

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2013**

LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

December 2013

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial-compliance audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2013.

The audit was conducted by Rudd & Company 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,

A handwritten signature in blue ink, appearing to read "Tori Hunthausen", written over a horizontal line.

Tori Hunthausen, CPA
Legislative Auditor

13C-09

STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
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**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2013**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Bryce Bennett
Mark Blasdel
Chuck Hunter – Vice Presiding Office
Margaret MacDonald
Jesse O’Hara
Gordon Vance

SENATORS

Debby Barrett
Robyn Driscoll
Jeff Essmann – Presiding Officer
Cliff Larsen
Jon Sesso
Chas Vincent

EXECUTIVE DIRECTOR: Susan Byorth Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

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Virginia Court
Mike Cuffe
Mary McNally
Ryan Osmundson
JP Pomnichowski

SENATORS

Dee Brown
Taylor Brown
Greg Jergeson
Sue Malek
Frederick (Eric) Moore
Mitch Tropila – Presiding Officer

LEGISLATIVE AUDITOR: Tori Hunthausen

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

REPRESENTATIVES

Duane Ankney
Rob Cook
Kimberly Dudik
Steve Gibson
Galen Hollenbaugh – Vice Presiding Officer
Pat Noonan

SENATORS

Mary Caferro
Llew Jones – Presiding Officer
Rick Ripley
Jon Sesso
Mitch Tropila
Ed Walker

LEGISLATIVE FISCAL ANALYST: Amy Carlson



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Financial Schedules

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), which comprise fund equity for each fund as of June 30, 2013 and 2012, and the related schedules of total revenues & transfers-in and schedules of total expenditures & transfers out for the years then ended, 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 accounting policy of the State of Montana. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free 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 control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. 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 evaluating 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.

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE | HELENA

3805 Valley Commons Drive, Suite 7 | Bozeman, MT 59718 | 406-585-3393 | www.ruddco.com

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

As described in Note 1 of the financial schedules, the financial schedules are prepared by the Legislative Branch in accordance with state accounting policy, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Montana. 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 Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion 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 each fund of the Legislative Branch as of June 30, 2013 and 2012, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial schedules referred to above present fairly, in all material respects, the fund equity of each fund of the Legislative Branch as of June 30, 2013 and 2012, and their respective total revenues & transfers-in and expenditures & transfers-out for the years then ended in accordance with the accounting policy of the State of Montana as described in Note 1.

Report on Other Legal and Regulatory Requirements

In Accordance with *Governmental Auditing Standards*, we have also issued our report dated December 2, 2013 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.

Rudd & Company, PLLC

Helena, Montana
December 2, 2013

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2012	\$ <u>(534,077)</u>	\$ <u>2,073,346</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	31,678	1,466,713
Nonbudgeted Revenues & Transfers-In	375	31,013
Prior Year Revenues & Transfers-In Adjustments		218
Direct Entries to Fund Equity	<u>17,061,947</u>	<u>(113,788)</u>
Total Additions	<u>17,094,000</u>	<u>1,384,156</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	17,172,269	2,107,020
Nonbudgeted Expenditures & Transfers-Out	<u>(6,235)</u>	<u>3,198</u>
Total Reductions	<u>17,166,035</u>	<u>2,110,218</u>
FUND EQUITY: June 30, 2013	\$ <u>(606,112)</u>	\$ <u>1,347,284</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2011	\$ <u>(936,383)</u>	\$ <u>1,143,779</u>
 ADDITIONS		
Budgeted Revenues & Transfers-In	5,683	3,223,896
Nonbudgeted Revenues & Transfers-In	644	39,998
Prior Year Revenues & Transfers-In Adjustments	(47)	(490)
Direct Entries to Fund Equity	<u>12,624,315</u>	<u>163,048</u>
Total Additions	<u>12,630,595</u>	<u>3,426,452</u>
 REDUCTIONS		
Budgeted Expenditures & Transfers-Out	11,699,339	2,493,809
Nonbudgeted Expenditures & Transfers-Out	(3,318)	(168)
Prior Year Expenditures & Transfers-Out Adjustments	<u>532,269</u>	<u>3,244</u>
Total Reductions	<u>12,228,290</u>	<u>2,496,886</u>
 FUND EQUITY: June 30, 2012	\$ <u>(534,077)</u>	\$ <u>2,073,346</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 1,416,799	\$ 1,416,799
Investment Earnings		2,297	2,297
Sale of Documents, Merchandise and Property	\$ 31,678	14,848	46,526
Transfers-in		64,000	64,000
Miscellaneous	375		375
Total Revenues & Transfers-In	32,053	1,497,944	1,529,998
Less: Nonbudgeted Revenues & Transfers-In	375	31,013	31,388
Prior Year Revenues & Transfers-In Adjustments		218	218
Actual Budgeted Revenues & Transfers-In	31,678	1,466,713	1,498,391
Estimated Revenues & Transfers-In	18,000	1,825,950	1,843,950
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 13,678	\$ (359,237)	\$ (345,559)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ (348,878)	\$ (348,878)
Investment Earnings		11	11
Sale of Documents, Merchandise and Property	\$ 13,678	(10,370)	3,308
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 13,678	\$ (359,237)	\$ (345,559)

See Notes to the Financial Schedules

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

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 1,724,111	\$ 1,724,111
Investment Earnings		3,096	3,096
Sale of Documents, Merchandise and Property	\$ 5,636	1,035,497	1,041,133
Transfers-in		500,700	500,700
Miscellaneous	644		644
Total Revenues & Transfers-In	<u>6,280</u>	<u>3,263,404</u>	<u>3,269,684</u>
Less: Nonbudgeted Revenues & Transfers-In	644	39,998	40,643
Prior Year Revenues & Transfers-In Adjustments	<u>(47)</u>	<u>(490)</u>	<u>(537)</u>
Actual Budgeted Revenues & Transfers-In	5,683	3,223,896	3,229,578
Estimated Revenues & Transfers-In	<u>5,000</u>	<u>3,327,290</u>	<u>3,332,290</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 683</u>	<u>\$ (103,394)</u>	<u>\$ (102,712)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ (104,708)	\$ (104,708)
Investment Earnings		327	327
Sale of Documents, Merchandise and Property	\$ 683	987	1,670
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 683</u>	<u>\$ (103,394)</u>	<u>\$ (102,712)</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS. COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE SERVICES FEED BILL	LEGISLATURE - HOUSE	LEGISLATURE - SENATE	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT								
Personal Services								
Salaries	\$ 2,236,879	\$ 1,470,287	\$ 50,307	\$ 3,562,709	\$ 88,833	\$ 1,424,592	\$ 1,054,160	\$ 9,887,767
Other Compensation						1,173,658	586,774	1,760,432
Employee Benefits	682,718	365,085	4,390	1,056,388	9,031	1,100,094	600,307	3,818,013
Total	2,919,597	1,835,371	54,697	4,619,096	97,865	3,698,344	2,241,242	15,466,212
Operating Expenses								
Other Services	24,130	25,117	12,598	1,129,321	191,312	22,522	26,070	1,431,071
Supplies & Materials	16,776	13,747	1,402	335,963	3,172	37,503	32,414	440,976
Communications	10,617	5,882	1,868	214,776	18,906	9,813	3,862	265,724
Travel	56,183	21,947	115,223	36,654		125,551	61,028	416,587
Rent		150		196,824			17	196,991
Repair & Maintenance				93,234		65		93,299
Other Expenses	30,003	25,791	281,484	99,359	69,025	3,619	3,695	512,977
Total	137,708	92,635	412,575	2,106,130	282,415	199,075	127,086	3,357,623
Equipment & Intangible Assets								
Equipment				294,501		45,513	45,513	385,527
Total				294,501		45,513	45,513	385,527
Transfers-out								
Fund transfers	63,600		2,890	400				66,890
Total	63,600		2,890	400				66,890
Total Expenditures & Transfers-Out	\$ 3,120,905	\$ 1,928,007	\$ 470,162	\$ 7,020,127	\$ 380,279	\$ 3,942,932	\$ 2,413,841	\$ 19,276,253
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 1,348,885	\$ 1,928,007	\$ 470,162	\$ 6,681,929	\$ 380,279	\$ 3,942,932	\$ 2,413,841	\$ 17,166,035
State Special Revenue Fund	1,772,020			338,198				2,110,218
Total Expenditures & Transfers-Out	3,120,905	1,928,007	470,162	7,020,127	380,279	3,942,932	2,413,841	19,276,253
Less: Nonbudgeted Expenditures & Transfers-Out	(2,087)	(1,105)	(78)	246			(11)	(3,036)
Prior Year Expenditures & Transfers-Out Adjustments								
Actual Budgeted Expenditures & Transfers-Out	3,122,992	1,929,112	470,241	7,019,882	380,279	3,942,932	2,413,852	19,279,289
Budget Authority	4,653,290	2,014,279	648,293	7,877,896	831,633	6,095,452	3,700,048	25,820,890
Unspent Budget Authority	\$ 1,530,298	\$ 85,167	\$ 178,053	\$ 858,014	\$ 451,354	\$ 2,152,520	\$ 1,286,196	\$ 6,541,601
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 1,364,931	\$ 85,121	\$ 178,053	\$ 740,614	\$ 451,354	\$ 2,152,520	\$ 1,286,196	\$ 6,258,788
State Special Revenue Fund	165,368	45		117,400				282,813
Unspent Budget Authority	\$ 1,530,298	\$ 85,167	\$ 178,053	\$ 858,014	\$ 451,354	\$ 2,152,520	\$ 1,286,196	\$ 6,541,601

See Notes to the Financial Schedules

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

	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS. COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE SERVICES FEED BILL	LEGISLATURE - HOUSE	LEGISLATURE - SENATE	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT								
Personal Services								
Salaries	\$ 2,499,220	\$ 1,361,003	\$ 105,190	\$ 3,634,028	\$ 165	\$ 1,004	\$ 11,951	\$ 7,612,562
Employee Benefits	771,238	372,980	9,023	1,044,206	(25)	850,971	450,912	3,499,304
Total	<u>3,270,458</u>	<u>1,733,983</u>	<u>114,213</u>	<u>4,678,234</u>	<u>140</u>	<u>851,975</u>	<u>462,862</u>	<u>11,111,866</u>
Operating Expenses								
Other Services	40,083	5,074	10,595	1,467,462	16,062	187	9	1,539,471
Supplies & Materials	27,290	3,426	663	210,662		4,781	72	246,895
Communications	11,674	7,034	3,881	157,807	4,619	131		185,146
Travel	47,523	20,375	216,013	24,427		3,745	183	312,265
Rent			1,320	163,080				164,400
Repair & Maintenance				141,963				141,963
Other Expenses	33,590	6,888	288,233	97,307	6,762	193	265	433,238
Total	<u>160,160</u>	<u>42,797</u>	<u>520,706</u>	<u>2,262,708</u>	<u>27,442</u>	<u>9,036</u>	<u>529</u>	<u>3,023,378</u>
Equipment & Intangible Assets								
Equipment				89,231				89,231
Total				<u>89,231</u>				<u>89,231</u>
Transfers -out								
Fund transfers					178,900	147,120	174,680	500,700
Total					<u>178,900</u>	<u>147,120</u>	<u>174,680</u>	<u>500,700</u>
Total Expenditures & Transfers -Out	\$ <u>3,430,618</u>	\$ <u>1,776,780</u>	\$ <u>634,918</u>	\$ <u>7,030,173</u>	\$ <u>206,483</u>	\$ <u>1,008,132</u>	\$ <u>638,072</u>	\$ <u>14,725,175</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,061,789	\$ 1,742,726	\$ 634,918	\$ 5,936,171	\$ 206,483	\$ 1,008,132	\$ 638,072	\$ 12,228,290
State Special Revenue Fund	1,368,829	34,055		1,094,002				2,496,886
Total Expenditures & Transfers -Out	<u>3,430,618</u>	<u>1,776,780</u>	<u>634,918</u>	<u>7,030,173</u>	<u>206,483</u>	<u>1,008,132</u>	<u>638,072</u>	<u>14,725,175</u>
Less: Nonbudgeted Expenditures & Transfers -Out	(882)	(430)	(20)	(1,180)	(40)	(520)	(413)	(3,486)
Prior Year Expenditures & Transfers -Out Adjustments	8,496		4,201	25,257	178,900	143,978	174,680	535,513
Actual Budgeted Expenditures & Transfers -Out	<u>3,423,004</u>	<u>1,777,210</u>	<u>630,737</u>	<u>7,006,096</u>	<u>27,623</u>	<u>864,673</u>	<u>463,805</u>	<u>14,193,148</u>
Budget Authority	4,118,155	1,943,214	852,700	7,593,071	282,893	1,749,770	1,028,700	17,568,503
Unspent Budget Authority	\$ <u>695,151</u>	\$ <u>166,004</u>	\$ <u>221,963</u>	\$ <u>586,975</u>	\$ <u>255,271</u>	\$ <u>885,097</u>	\$ <u>564,895</u>	\$ <u>3,375,355</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 374,333	\$ 165,958	\$ 221,963	\$ 421,423	\$ 255,271	\$ 885,097	\$ 564,895	\$ 2,888,940
State Special Revenue Fund	320,817	45		165,552				486,415
Unspent Budget Authority	\$ <u>695,151</u>	\$ <u>166,004</u>	\$ <u>221,963</u>	\$ <u>586,975</u>	\$ <u>255,271</u>	\$ <u>885,097</u>	\$ <u>564,895</u>	\$ <u>3,375,355</u>

See Notes to the Financial Schedules

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2012 and 2013**

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 Governmental fund categories (General, State Special Revenue). In applying the modified accrual basis, the Legislative Branch 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 Legislative Branch 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 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.

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 Legislative Branch uses the following funds:

Governmental Funds:

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 legally restricted to expenditures for specific state program purposes. The Legislative Branch's State Special Revenue Funds include Legislative Audit Services, Legislative Branch IT Reserve Account, Legislative Branch Retirement Reserve, MCA's and Annotations, and State Government Broadcasting.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2012 and 2013**

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, 2013 and 2012, the Legislative Branch had liabilities for compensated absences of \$1,315,663 and \$1,341,831, 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. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Administration (PERA).

PERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Benefits are based on eligibility, years of service, and highest average compensation. Members' rights become vested after five years of service.

The plan is included in a comprehensive annual financial report that includes financial statement 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

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2012 and 2013**

2. PENSION PLAN (Continued)

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>
2013 (members hired prior to 7/1/11)	7.17%	6.9%	14.07%
2013 (members hired after 7/1/11)	7.17%	7.9%	15.07%
2012 (members hired prior to 7/1/11)	7.17%	6.9%	14.07%
2012 (members hired after 7/1/11)	7.17%	7.9%	15.07%
2011 (all members)	7.17%	6.9%	14.07%

The amounts contributed to the plan by the Legislative Branch were as follows:

	<u>Employer Contributions</u>
June 30, 2013	\$ 630,861
June 30, 2012	\$ 557,321
June 30, 2011	\$ 801,548
June 30, 2010	\$ 661,727

3. GENERAL FUND BALANCE (negative balances)

The negative fund equity in the General Fund does not indicate overspent appropriation authority. The Legislative Branch has authority to pay obligations from the statewide General Fund within its appropriation limits. The Legislative Branch expends cash or other assets from the statewide fund when it pays General Fund obligations. The Legislative Branch's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity for each of the fiscal years ended June 30, 2012 and June 30, 2013.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2012 and 2013**

4. DIRECT ENTRIES TO FUND EQUITY

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

Manual fund equity adjustments were processed to reclassify inventory and prepaid amounts as non-spendable. Year-end inventory adjustment in the State Special Revenue Fund: FY 2012- \$156,488; FY 2013- (\$162,248). Year-end prepaid adjustments in both the General Fund and State Special Revenue Funds net to \$0, as these adjustments move prepaid amounts from Restricted or Unassigned Fund Equity to Non-spendable Fund Equity.



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INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2013 and 2012, as listed in the table of contents, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the Legislative Branch's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Legislative Branch's internal control.

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 schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Legislative Branch's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ridd & Company, PLLC

Helena, Montana
December 2, 2013



Montana Legislative Services Division
Financial and Human Resource Office

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Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3971

December 2, 2013

Rudd & Company, PLLC
P.O. Box 1989
Helena MT 59624

RE: Legislative Branch Audit Response

Dear Rudd & Company, PLLC:

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

We are also pleased we 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.

Sincerely,

A handwritten signature in blue ink that reads "Susan C. Fox".

Susan Byorth Fox
Executive Director