



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Montana State Library Commission

*For the Two Fiscal Years Ended
June 30, 2013*

JANUARY 2014

LEGISLATIVE AUDIT
DIVISION

13-23

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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:

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



Deputy Legislative Auditors
Cindy Jorgenson
Angus Maciver

January 2014

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana State Library Commission for the two fiscal years ended June 30, 2013. During the course of the audit, we analyzed the financial schedules, reviewed financial records, and tested compliance with selected state laws and regulations. This report contains no recommendations.

This report includes the department's financial schedules. The financial schedule presentation is intended to provide the legislative body with information necessary for decision-making purposes; it is not intended to conform to the financial reporting requirements established in generally accepted accounting principles (GAAP). The financial schedule presentation has not changed, but audit reporting standards have changed. Auditing standards require us to clearly communicate that the financial schedule presentation is not intended to, and does not, conform to GAAP reporting requirements. The Independent Auditor's Report on page A-1 contains language to this effect in the section titled "Adverse Opinions on U.S. Generally Accepted Accounting Principles." This section does not imply the amounts presented on the department's financial schedules are misstated. Page A-1 also communicates the extent to which the legislative body can rely on the information contained in the financial schedules in the section titled "Unmodified Opinions on Regulatory Basis of Accounting."

We thank the Montana State Library Commission, the State Librarian, and the 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	Richard Quillin, Chair	Whitefish	May 2014
	Lee Miller, Vice Chair	Butte	May 2014
	Colet Bartow**	Helena	
	Jim Gransbery	Billings	May 2015
	Fredricka Hunter	Missoula	May 2016
	Brent Roberts*	Billings	December 2014
	Anita Scheetz	Sidney	May 2015

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

**Serving as Superintendent of Public Instruction, Denise Juneau's designee.
There is no term limit for the designee.

Administration

Jennie Stapp, State Librarian
Sarah McHugh, Director of Statewide Library Resources
Evan Hammer, Digital Information Manager/CIO
Kris Schmitz, Central Services Manager

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

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Central Services Manager
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Helena, MT 59620-1800
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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Montana State Library Commission

For the Two Fiscal Years Ended June 30, 2013

JANUARY 2014

13-23

REPORT SUMMARY

The Montana State Library Commission provides assistance and advice to all tax-supported or public libraries in the state; maintains and operates the state library; and provides library services for the blind and for individuals with physical disabilities. The Montana State Library Commission, through the state library, manages state government, geographic, and natural resources information for all Montana citizens.

Context

Fiscal year 2013 marked the closing of two programs for the Montana State Library Commission (Library), the professional library development grant and the Broadband Technology Opportunity Program (BTOP) grant. The professional library development grant, known as SWIM (South Dakota, Wyoming, Idaho and Montana) ended as of June 30, 2013. In over a span of four years, the Library administered the \$850,000 grant that helped provide funding for 83 individuals to earn a Masters of Library Science or a School Library Media Endorsement. The BTOP grant was a three year grant that provided over \$2.7 million in funding to increase Internet speed, increase the total number of computer workstations at participating libraries, and provide library resources to rural Montana using a mobile computer lab.

The 2013 Legislature revised §90-1-404, MCA, the Montana Land Information Act, and permanently transferred the duties related to collecting, maintaining, and disseminating information about the land characteristics of Montana from the Department of Administration to the Library beginning July 1, 2013. This program is referred to as the Base Map Service Center (BMSC). The BMSC manages the geographic information

for the state of Montana and provides the data to all levels of government and the public. Prior to fiscal year 2014, the Library operated BMSC under contract with the Department of Administration.

During the audit, we analyzed the financial schedules and performed a variety of analytical tests over the financial information to determine that the financial schedules present fairly the financial position and results of operations. Also, we tested selected state laws and determined compliance during the audit period.

Results

This report contains no recommendations.

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

For a complete copy of the report (13-23) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.

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, 2013. The objectives of the audit were to:

1. Obtain an understanding of the Library's internal controls 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.
2. Determine whether the Library complied with selected state laws and regulations.
3. Determine whether the Library's financial schedules present fairly the results of operations and changes in fund equity for each of the two fiscal years ended June 30, 2013.

During the prior audit, there were no recommendations.

Background

The Library was established by §22-1-101, MCA, in 1929 and is governed by five Governor appointees, the state superintendent of public instruction or the superintendent's designee, and a librarian appointed by the commission of higher education. Pursuant to §22-1-102, MCA, the Library shall employ a librarian as its executive officer, and §22-1-201, MCA, states the Library shall maintain and operate a state library to be located in Helena.

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 divisions with a total of 28.25 full time equivalent employees: Statewide Library Resources Division, Montana State Digital Library, and Central Services Division.

The Statewide Library Resources Division provides the tools, training, and expertise to Montana libraries to help reach all Montana citizens through various programs including Discover It!, Montana Shared Catalog (MSC), MontanaLibrary2Go, Ready 2 Read, Montana Talking Book Library (MTBL), and Montana Memory Project (MMP). Discover It! is a tool designed to perform a comprehensive search of all the library's resources. In fiscal year 2013, nearly six million searches were performed across multiple databases in Discover It! statewide. The MSC membership has grown to 167 libraries and branches, located in every region of the state and provides access to

more than 5,000,000 items for nearly 500,000 Montanans. MontanaLibrary2Go is a statewide downloadable e-content service provider. There are 81 libraries participating in the program and have provided patrons with over 7,000 downloadable e-books. The Ready 2 Read program provided training to over 197 librarians to help develop early learning tools and redesign libraries to be more family-focused. The MTBL provides a broad range of materials to those individuals who are not able to read traditional print. The MMP receives materials from over 30 contributing cultural organizations, including archives, museums, and all types of libraries. There are over 430,000 items included in the project.

The Montana State Digital Library includes Geographic Information, Natural Heritage Program, Water Information System (WIS), and the State Publications Center. Geographic Information provides comprehensive statewide geospatial information and consulting services. The program includes the Natural Resource Information System (NRIS) which provides information about Montana's natural resources through the acquisition, storage, and dissemination of information. The Natural Heritage Program provides information on the status and distribution of the state's native plants and animals and manages the Montana Wetland and Riparian Mapping Center, the Montana Land Cover database, the Botany Program, and the Field Guide. The WIS is a program of NRIS, and provides access to information relating to Montana's water resources. The State Publication Center maintains a comprehensive collection of state agency publications.

Central Services Division provides overall administrative support of the Library.

Independent Auditor's Report and Montana State Library Commission 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:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana State Library Commission for each of the fiscal years ended June 30, 2013, and 2012, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Montana State Library Commission's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Montana State Library Commission's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, liabilities, and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Montana State Library Commission as of June 30, 2013, and June 30, 2012, or changes in financial position or cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial schedules referred to above presents fairly, in all material respects, the results of operations and changes in fund equity of the Montana State Library Commission for each of the fiscal years ended June 30, 2013, and 2012, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

December 17, 2013

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund
FUND EQUITY: July 1, 2012	\$ (192,748)	\$ 63,853	\$ 0	\$ 157,016
ADDITIONS				
Budgeted Revenues & Transfers-In		1,602,633	1,727,137	235,343
Nonbudgeted Revenues & Transfers-In		10,632		
Prior Year Revenues & Transfers-In Adjustments			847	
Direct Entries to Fund Equity	2,502,953	509,797		
Total Additions	2,502,953	2,123,062	1,727,984	235,343
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	2,570,383	2,018,513	1,727,984	268,253
Nonbudgeted Expenditures & Transfers-Out	(859)	79,167		14,357
Prior Year Expenditures & Transfers-Out Adjustments	757	(2,623)		
Total Reductions	2,570,281	2,095,057	1,727,984	282,610
FUND EQUITY: June 30, 2013	\$ (260,076)	\$ 91,858	\$ 0	\$ 109,749

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 STATE LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund
FUND EQUITY July 1, 2011	<u>\$ (358,762)</u>	<u>\$ 173,773</u>	<u>\$ 0</u>	<u>\$ 188,648</u>
ADDITIONS				
Budgeted Revenues & Transfers-In		1,462,547	2,583,774	221,817
Nonbudgeted Revenues & Transfers-In		16,962		
Direct Entries to Fund Equity	2,710,751	534,279		
Total Additions	<u>2,710,751</u>	<u>2,013,788</u>	<u>2,583,774</u>	<u>221,817</u>
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	2,544,894	2,120,288	2,587,373	236,411
Nonbudgeted Expenditures & Transfers-Out	(497)	4,335	(3,599)	17,038
Prior Year Expenditures & Transfers-Out Adjustments	340	(915)		
Total Reductions	<u>2,544,737</u>	<u>2,123,708</u>	<u>2,583,774</u>	<u>253,449</u>
FUND EQUITY June 30, 2012	<u>\$ (192,748)</u>	<u>\$ 63,853</u>	<u>\$ 0</u>	<u>\$ 157,016</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 STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Total
Taxes					
Charges for Services	\$	\$	847	\$	847
Investment Earnings		154,654			389,997
Grants, Contracts, and Donations		422			422
Transfers-in		371,034	25,000		371,034
Federal Indirect Cost Recoveries		1,087,155	35,056		1,112,155
Federal			1,667,081		1,667,081
Total Revenues & Transfers-In	\$ 0	1,613,265	1,727,984	235,343	3,576,592
Less: Nonbudgeted Revenues & Transfers-In		10,632			10,632
Prior Year Revenues & Transfers-In Adjustments			847		847
Actual Budgeted Revenues & Transfers-In	0	1,602,633	1,727,137	235,343	3,565,113
Estimated Revenues & Transfers-In	\$ 233	1,606,703	1,730,602	236,267	3,573,805
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (233)</u>	<u>\$ (4,070)</u>	<u>\$ (3,465)</u>	<u>\$ (924)</u>	<u>\$ (8,692)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Taxes	\$ (233)			\$	(233)
Charges for Services		(347)		(924)	(1,271)
Grants, Contracts, and Donations		(1,500)			(1,500)
Transfers-in		(2,223)	(406)		(2,629)
Federal Indirect Cost Recoveries			(196)		(196)
Federal			(2,863)		(2,863)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (233)</u>	<u>\$ (4,070)</u>	<u>\$ (3,465)</u>	<u>\$ (924)</u>	<u>\$ (8,692)</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 STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TOTAL REVENUES & TRANSFERS-IN BY CLASS

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Total
Charges for Services	\$	\$ 153,223	\$	221,817	\$ 375,040
Investment Earnings		534			534
Grants, Contracts, and Donations		459,566			459,566
Transfers-in		866,186	129,451		995,637
Federal Indirect Cost Recoveries			42,512		42,512
Federal			2,411,811		2,411,811
Total Revenues & Transfers-In	\$ 0	1,479,509	2,583,774	221,817	4,285,100
Less: Nonbudgeted Revenues & Transfers-In		16,962			16,962
Prior Year Revenues & Transfers-In Adjustments					0
Actual Budgeted Revenues & Transfers-In	0	1,462,547	2,583,774	221,817	4,268,138
Estimated Revenues & Transfers-In	233	1,468,004	2,588,427	222,500	4,279,164
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>(233)</u>	<u>(5,457)</u>	<u>(4,653)</u>	<u>(683)</u>	<u>(11,026)</u>

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Taxes	\$ (233)			\$	(233)
Charges for Services		(1,902)		(683)	(2,585)
Grants, Contracts, and Donations		(1,125)			(1,125)
Transfers-in		(2,430)	(880)		(3,310)
Federal			(3,773)		(3,773)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>(233)</u>	<u>(5,457)</u>	<u>(4,653)</u>	<u>(683)</u>	<u>(11,026)</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 STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Statewide Library Resources	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 2,057,550	\$ 2,057,550
Other Compensation	1,675	1,675
Employee Benefits	687,578	687,578
Personal Services-Other	1,112	1,112
Total	<u>2,747,915</u>	<u>2,747,915</u>
Operating Expenses		
Other Services	2,131,093	2,131,093
Supplies & Materials	228,361	228,361
Communications	83,888	83,888
Travel	159,503	159,503
Rent	336,615	336,615
Repair & Maintenance	56,326	56,326
Other Expenses	115,572	115,572
Total	<u>3,111,358</u>	<u>3,111,358</u>
Equipment & Intangible Assets		
Equipment	2,909	2,909
Total	<u>2,909</u>	<u>2,909</u>
Grants		
From State Sources	523,842	523,842
From Federal Sources	261,342	261,342
From Other Sources	23,307	23,307
Total	<u>808,491</u>	<u>808,491</u>
Other Post Employment Benefits		
Other Post Employment Benefits	5,259	5,259
Total	<u>5,259</u>	<u>5,259</u>
Total Expenditures & Transfers-Out	<u>\$ 6,675,932</u>	<u>\$ 6,675,932</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 2,570,281	\$ 2,570,281
State Special Revenue Fund	2,095,057	2,095,057
Federal Special Revenue Fund	1,727,984	1,727,984
Enterprise Fund	282,610	282,610
Total Expenditures & Transfers-Out	6,675,932	6,675,932
Less: Nonbudgeted Expenditures & Transfers-Out	92,665	92,665
Prior Year Expenditures & Transfers-Out Adjustments	(1,865)	(1,865)
Actual Budgeted Expenditures & Transfers-Out	6,585,132	6,585,132
Budget Authority	7,511,126	7,511,126
Unspent Budget Authority	<u>\$ 925,994</u>	<u>\$ 925,994</u>
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 73,225	\$ 73,225
State Special Revenue Fund	358,913	358,913
Federal Special Revenue Fund	258,188	258,188
Enterprise Fund	235,668	235,668
Unspent Budget Authority	<u>\$ 925,994</u>	<u>\$ 925,994</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 STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Statewide Library Resources	Total
Personal Services		
Salaries	\$ 2,121,789	\$ 2,121,789
Other Compensation	2,100	2,100
Employee Benefits	711,912	711,912
Personal Services-Other	4,363	4,363
Total	<u>2,840,164</u>	<u>2,840,164</u>
Operating Expenses		
Other Services	1,864,152	1,864,152
Supplies & Materials	542,503	542,503
Communications	94,270	94,270
Travel	174,179	174,179
Rent	286,820	286,820
Repair & Maintenance	286,947	286,947
Other Expenses	115,877	115,877
Total	<u>3,364,748</u>	<u>3,364,748</u>
Equipment & Intangible Assets		
Equipment	35,206	35,206
Total	<u>35,206</u>	<u>35,206</u>
Grants		
From State Sources	621,066	621,066
From Federal Sources	595,361	595,361
From Other Sources	44,434	44,434
Total	<u>1,260,861</u>	<u>1,260,861</u>
Other Post Employment Benefits		
Other Post Employment Benefits	4,689	4,689
Total	<u>4,689</u>	<u>4,689</u>
Total Expenditures & Transfers-Out	<u>\$ 7,505,668</u>	<u>\$ 7,505,668</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 2,544,736	\$ 2,544,736
State Special Revenue Fund	2,123,708	2,123,708
Federal Special Revenue Fund	2,583,774	2,583,774
Enterprise Fund	253,450	253,450
Total Expenditures & Transfers-Out	7,505,668	7,505,668
Less: Nonbudgeted Expenditures & Transfers-Out	20,875	20,875
Prior Year Expenditures & Transfers-Out Adjustments	(4,173)	(4,173)
Actual Budgeted Expenditures & Transfers-Out	7,488,966	7,488,966
Budget Authority	9,937,452	9,937,452
Unspent Budget Authority	<u>\$ 2,448,486</u>	<u>\$ 2,448,486</u>
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 107,362	\$ 107,362
State Special Revenue Fund	822,076	822,076
Federal Special Revenue Fund	1,314,066	1,314,066
Enterprise Fund	204,982	204,982
Unspent Budget Authority	<u>\$ 2,448,486</u>	<u>\$ 2,448,486</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 State Library Commission

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2013

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, Federal Special Revenue). 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 financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

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 that are legally restricted to expenditures for specific state program purposes. Library State Special Revenue Funds include allocations of Coal

Severance Taxes, Natural Resource Information System contracts with state and private entities, a contract with Department of Administration for the Base Map Services Center transfer, and other private donations.

- ♦ **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, Natural Resource Information System contracts with federal entities, and Broadband Technology Opportunities Program funded by the American Recovery and Reinvestment Act (BTOP/ARRA). As of June 30, 2013, the BTOP/ARRA grant is closed.

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 Library 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 Montana Shared Catalog.

2. General Fund Equity

The negative fund equity 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 equity balances for each of the fiscal years ended June 30, 2012, and June 30, 2013.

3. Direct Entries to Fund Equity

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

4. Transfers In

Approximately \$1 million of Montana Land Information Act funds were transferred in each fiscal year from the Department of Administration to fund the transfer of the Base Map Service Center Program to the Montana State Library Commission. This was done through a contract between the two 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>

January 14, 2014

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JAN 15 2014

LEGISLATIVE AUDIT DIV.

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

Dear Ms. Hunthausen:

I would like to thank the Legislative Audit staff for their work to complete the State Library Commission Financial-Compliance Audit for the two fiscal years ending June 30, 2013. I appreciate their professionalism and the rapport they established with our staff which made the process both thorough and efficient.

We are pleased your report contains no audit recommendations. I assure you that we will strive to continue to improve the fiscal management of the State Library. We always value input from your staff as we do so.

I am available to answer questions or provide further information that you or the Legislative Audit Committee may require.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jennie Stapp".

Jennie Stapp
State Librarian