



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Judicial Branch

*For the Two Fiscal Years Ended
June 30, 2014*

OCTOBER 2014

LEGISLATIVE AUDIT
DIVISION

14-27

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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, 2013, was issued March 30, 2014. The Single Audit Report for the two fiscal years ended June 30, 2015, will be issued by March 31, 2016. Copies of the Single Audit Report can be obtained by contacting:

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Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
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

October 2014

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Judicial Branch (branch) for the two fiscal years ended June 30, 2014. As part of our audit, we analyzed financial transactions supporting the financial schedules, tested compliance with selected state laws and evaluated the status of prior audit recommendations. The branch implemented the five recommendation from the prior audit and this report contains no recommendations.

This report includes the 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 financial schedules are not fairly stated. Page A-1 also communicates the extent to which the user can rely on the information contained in the financial schedules in the section titled "Unmodified Opinions on Regulatory Basis of Accounting."

The branch's written response to the audit is included in the audit report beginning at page B-1. We thank the Chief Justice, and the Court Administrator and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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ELECTED AND APPOINTED OFFICIALS

			<u>Term Expires</u>
Supreme Court	Mike McGrath	Chief Justice	2016
	Beth Baker	Justice	2018
	Patricia Cotter	Justice	2016
	Laurie McKinnon	Justice	2020
	James Jeremiah Shea	Justice	2016
	Jim Rice	Justice	2014
	Michael Wheat	Justice	2014
Clerk of Supreme Court	Ed Smith		2018
Appointed Officials	Beth McLaughlin, Court Administrator		
	Lisa Mecklenberg-Jackson, State Law Librarian		

For additional information concerning the Judicial Branch, contact:

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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT Judicial Branch

For the Two Fiscal Years Ended June 30, 2014

OCTOBER 2014

14-27

REPORT SUMMARY

The Judicial Branch's main operations consist of the Supreme Court and district courts. The Supreme Court has general supervisory control over all other courts in the state. We analyzed financial transactions supporting the branch's financial schedules, tested compliance with state laws, and evaluated the status of prior audit recommendations.

Context

The judicial power of the state is vested in the Supreme Court; district courts in the 22 judicial districts; the Workers' Compensation Court; the Water Court; courts of limited jurisdiction; and any other courts established by law. Judicial Branch (branch) operations include the Supreme Court, Clerk of the Supreme Court, the Water Court, district courts, the state law library, and the computer technology of all courts, including those of limited jurisdiction. District court operations account for 70 percent of the branch's activity. Of the branch's 410 full-time equivalent staff, 311.5 work in the 22 judicial districts.

The branch expended General Fund resources of \$37,128,224 and \$35,429,872 in fiscal years 2013-14 and 2012-13, respectively.

Of the \$6,297,911 fund equity balance in the State Special Revenue Fund at June 30, 2014, \$5,911,460 is earmarked for the Juvenile Delinquency Intervention Program.

The branch spent \$254,654 and \$290,803 in fiscal years 2013-14 and 2012-13, respectively,

from the Capital Project Fund for long range information technology projects. At June 30, 2014, \$1,210,372 in fund equity remained from resources appropriated for these projects in prior fiscal years.

Results

Readers can rely on the amounts on the financial schedules of the branch.

The branch implemented the five recommendations from the previous report. This report contains no recommendations.

For a complete copy of the report (14-27) 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

Audit Objectives

We performed a financial-compliance audit of the Judicial Branch (branch) for the two fiscal years ended June 30, 2014. The objectives of the audit were to:

1. Determine whether the branch complied with selected state and federal laws and regulations.
2. Obtain an understanding of the branch's control system to the extent necessary to support our audit of the branch's financial schedules, and if appropriate, make recommendations for improvement in the internal and management controls of the branch.
3. Determine whether the branch's financial schedules for each of the two fiscal years ended June 30, 2014, fairly present the results of operations in accordance with state accounting policy.
4. Determine the implementation status of audit recommendations made in the prior audit.

As part of our audit, we analyzed financial transactions supporting the financial schedules, tested compliance with selected state laws, and evaluated the status of prior audit recommendations.

This report contains no recommendations to the branch.

Background

The Constitution of the state of Montana establishes the Judiciary and vests the judicial power of the state in one Supreme Court, district courts, justice courts, and such other courts as may be provided by law. In statute, the legislature has exercised its constitutional powers to further define the judicial function, usually referring to the judicial function as the Judicial Branch. The Supreme Court, which consists of a Chief Justice and six justices, has appellate jurisdiction and limited original jurisdiction. The Chief Justice is the head of the Supreme Court. The Court Administrator, appointed by the Supreme Court, serves as its administrative officer. The Supreme Court also appoints the Law Librarian. The librarian develops and maintains the law library collection and administers library services.

The Supreme Court has general supervisory control over all other courts and may make rules governing appellate procedures, practice and procedure for all other courts, admission to the bar, and conduct of practicing attorneys. The rules of appellate procedure are subject to disapproval by the legislature in either of the two legislative sessions following promulgation.

Supreme Court justices and district court judges are elected to office in nonpartisan elections and serve eight-year and six-year terms, respectively. Terms of office and the procedure for filling vacancies in the courts are established in the Constitution and by statute. The legislature establishes the judicial districts and provides for the number of judges in each district. Currently, there are 46 district court judges in 22 judicial districts.

The Clerk of Supreme Court is elected to a six-year term on a partisan ballot in a statewide election. In accordance with §3-2-402, MCA, the clerk keeps the Supreme Court's records and files, performs functions relating to issuing writs and certificates, approves bonds, files all paper and transcripts, and performs other duties as required by the Supreme Court.

For fiscal management purposes, the branch is divided into five programs. The branch is authorized a full-time equivalent (FTE) staff level of 428.83 for fiscal year 2014. A description of each program follows:

Supreme Court Operations (77.50 FTE) accounts for the costs of operation of the Supreme Court and Office of Court Administrator (office). The office provides services to the branch including information technology, budget and finance, payroll and human resource management, policy and technical support for the youth courts, judicial education, children's services provided through the federally funded Court Assessment Program, and drug treatment court expenses supported by the General Fund and fee revenue. The office also provides information technology services to courts of limited jurisdiction, which are not part of branch operations.

Law Library (6.75 FTE) accounts for the operation of the State Law Library. The branch maintains the library for the use by the Supreme Court, the legislature, state officers and employees, members of the bar, and the general public.

District Court Operations (314.58 FTE) accounts for the payment of salaries, travel, training expenses, and operating costs for district court judges, their staff, and youth probation officers. It also includes drug treatment court expenses funded by federal grants and private donations, and certain adult criminal, child abuse, and child neglect case expenses.

Water Courts Supervision (24.50 FTE) accounts for expenditures of the water courts. Montana's water courts were created to adjudicate claims of existing water rights in Montana and supervise the distribution of water within the four water divisions of the state.

Clerk of Court (5.5 FTE) accounts for the costs of operation of the Clerk of Supreme Court.

Prior Audit Recommendations

The prior audit report of the branch for the two fiscal years ended June 30, 2012, contained five recommendations. All five of the recommendations were implemented.

Independent Auditor's Report and Judiciary 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 & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Judiciary for each of the fiscal years ended June 30, 2014, and 2013, 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 Judiciary'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 Judiciary'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 Judiciary as of June 30, 2014, and June 30, 2013, or changes in financial position and cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Judiciary for the fiscal years ended June 30, 2014, and 2013, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

September 4, 2014

JUDICIARY
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Agency Fund
FUND EQUITY: July 1, 2013	\$ (1,651,194)	\$ 6,607,216	\$ 0	\$ 1,465,026	\$ 9,686	\$ 0
PROPERTY HELD IN TRUST: July 1, 2013						\$ 8,963
ADDITIONS						
Budgeted Revenues & Transfers-In	186,252	3,460,250	1,549,561		189,750	
Nonbudgeted Revenues & Transfers-In	4,208	5,581				
Prior Year Revenues & Transfers-In Adjustments	1,219	(1,571)	(56)			
Direct Entries to Fund Equity	36,759,950	1,933,830				
Additions to Property Held in Trust						359,627
Total Additions	36,951,629	5,398,090	1,549,506	0	189,750	359,627
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	37,112,025	5,705,456	1,549,561	254,654	187,755	
Nonbudgeted Expenditures & Transfers-Out	(20,269)	614				
Prior Year Expenditures & Transfers-Out Adjustments	36,467	1,325	(56)			
Reductions in Property Held in Trust						361,622
Total Reductions	37,128,224	5,707,395	1,549,506	254,654	187,755	361,622
FUND EQUITY: June 30, 2014	\$ (1,827,789)	\$ 6,297,911	\$ 0	\$ 1,210,372	\$ 11,681	\$ 0
PROPERTY HELD IN TRUST: June 30, 2014						\$ 6,967

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.

JUDICIARY
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Agency Fund
FUND EQUITY: July 1, 2012	\$ (1,766,796)	\$ 7,014,922	\$ (454)	\$ 1,755,829	\$ 12,867	\$ 0
PROPERTY HELD IN TRUST: July 1, 2012						\$ 6,869
ADDITIONS						
Budgeted Revenues & Transfers-In	206,990	3,539,147	1,567,288		178,951	
Nonbudgeted Revenues & Transfers-In	205,886	15,921				
Prior Year Revenues & Transfers-In Adjustments	(99)	(3,353)	251			
Direct Entries to Fund Equity	35,132,697	1,894,840				
Additions to Property Held in Trust						387,600
Total Additions	35,545,474	5,446,555	1,567,539	0	178,951	387,600
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	35,428,104	5,650,379	1,567,085	290,803	182,132	
Nonbudgeted Expenditures & Transfers-Out	(6,832)	203,108				
Prior Year Expenditures & Transfers-Out Adjustments	8,600	774				
Reductions in Property Held in Trust						385,507
Total Reductions	35,429,872	5,854,261	1,567,085	290,803	182,132	385,507
FUND EQUITY: June 30, 2013	\$ (1,651,194)	\$ 6,607,216	\$ 0	\$ 1,465,026	\$ 9,686	\$ 0
PROPERTY HELD IN TRUST: June 30, 2013						\$ 8,963

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.

JUDICIARY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TOTAL REVENUES & TRANSFERS-IN BY CLASS

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Total
Licenses and Permits	\$ 118,650			\$	\$ 118,650
Taxes	26				26
Charges for Services	41,117	\$ 359,055		\$ 189,750	589,921
Investment Earnings	4,208	124			4,333
Monetary Settlements	7,028				7,028
Grants, Contracts, and Donations		8,761			8,761
Transfers-in		3,094,500	\$ 423,471		3,517,971
Federal Indirect Cost Recoveries	20,419				20,419
Miscellaneous	231	1,820			2,051
Federal			1,126,035		1,126,035
Total Revenues & Transfers-In	191,679	3,464,260	1,549,506	189,750	5,395,194
Less: Nonbudgeted Revenues & Transfers-In	4,208	5,581			9,790
Prior Year Revenues & Transfers-In Adjustments	1,219	(1,571)	(56)		(408)
Actual Budgeted Revenues & Transfers-In	186,252	3,460,250	1,549,561	189,750	5,385,813
Estimated Revenues & Transfers-In	186,200	3,497,650	1,549,562	180,000	5,413,411
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 52	\$ (37,400)	\$ (0)	\$ 9,750	\$ (27,598)

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

Licenses and Permits	\$ 3,650			\$	3,650
Charges for Services	(11,776)	\$ (37,024)		\$ 9,750	(39,050)
Investment Earnings		(376)			(376)
Monetary Settlements	(472)				(472)
Transfers-in			\$ (0)		(0)
Federal Indirect Cost Recoveries	10,419				10,419
Miscellaneous	(1,769)				(1,769)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 52	\$ (37,400)	\$ (0)	\$ 9,750	\$ (27,598)

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.

JUDICIARY
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
Licenses and Permits	\$ 113,975			\$	113,975
Taxes	68		251		318
Charges for Services	51,480	\$ 337,053		\$ 178,951	567,484
Investment Earnings		400			400
Monetary Settlements	6,345				6,345
Grants, Contracts, and Donations		19,050			19,050
Transfers-in	200,000	3,185,942	617,768		4,003,710
Inception of Lease/Installment Contract	5,068				5,068
Federal Indirect Cost Recoveries	33,677				33,677
Miscellaneous	2,164	9,270			11,434
Federal			949,520		949,520
Total Revenues & Transfers-In	412,777	3,551,716	1,567,539	178,951	5,710,982
Less: Nonbudgeted Revenues & Transfers-In	205,886	15,921			221,807
Prior Year Revenues & Transfers-In Adjustments	(99)	(3,353)	251		(3,201)
Actual Budgeted Revenues & Transfers-In	206,990	3,539,147	1,567,288	178,951	5,492,376
Estimated Revenues & Transfers-In	187,400	3,551,728	1,567,177	183,000	5,489,305
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 19,590	\$ (12,581)	\$ 111	\$ (4,049)	\$ 3,071
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ (2,025)			\$	(2,025)
Charges for Services	1,076	(8,637)		(4,049)	(11,611)
Investment Earnings		(601)			(601)
Monetary Settlements	149				149
Transfers-in		(3,343)			(3,343)
Federal Indirect Cost Recoveries	19,677				19,677
Miscellaneous	714				714
Federal			111		111
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 19,590	\$ (12,581)	\$ 111	\$ (4,049)	\$ 3,071

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.

JUDICIARY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Clerk of Court	District Court Operations	Law Library	Supreme Court Operations	Water Courts Supervision	Total
Personal Services						
Salaries	\$ 328,199	\$ 16,761,630	\$ 256,932	\$ 3,859,451	\$ 1,234,982	\$ 22,441,192
Employee Benefits	118,910	6,602,904	105,171	1,451,977	454,811	8,733,773
Total	447,109	23,364,533	362,103	5,311,427	1,689,792	31,174,965
Operating Expenses						
Other Services	16,303	1,799,851	356,709	1,229,069	8,572	3,410,504
Supplies & Materials	6,100	343,558	213,062	1,057,171	20,951	1,640,842
Communications	8,306	235,560	8,516	1,064,225	45,168	1,361,776
Travel	3,395	233,798	3,134	204,998	13,770	459,095
Rent	8,520	38,202	291	596,489	144,195	787,697
Repair & Maintenance		40,360	1,174	607,464	5,345	654,343
Other Expenses	1,439	77,200	9,691	26,054	23,647	138,031
Total	44,064	2,768,528	592,578	4,785,470	261,648	8,452,287
Equipment & Intangible Assets						
Equipment		44,977	110,459	257,807		413,243
Intangible Assets				238,460		238,460
Total		44,977	110,459	496,267		651,703
Grants						
From Federal Sources				104,961		104,961
Total				104,961		104,961
Benefits & Claims						
To Individuals		3,893,332		492,427		4,385,759
Total		3,893,332		492,427		4,385,759
Transfers-out						
Fund transfers				48,700		48,700
Total				48,700		48,700
Debt Service						
Capital Leases			9,158			9,158
Total			9,158			9,158
Total Expenditures & Transfers-Out	\$ 491,173	\$ 30,071,371	\$ 1,074,297	\$ 11,239,252	\$ 1,951,440	\$ 44,827,533
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 491,173	\$ 25,451,606	\$ 886,542	\$ 10,298,902		\$ 37,128,224
State Special Revenue Fund		3,485,709		270,246	\$ 1,951,440	5,707,395
Federal Special Revenue Fund		1,134,055		415,450		1,549,506
Capital Projects Fund				254,654		254,654
Enterprise Fund			187,755			187,755
Total Expenditures & Transfers-Out	491,173	30,071,371	1,074,297	11,239,252	1,951,440	44,827,533
Less: Nonbudgeted Expenditures & Transfers-Out	(346)	(14,201)	(341)	(3,875)	(892)	(19,655)
Prior Year Expenditures & Transfers-Out Adjustments		31,736	12	5,499	491	37,737
Actual Budgeted Expenditures & Transfers-Out	491,519	30,053,836	1,074,627	11,237,628	1,951,842	44,809,451
Budget Authority	495,100	35,157,207	1,078,126	13,527,995	2,150,920	52,409,348
Unspent Budget Authority	\$ 3,581	\$ 5,103,371	\$ 3,499	\$ 2,290,367	\$ 199,078	\$ 7,599,897
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 1,794	\$ 1,033,813	\$ 2,022	\$ 659,133		\$ 1,696,762
State Special Revenue Fund	1,787	2,979,798		32,738	\$ 199,078	3,213,402
Federal Special Revenue Fund		1,089,760		388,124		1,477,884
Capital Projects Fund				1,210,372		1,210,372
Enterprise Fund			1,477			1,477
Unspent Budget Authority	\$ 3,581	\$ 5,103,371	\$ 3,499	\$ 2,290,367	\$ 199,078	\$ 7,599,897

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.

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

	Clerk of Court	District Court Operations	Law Library	Supreme Court Operations	Water Courts Supervision	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT						
Personal Services						
Salaries	\$ 320,277	\$ 16,581,157	\$ 274,396	\$ 3,675,874	\$ 1,239,691	\$ 22,091,394
Employee Benefits	110,592	6,350,620	103,514	1,320,946	439,928	8,325,599
Total	<u>430,869</u>	<u>22,931,777</u>	<u>377,910</u>	<u>4,996,820</u>	<u>1,679,618</u>	<u>30,416,994</u>
Operating Expenses						
Other Services	10,128	2,005,025	281,349	1,217,035	4,269	3,517,806
Supplies & Materials	(28)	275,661	250,763	807,128	25,507	1,359,032
Communications	8,704	236,414	5,136	976,983	28,782	1,256,019
Travel	3,734	119,787	2,684	133,384	8,099	267,688
Rent	8,511	49,187	670	596,613	126,975	781,956
Repair & Maintenance	220	38,742	3,447	583,194	7,322	632,924
Other Expenses	1,400	54,997	4,766	27,686	17,573	106,421
Total	<u>32,669</u>	<u>2,779,812</u>	<u>548,815</u>	<u>4,342,023</u>	<u>218,526</u>	<u>7,921,846</u>
Equipment & Intangible Assets						
Equipment	2,770		96,389	165,992		265,150
Capital leases - equipment			5,068			5,068
Intangible Assets				333,000		333,000
Total	<u>2,770</u>		<u>101,457</u>	<u>498,992</u>		<u>603,218</u>
Grants						
From Federal Sources				50,397		50,397
Total				<u>50,397</u>		<u>50,397</u>
Benefits & Claims						
To Individuals		3,776,094		341,099		4,117,193
Total		<u>3,776,094</u>		<u>341,099</u>		<u>4,117,193</u>
Transfers-out						
Fund transfers		200,000		5,807		205,807
Total		<u>200,000</u>		<u>5,807</u>		<u>205,807</u>
Debt Service						
Capital Leases			8,698			8,698
Total			<u>8,698</u>			<u>8,698</u>
Total Expenditures & Transfers-Out	\$ <u>466,308</u>	\$ <u>29,687,684</u>	\$ <u>1,036,880</u>	\$ <u>10,235,137</u>	\$ <u>1,898,145</u>	\$ <u>43,324,153</u>
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 466,308	\$ 24,769,404	\$ 854,748	\$ 9,339,413		\$ 35,429,872
State Special Revenue Fund		3,742,580		213,536	\$ 1,898,145	5,854,261
Federal Special Revenue Fund		1,175,700		391,385		1,567,085
Capital Projects Fund				290,803		290,803
Enterprise Fund			182,132			182,132
Total Expenditures & Transfers-Out	<u>466,308</u>	<u>29,687,684</u>	<u>1,036,880</u>	<u>10,235,137</u>	<u>1,898,145</u>	<u>43,324,153</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(200)	194,521	4,853	(2,384)	(514)	196,276
Prior Year Expenditures & Transfers-Out Adjustments	(5,413)	17,078	(63)	(2,514)	286	9,374
Actual Budgeted Expenditures & Transfers-Out	<u>471,920</u>	<u>29,476,084</u>	<u>1,032,090</u>	<u>10,240,036</u>	<u>1,898,373</u>	<u>43,118,503</u>
Budget Authority	488,244	34,670,220	1,040,671	12,459,331	1,942,548	50,601,013
Unspent Budget Authority	\$ <u>16,324</u>	\$ <u>5,194,136</u>	\$ <u>8,581</u>	\$ <u>2,219,295</u>	\$ <u>44,175</u>	\$ <u>7,482,510</u>
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 16,324	\$ 615,828	\$ 890	\$ 357,928		\$ 990,969
State Special Revenue Fund		3,183,063		84,130	\$ 44,175	3,311,367
Federal Special Revenue Fund		1,395,245		312,212		1,707,457
Capital Projects Fund				1,465,026		1,465,026
Enterprise Fund			7,691			7,691
Unspent Budget Authority	\$ <u>16,324</u>	\$ <u>5,194,136</u>	\$ <u>8,581</u>	\$ <u>2,219,295</u>	\$ <u>44,175</u>	\$ <u>7,482,510</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.

Judiciary

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2014

1. Summary of Significant Accounting Policies

Basis of Accounting

The Judiciary 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, Capital Projects). In applying the modified accrual basis, the Judiciary 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 Judiciary 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 branch to record the cost of employees' annual and sick leave when used or paid.

The Judiciary uses accrual basis accounting for its Proprietary (Enterprise) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the Judiciary 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 Judiciary 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 Judiciary 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 capital projects that are legally restricted to expenditures for specific state program purposes. Judiciary State Special Revenue Funds

include Youth Court fees, Juvenile Delinquency Intervention Program Transfer, Child and Family Services Division Pilot Project, Judicial Education, Water Adjudication, Legal Assistance, Natural Resources, Drug Court Fees, Accrued County sick and vacation leave balances, and Judiciary private funds.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Judiciary Federal Special Revenue Funds include miscellaneous grants for District Courts, and various branch grants for computer licenses and computer hardware.
- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The Judiciary uses this fund for Long Range Information Technology Projects.

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 Judiciary 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. Judiciary Enterprise Funds include Lexis Proprietary Account.

Fiduciary Fund Category

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal (to the State) clearing account activity but these must have a zero balance at fiscal year-end. The Judiciary agency funds include Bad Debt Collection and District Court Youth Probation Restitution.

2. General Fund Equity Balance

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The Judiciary has authority to pay obligations from the statewide General Fund within its appropriation limits. The Judiciary expends cash or other assets from the statewide fund when it pays General Fund obligations. The Judiciary'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, 2013, and June 30, 2014.

3. Direct Entries to Fund Equity

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

4. Supreme Court Operations

The Supreme Court Operations Program includes funding (\$3.7 million in fiscal year 2013 and \$4.5 million in fiscal year 2014) for providing technology services to approximately 1,000 users within the Supreme Court, the Water Court, 56 District Courts, 7 Municipal Courts, 65 Justice Courts, and 90 City Courts. This support includes the purchase, installation, networking, and maintenance of computers and office software and the deployment, training and maintenance of court case management systems. In addition, support is provided for courtroom technology, including interactive video, court reporting and recording equipment, sound systems, and other technologies found in the District Court courtrooms.

The Supreme Court Operations Program includes General Fund (approximately \$733,000 in fiscal year 2013 and \$963,000 in fiscal year 2014) to support the operation of Drug Treatment Courts throughout Montana. Federal funds received in support of Drug Treatment Courts are included in the District Court Program of the Judiciary.

JUDICIAL BRANCH

BRANCH RESPONSE

The Supreme Court of Montana
Office of the Court Administrator

Beth McLaughlin
Court Administrator



301 South Park
P.O. Box 203005
Helena, Montana 59620-3002
Telephone (406) 841-2950
FAX (406) 841-2955

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OCT 03 2014

LEGISLATIVE AUDIT DIV.

October 3, 2014

Ms. Tori Hunthausen, CPA
Legislative Auditor
State Capitol Building, RM160
Helena, MT 59620

Dear Ms. Hunthausen:

I received and reviewed the financial audit for fiscal years 2013 and 2014. On behalf of the Montana Supreme Court, I want to convey our appreciation for the professionalism displayed by your staff during the audit. We have a great deal of respect for John Fine and the rest of the audit team and very much appreciate their work.

The fact that the audit does not contain any recommendation is directly related to the quality of our financial staff led by Finance Director Becky Buska. As you well know, the Judicial Branch underwent a dramatic expansion with the state's assumption of District Courts in FY2003. The many challenges created by state assumption and the subsequent peeling off of public defense costs in FY2006 created extraordinary fiscal challenges. Becky and her staff have done an exceptional job of managing these changes and creating a top-notch fiscal system. Current and past auditors have played a key role in helping the Branch through these changes.

We look forward to sharing the audit with the committee.

Sincerely,

A handwritten signature in cursive script that reads "Beth McLaughlin". Below the signature, the initials "bmb" are written.

Beth McLaughlin
Court Administrator

c: Chief Justice Mike McGrath
Becky Buska, Finance Manager