



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

# *Montana Historical Society*

*For the Two Fiscal Years Ended  
June 30, 2012*

NOVEMBER 2012

LEGISLATIVE AUDIT  
DIVISION

12-24

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**FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) licenses.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2011, was issued March 29, 2012. The Single Audit Report for the two fiscal years ended June 30, 2013, will be issued by March 31, 2014. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
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Room 277, State Capitol  
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Helena, MT 59620-0802

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# LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors  
Cindy Jorgenson  
Angus Maciver

November 2012

The Legislative Audit Committee  
of the Montana State Legislature:

This report is the result of our financial-compliance audit of the Montana Historical Society (society) for the two fiscal years ended June 30, 2012. The report includes no recommendations to the society. During the course of the audit we analyzed the financial schedules, reviewed the financial records, and tested compliance with selected state laws and regulations. As a result, we issued an unqualified opinion. The society's response begins on page B-1.

We thank Director Whittenberg and his staff for their assistance and cooperation provided during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor



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## APPOINTED AND ADMINISTRATIVE OFFICIALS

**Montana Historical Society Officials** Bruce Whittenberg, Director  
**Administrative** Denise King, Centralized Services Administrator

			<u>Term Expires</u>
<b>Montana Historical Society Board of Trustees</b>	Steve Lozar, President	Polson	07/01/2015
	Crystal Wong Shors, Vice President	Helena	07/01/2016
	Bob Brown	Whitefish	07/01/2016
	Janene Caywood	Missoula	07/01/2013
	Jim Court	Billings	07/01/2014
	Shirley Groff	Butte	07/01/2015
	Kent Kleinfopf	Missoula	07/01/2017
	Jack Lepley	Fort Benton	07/01/2015
	Sharon Lincoln	Billings	07/01/2013
	James W. Murry	Clancy	07/01/2015
	Thomas Nygard	Bozeman	07/01/2016
	Lee Rostad	Martinsdale	07/01/2014
	Ed Smith	Helena	07/01/2013
	Jim Utterback	Helena	07/01/2014
	B. Leslie Halligan	Missoula	07/01/2017
			<u>Term Expires</u>
<b>Montana State Historical Preservation Review Board</b>	Donald Matlock, President	Hamilton	10/01/2013
	Jon Axline	Helena	10/01/2016
	Lesley Gilmore	Gallatin Gateway	10/01/2016
	Debra Hronek	Red Lodge	10/01/2015
	Rosalyn LaPier	Missoula	12/31/2014
	Zane Fulbright	Lewistown	10/01/2014
	Timothy Urbaniak	Billings	10/01/2015
	Miki Wilde	East Helena	10/01/2015
	Charles McLeod	Missoula	10/01/2016

For additional information concerning the Montana Historical Society,  
contact Denise King, Centralized Services Administrator:

225 North Roberts  
P.O. Box 201201  
Helena, MT 59620-1201  
(406) 444-4699  
e-mail: [dking@mt.gov](mailto:dking@mt.gov)







# MONTANA LEGISLATIVE AUDIT DIVISION

## FINANCIAL-COMPLIANCE AUDIT

### Montana Historical Society

For the Two Fiscal Years Ended June 30, 2012

NOVEMBER 2012

12-24

REPORT SUMMARY

The Montana Historical Society is one of the oldest institutions of its kind west of the Mississippi River, which is responsible for managing Montana historic treasures. Approximately 57,000 people visited its museum and archives facility in fiscal year 2011 and fiscal year 2012.

### Context

The Museum collection (over 50,000 artifacts) contains art and three-dimensional artifacts relating to all aspects of Montana history and culture. Of the 8,000 pieces of art represented in the collections, the best-known works are by Montana's "Cowboy Artist" Charles M. Russell. This collection (numbering over 200 pieces - 24 major oils, 33 major watercolors, 40 pen and inks, 15 original models, 60 bronzes, and 34 illustrated letters) is one of the most significant collections of Russell art anywhere. Another major art collection represents the life work of sculptor Bob Scriver (3,000 pieces).

The research center program consists of the library, archives, and photograph archives functions. The society houses approximately 30,000 linear feet of state, local government, and private records. The archive collection is constantly growing.

*Montana the Magazine of Western History* showcases the people, places, and events that shaped the state and the western region. The magazine has won numerous awards in the past two years, including the 2012 Arrington-Prucha Prize for best Western Religious History from the Western History Association.

The Montana Historical Society Press provides educational outreach for the Montana Historical Society by publishing readable and provocative books for students and adults focusing on the history and cultural resources of Montana. In 2011, *Hand Raised: The Barns of Montana* won the High Plains Book Award for Best Nonfiction.

The Montana State Historic Preservation Office works together with all Montanans to promote the preservation of our state's historic and cultural places. In 2011, the State Historic Preservation Office initiated the Montana Post World War II (1945-1965) Architectural Survey and inventory. The project identified, documented, and evaluated selected properties from Montana's post war period.

The society was supported by approximately 13,000 volunteer hours in fiscal year 2011 and fiscal year 2012. Volunteers provided school tours, helped with social functions, assisted in the museum, and performed clerical work. The Friends of the Society volunteer organization is celebrating its 40th year in 2012.

(continued on back)

## Results

We audited the fiscal year 2010-11 and fiscal year 2011-12 financial schedules and tested compliance with state laws and federal regulation. This report contains no recommendations to the society resulting in an unqualified opinion.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (12-24) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE  
Call toll-free 1-800-222-4446, or e-mail [ladhotline@mt.gov](mailto:ladhotline@mt.gov).

# Chapter I – Introduction

## **General**

We performed a financial-compliance audit of the Montana Historical Society (society) for the two fiscal years ended June 30, 2012. The objectives of the audit were to:

1. Obtain an understanding of the society's internal control systems to the extent necessary to support our audit of the society's financial schedules and, if appropriate, make recommendations for improvement in management and internal controls.
2. Determine the status of prior audit recommendations.
3. Determine the society's compliance with selected state and federal laws and regulations.
4. Determine whether the society's financial schedules present fairly the financial position and the results of its operations for the two fiscal years ended June 30, 2012.

## **Montana Historical Society Background**

The purpose of the society is to protect, preserve, and interpret Montana and western American history for the benefit of the public. The society conducts its operations in the following programs:

**Administration Program** (17.43 FTE) provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, historic research, historic interpretation, and the society store.

**Research Center Program** (14.75 FTE) consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with published materials, historic records and manuscripts, photographs and related media, and oral histories illustrative of the history of Montana and the surrounding region. By statute, this program houses the official archives of the state.

**Museum Program** (8.05 FTE) collects, preserves, and interprets the history of Montana through its material culture. The program collects fine art and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program displays and interprets its collections through exhibits, tours, and traveling exhibits. The program also coordinates with the society's Education Program

to orchestrate events, programs, and materials on Montana history for learners of all ages.

**Publications Program** (5.00 FTE) promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning *Montana The Magazine of Western History* and the *Montana Star*, official newsletter of the society. It also publishes books under the Montana Historical Society Press imprint.

**Education Program** (5.85 FTE) conducts tours, produces public programs, manages the volunteer program, produces curriculum resources for teachers, and produces outreach resources. Outreach resources include staff assembled “hands-on history” footlockers, Montana history textbooks, on-line teacher resources and CD programs for use in schools. They also plan and organize the annual Montana history conference.

**Historic Sites Preservation Program** (State Historic Preservation Office) (8.75 FTE) staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintains a statewide inventory of recorded historic and archaeological sites. Staff review and comment on all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing in the National Register of Historic Places. Staff administers the National Register of Historic Places program in Montana through the State Preservation Review Board. The office recommends certification of historic structures and rehabilitation projects for federal tax credits to citizens and businesses, as authorized by the Tax Reform Act of 1976. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. The program may also award funds for historic survey and planning for historic areas and for bricks and mortar rehabilitation when funds are available.

## **Prior Audit Recommendations**

The previous audit report of the society contained three recommendations. During the current audit, we determined the status of the three prior audit recommendations directed to the society. The society has implemented all three prior audit recommendations.

# **Independent Auditor's Report and Society Financial Schedules**



## LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors  
Cindy Jorgenson  
Angus Maciver

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 Montana Historical Society (society) for each of the fiscal years ended June 30, 2012, and 2011. The information contained in these financial schedules is the responsibility of the society's management. Our responsibility is to express opinions 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 opinions.

As described in note 1, these financial schedules are prepared 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 society's assets, liabilities and cash flows.

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 society for each of the fiscal years ended June 30, 2012, and 2011, in conformity with the basis of accounting described in note 1.

As discussed in Note 3 to the financial schedules, the society changed its method of their recording the Accommodation Tax.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor

November 8, 2012





HISTORICAL SOCIETY  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Private Purpose Trust Fund	Permanent Fund
FUND BALANCE: July 1, 2011	\$ <u>(128,288)</u>	\$ <u>1,948,988</u>	\$ <u>0</u>	\$ <u>271,186</u>	\$ <u>358,989</u>	\$ <u>1,338,960</u>
ADDITIONS						
Budgeted Revenues & Transfers-In	144	161,540	1,353,780	672,514		
Nonbudgeted Revenues & Transfers-In	53,348	587,343				95,253
Prior Year Revenues & Transfers-In Adjustments	75		188	(85)		
Direct Entries to Fund Balance	<u>2,762,295</u>	<u>1,018,558</u>			<u>(358,989)</u>	
Total Additions	<u>2,815,862</u>	<u>1,767,441</u>	<u>1,353,968</u>	<u>672,429</u>	<u>(358,989)</u>	<u>95,253</u>
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	2,824,647	794,472	1,301,637	617,082		
Nonbudgeted Expenditures & Transfers-Out	(353)	459,335	52,331	6,439		33,383
Prior Year Expenditures & Transfers-Out Adjustments		<u>(5,381)</u>		<u>(2,726)</u>		
Total Reductions	<u>2,824,294</u>	<u>1,248,426</u>	<u>1,353,968</u>	<u>620,795</u>	<u>0</u>	<u>33,383</u>
FUND BALANCE: June 30, 2012	\$ <u><u>(136,720)</u></u>	\$ <u><u>2,468,003</u></u>	\$ <u><u>0</u></u>	\$ <u><u>322,820</u></u>	\$ <u><u>0</u></u>	\$ <u><u>1,400,830</u></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-9.

HISTORICAL SOCIETY  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Private Purpose Trust Fund	Permanent Fund
FUND BALANCE: July 1, 2010	\$ <u>(83,648)</u>	\$ <u>1,217,101</u>	\$ <u>(2,537)</u>	\$ <u>316,995</u>	\$ <u>0</u>	\$ <u>1,244,729</u>
ADDITIONS						
Budgeted Revenues & Transfers-In	50	271,428	1,165,347	711,067		
Nonbudgeted Revenues & Transfers-In	52,095	1,685,435	(873)		358,989	120,431
Prior Year Revenues & Transfers-In Adjustments	42	69	1,351	81		
Direct Entries to Fund Balance	<u>2,551,873</u>	<u>222,556</u>				
Total Additions	<u>2,604,060</u>	<u>2,179,488</u>	<u>1,165,825</u>	<u>711,148</u>	<u>358,989</u>	<u>120,431</u>
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	2,649,439	971,344	1,112,945	749,706		
Nonbudgeted Expenditures & Transfers-Out	(345)	476,309	50,343	7,209		26,200
Prior Year Expenditures & Transfers-Out Adjustments	<u>(394)</u>	<u>(52)</u>		<u>42</u>		
Total Reductions	<u>2,648,700</u>	<u>1,447,601</u>	<u>1,163,288</u>	<u>756,957</u>	<u>0</u>	<u>26,200</u>
FUND BALANCE: June 30, 2011	\$ <u><u>(128,288)</u></u>	\$ <u><u>1,948,988</u></u>	\$ <u><u>0</u></u>	\$ <u><u>271,186</u></u>	\$ <u><u>358,989</u></u>	\$ <u><u>1,338,960</u></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-9.

HISTORICAL SOCIETY  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS						
Taxes			\$ 188		\$	188
Charges for Services		\$ 26,371		\$ 109,020		135,391
Investment Earnings		97,977			\$ 94,067	192,044
Sale of Documents, Merchandise and Property		205,458		562,759		768,217
Rentals, Leases and Royalties		994		650		1,644
Grants, Contracts, and Donations		418,083				418,083
Transfers-in	\$ 53,348					53,348
Capital Asset Sale Proceeds					1,186	1,186
Federal Indirect Cost Recoveries			149,202			149,202
Miscellaneous	219					219
Federal			1,204,578			1,204,578
Total Revenues & Transfers-In	53,567	748,883	1,353,968	672,429	95,253	2,924,100
Less: Nonbudgeted Revenues & Transfers-In	53,348	587,343			95,253	735,944
Prior Year Revenues & Transfers-In Adjustments	75		188	(85)		178
Actual Budgeted Revenues & Transfers-In	144	161,540	1,353,780	672,514	0	2,187,978
Estimated Revenues & Transfers-In	150	164,863	1,357,000	675,625		2,197,638
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (6)	\$ (3,323)	\$ (3,220)	\$ (3,111)	\$ 0	\$ (9,660)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS						
Licenses and Permits		\$ (2,000)			\$	(2,000)
Charges for Services		(92)		\$ (1,230)		(1,322)
Sale of Documents, Merchandise and Property		(806)		(1,831)		(2,637)
Rentals, Leases and Royalties				(50)		(50)
Grants, Contracts, and Donations		(425)				(425)
Federal Indirect Cost Recoveries			\$ (798)			(798)
Miscellaneous	\$ (6)					(6)
Federal			(2,422)			(2,422)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (6)	\$ (3,323)	\$ (3,220)	\$ (3,111)	\$ 0	\$ (9,660)

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-9.

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

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Private Purpose Trust Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS							
Taxes	\$ 159	\$ 150	\$ (873)				\$ (564)
Charges for Services		27,496		\$ 105,197			132,693
Investment Earnings		54,963			\$ 3,106	\$ 120,001	178,070
Sale of Documents, Merchandise and Property		288,489		551,514			840,003
Rentals, Leases and Royalties		138		3,934			4,072
Grants, Contracts, and Donations		1,101,469			355,883		1,457,352
Transfers-in	51,978	482,669		50,503			585,150
Capital Asset Sale Proceeds						430	430
Federal Indirect Cost Recoveries		1,558	181,938				183,496
Miscellaneous	50						50
Federal			984,760				984,760
Total Revenues & Transfers-In	52,187	1,956,932	1,165,825	711,148	358,989	120,431	4,365,512
Less: Nonbudgeted Revenues & Transfers-In	52,095	1,685,435	(873)		358,989	120,431	2,216,077
Prior Year Revenues & Transfers-In Adjustments	42	69	1,351	81			1,543
Actual Budgeted Revenues & Transfers-In	50	271,428	1,165,347	711,067	0	0	2,147,892
Estimated Revenues & Transfers-In	525	286,598	1,058,013	700,717			2,045,853
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (475)	\$ (15,170)	\$ 107,334	\$ 10,350	\$ 0	\$ 0	\$ 102,039
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS							
Licenses and Permits		\$ (15,400)					\$ (15,400)
Taxes		(1)					(1)
Charges for Services	\$ (500)	548		\$ 2,406			2,454
Sale of Documents, Merchandise and Property		204		8,084			8,288
Rentals, Leases and Royalties				(140)			(140)
Grants, Contracts, and Donations		(430)					(430)
Federal Indirect Cost Recoveries		(91)	\$ 65,023				64,932
Miscellaneous	25						25
Federal			42,311				42,311
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (475)	\$ (15,170)	\$ 107,334	\$ 10,350	\$ 0	\$ 0	\$ 102,039

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-9.

HISTORICAL SOCIETY  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
Personal Services							
Salaries	\$ 634,811	\$ 225,395	\$ 385,751	\$ 292,391	\$ 192,993	\$ 717,693	\$ 2,449,034
Employee Benefits	236,525	82,542	149,104	128,440	73,939	284,690	955,240
Personal Services-Other	(1,619)	(1,042)	808		29,070	249	27,466
Total	<u>869,717</u>	<u>306,895</u>	<u>535,663</u>	<u>420,831</u>	<u>296,002</u>	<u>1,002,632</u>	<u>3,431,740</u>
Operating Expenses							
Other Services	143,558	81,067	109,057	254,385	20,310	162,534	770,911
Supplies & Materials	82,638	37,665	27,274	80,605	4,073	52,316	284,571
Communications	25,958	10,357	11,046	48,834	8,213	16,473	120,881
Travel	12,990	55,616	22,478	3,989	389	8,359	103,821
Rent	19,580	13,120	19,410	272,949	7,730	98,890	431,679
Repair & Maintenance	2,188	500	1,211	5,970	310	11,530	21,709
Other Expenses	55,418	74,570	32,302	38,901	(15,324)	48,723	234,590
Goods Purchased For Resale	93,221			1,133	132,226	131	226,711
Total	<u>435,551</u>	<u>272,895</u>	<u>222,778</u>	<u>706,766</u>	<u>157,927</u>	<u>398,956</u>	<u>2,194,873</u>
Equipment & Intangible Assets							
Equipment	10,568			119,072		52,860	182,500
Total	<u>10,568</u>			<u>119,072</u>		<u>52,860</u>	<u>182,500</u>
Grants							
From Federal Sources			204,413				204,413
Total			<u>204,413</u>				<u>204,413</u>
Transfers-out							
Fund transfers	53,348						53,348
Total	<u>53,348</u>						<u>53,348</u>
Other Post Employment Benefits							
Other Post Employment Benefits	5,164		2,153		6,675		13,992
Total	<u>5,164</u>		<u>2,153</u>		<u>6,675</u>		<u>13,992</u>
Total Expenditures & Transfers-Out	\$ <u>1,374,348</u>	\$ <u>579,790</u>	\$ <u>965,007</u>	\$ <u>1,246,669</u>	\$ <u>460,604</u>	\$ <u>1,454,448</u>	\$ <u>6,080,866</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 888,182	\$ 226,006	\$ 34,085	\$ 487,788	\$ 151,026	\$ 1,037,207	\$ 2,824,294
State Special Revenue Fund	124,157	239,170		756,173	7,006	121,920	1,248,426
Federal Special Revenue Fund	149,202	93,968	858,670		6,000	246,128	1,353,968
Enterprise Fund	202,239	20,646	72,252	2,708	291,572	31,378	620,795
Permanent Fund	10,568				5,000	17,815	33,383
Total Expenditures & Transfers-Out	<u>1,374,348</u>	<u>579,790</u>	<u>965,007</u>	<u>1,246,669</u>	<u>460,604</u>	<u>1,454,448</u>	<u>6,080,866</u>
Less: Nonbudgeted Expenditures & Transfers-Out	94,486	7,683	2,904	402,192	10,997	32,871	551,134
Prior Year Expenditures & Transfers-Out Adjustments						(8,107)	(8,107)
Actual Budgeted Expenditures & Transfers-Out	<u>1,279,862</u>	<u>572,107</u>	<u>962,103</u>	<u>844,477</u>	<u>449,607</u>	<u>1,429,684</u>	<u>5,537,840</u>
Budget Authority	1,510,955	653,982	1,065,992	946,979	459,129	1,810,126	6,447,163
Unspent Budget Authority	\$ <u>231,093</u>	\$ <u>81,875</u>	\$ <u>103,889</u>	\$ <u>102,502</u>	\$ <u>9,522</u>	\$ <u>380,442</u>	\$ <u>909,323</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 49,424	\$ 34,853	\$ 1,907	\$ 64,659		\$ 2,547	\$ 153,390
State Special Revenue Fund	14,899	26,923		27,920		3,946	73,688
Federal Special Revenue Fund	3,947	7,710	94,589		\$ 2,001	338,398	446,645
Enterprise Fund	162,823	12,389	7,393	9,923	7,521	35,551	235,600
Unspent Budget Authority	\$ <u>231,093</u>	\$ <u>81,875</u>	\$ <u>103,889</u>	\$ <u>102,502</u>	\$ <u>9,522</u>	\$ <u>380,442</u>	\$ <u>909,323</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-9.

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

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
Personal Services							
Salaries	\$ 679,226	\$ 227,777	\$ 380,381	\$ 276,845	\$ 191,680	\$ 649,066	\$ 2,404,975
Employee Benefits	243,295	79,602	144,804	123,315	72,095	254,327	917,438
Personal Services-Other	(3,756)	1,042	691		(11,223)		(13,246)
Total	<u>918,765</u>	<u>308,421</u>	<u>525,876</u>	<u>400,160</u>	<u>252,552</u>	<u>903,393</u>	<u>3,309,167</u>
Operating Expenses							
Other Services	216,738	163,842	123,515	276,001	25,680	127,468	933,244
Supplies & Materials	55,912	10,339	19,950	99,944	3,798	56,086	246,029
Communications	30,251	15,401	12,892	56,100	10,075	23,348	149,067
Travel	12,704	12,996	10,378	9,786	512	10,725	57,101
Rent	24,549	15,844	24,808	306,321	9,480	123,850	504,852
Repair & Maintenance	2,239	624	1,404	7,678	384	13,677	26,006
Other Expenses	60,479	123,030	27,303	39,769	13,303	52,909	316,793
Goods Purchased For Resale	106,485	752		698	132,590	95	240,620
Total	<u>509,357</u>	<u>342,828</u>	<u>220,250</u>	<u>796,297</u>	<u>195,822</u>	<u>408,158</u>	<u>2,472,712</u>
Equipment & Intangible Assets							
Equipment	<u>3,103</u>			<u>19,460</u>		<u>10,674</u>	<u>33,237</u>
Total	<u>3,103</u>			<u>19,460</u>		<u>10,674</u>	<u>33,237</u>
Grants							
From State Sources			1,720				1,720
From Federal Sources			103,651				103,651
Total			<u>105,371</u>				<u>105,371</u>
Transfers-out							
Fund transfers	<u>51,978</u>				<u>50,503</u>		<u>102,481</u>
Total	<u>51,978</u>				<u>50,503</u>		<u>102,481</u>
Other Post Employment Benefits							
Other Post Employment Benefits	<u>9,000</u>	<u>481</u>	<u>798</u>		<u>9,499</u>		<u>19,778</u>
Total	<u>9,000</u>	<u>481</u>	<u>798</u>		<u>9,499</u>		<u>19,778</u>
Total Expenditures & Transfers-Out	<u>\$ 1,492,203</u>	<u>\$ 651,730</u>	<u>\$ 852,295</u>	<u>\$ 1,215,917</u>	<u>\$ 508,376</u>	<u>\$ 1,322,225</u>	<u>\$ 6,042,746</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 848,870	\$ 180,266	\$ 34,896	\$ 443,453	\$ 142,450	\$ 998,765	\$ 2,648,700
State Special Revenue Fund	198,495	345,558	4,000	756,320	23,443	119,785	1,447,601
Federal Special Revenue Fund	145,876	94,818	788,964	5,001	4,001	124,628	1,163,288
Enterprise Fund	295,859	31,088	24,435	7,243	338,482	59,850	756,957
Permanent Fund	3,103			3,900		19,197	26,200
Total Expenditures & Transfers-Out	<u>1,492,203</u>	<u>651,730</u>	<u>852,295</u>	<u>1,215,917</u>	<u>508,376</u>	<u>1,322,225</u>	<u>6,042,746</u>
Less: Nonbudgeted Expenditures & Transfers-Out	156,106	23,970	5,485	328,560	13,393	32,202	559,716
Prior Year Expenditures & Transfers-Out Adjustments	(394)			(52)	42		404
Actual Budgeted Expenditures & Transfers-Out	<u>1,336,491</u>	<u>627,760</u>	<u>846,810</u>	<u>887,409</u>	<u>494,941</u>	<u>1,290,023</u>	<u>5,483,434</u>
Budget Authority	1,589,395	756,090	1,114,378	1,046,544	509,969	1,469,406	6,485,782
Unspent Budget Authority	<u>\$ 252,904</u>	<u>\$ 128,330</u>	<u>\$ 267,568</u>	<u>\$ 159,135</u>	<u>\$ 15,028</u>	<u>\$ 179,383</u>	<u>\$ 1,002,348</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 72,925		\$ 11,001	\$ 58,228		\$ 26	\$ 142,180
State Special Revenue Fund	89,133	9,148		35,932		5,427	139,640
Federal Special Revenue Fund	632	101,678	235,553	563	6,000	113,706	458,132
Enterprise Fund	90,214	17,504	21,014	64,412	9,028	60,224	262,396
Unspent Budget Authority	<u>\$ 252,904</u>	<u>\$ 128,330</u>	<u>\$ 267,568</u>	<u>\$ 159,135</u>	<u>\$ 15,028</u>	<u>\$ 179,383</u>	<u>\$ 1,002,348</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-9.

# Montana Historical Society

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2012

## 1. Summary of Significant Accounting Policies

### Basis of Accounting

The Montana Historical Society (society) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Permanent). In applying the modified accrual basis, the society 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 society incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave when used or paid.

The society uses accrual basis accounting for its Proprietary (Enterprise) and Fiduciary (Private-Purpose Trust) fund category. Under the accrual basis, as defined by state accounting policy, the society 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 society 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 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 state's accounting system without adjustment.

The society 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. Society State Special Revenue Funds include the Historic Sights and Signs Program, the lodging facility use tax funding, and donations such as Lewis & Clark license plates and the Original Governor's Mansion.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Society Federal Special Revenue Funds include the State Historic Preservation Office and other miscellaneous federal awards.
- ♦ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the society's programs. The society uses this fund for private donations for which the donor permitted the use of investment earnings on the donation.

### 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 society 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. Society Enterprise Funds include activities in the Administration Program, the Education Program, the Historic Preservation Program, the Museum Program, the Publications Program, and the Research Center Program.

### Fiduciary Fund Category

- ♦ **Private-Purpose Trust Fund** – to account for activity of any trust arrangement not properly reported in a pension fund or an investment trust fund where the principal and income benefit individuals, private organizations, or other governments. Society private-purpose trust funds include the Ronald Schmid Trust in fiscal year 2011. (See Note 5)

## 2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The society has authority to pay obligations from the statewide General Fund within its appropriation limits. The society expends cash or other assets from the statewide fund when it pays General Fund obligations. The society's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for the fiscal years ended June 30, 2011, and June 30, 2012.



### **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. In the Fiduciary fund, the entries reflect the reclassification of the donation as discussed in note 5.

The society annually receives 2.6 percent of the Accommodations Tax. In fiscal year 2011, the Department of Commerce transferred \$482,669 of the accommodation tax to the society. This activity is recorded as a transfer-in, in the State Special Revenue Fund on the Schedule of Total Revenues & Transfers-In. In fiscal year 2012, the Department of Revenue recorded the \$470,777 distribution in a shared fund. As a result, there is no transfer-in activity on the fiscal year 2012 Schedule of Revenues and Transfers-In; however there is an increase in Direct Entries to Fund Balance in the State Special Revenue Fund on the Schedule of Changes in Fund Balance which includes the Accommodation Tax.

### **4. Nonbudgeted Activity**

The society had significant nonbudgeted revenues in the State Special Revenue Fund on the Schedule of Total Revenues & Transfers-In in fiscal year 2010-11 and fiscal year 2011-12. Additionally, the society had significant nonbudgeted expenditures on the Schedules of Total Expenditures & Transfers-Out in the Research Center Program. The majority of this nonbudgeted activity relates to administrative appropriations from the Department of Commerce for the society's share in the Lodging Facility Use Tax proceeds.

### **5. Accounting for Donations**

The Ronald Schmid Trust was established in fiscal year 2010-11 as a Private Purpose Trust. The Montana Historical Society, with assistance from the Department of Administration, recorded the trust in the Private Purpose Trust Fund. In fiscal year 2012 the designation of the trust was changed to the State Special Revenue Fund to comply with state accounting policy.



MONTANA  
HISTORICAL SOCIETY

SOCIETY RESPONSE





*Historic Preservation  
Museum  
Outreach & Interpretation  
Publications  
Research Center*

November 26, 2012

RECEIVED

NOV 26 2012

LEGISLATIVE AUDIT DIV.

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

Dear Ms. Hunthausen:

I would like to thank the Legislative Audit staff for their assistance and work performed on the Montana Historical Society Financial Compliance Audit for the two fiscal years ending June 20, 2012. The rapport established between the Auditor's office and the staff of the Historical Society made the process efficient and professional.

We are pleased with your issuance of an unqualified opinion without any audit recommendations on the financial statements. I assure that we will continue to strive to improve the fiscal management of the Montana Historical Society and appreciate the guidance provided by your office.

I am available to answer questions or provide any additional information.

Sincerely,

**Denise C. King**

Denise C. King  
Administrator  
Centralized Services Division

Bruce Whittenberg  
Director

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