>\$ 1,576,254</u>

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2011, the date on which the financial statements were available to be issued.



**Junkermier • Clark
Campanella • Stevens • P.C.**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2010 and 2011 and have issued our report thereon dated October 31, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Branch's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Legislative Branch's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Report on internal control and compliance
Page 2 of 2

This report is intended solely for the information and use of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 31, 2011



Montana Legislative Services Division
Office of the Executive Director

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

October 31, 2011

Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

We have reviewed the draft audit report for the Legislative Branch and are pleased with the conclusion that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

We are proud to have a long history of clean audits. The dedication and cooperation of a number of people have made this possible. In particular, the staff of the Financial and Human Resources Office has consistently ensured that high standards of accounting are met and maintained and they have worked hard to provide you with all of the materials that you required.

Thank you for your work in conducting this audit.

Sincerely,

A handwritten signature in black ink that reads "Susan B. Fox".

Susan Byorth Fox
Executive Director



**Junkermier • Clark
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

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October 31, 2011

To the Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel for the years ended June 30, 2011, and 2010, and have issued our report thereon dated October 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 31, 2011. Professional standards also require that we communicate to you the following information related to our audit. Professional standards require that we provide you with the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Legislative Branch, excluding the Consumer Counsel are described in Note 1 to the financial schedules. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2011, and 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial schedules in the proper period.

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2011 .

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Legislature and management of the Legislative Branch, excluding the Consumer Counsel, and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana