

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2015**

LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

November 2015

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2015.

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,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

15C-11

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, 2015**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Bryce Bennett
Jeff Essmann
Stephanie Hess
Chuck Hunter - Presiding Officer
Austin Knudsen
Margaret MacDonald

SENATORS

Debby Barrett - Vice Presiding Officer
Edward Buttrey
Robyn Driscoll
Tom Facey
Jon Sesso
Janna Taylor

EXECUTIVE DIRECTOR: Susan Byorth Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

Randy Brodehl - Presiding Officer
Virginia Court
Tom Burnett
Denise Hayman
Kenneth Holmlund
Mitch Tropila

SENATORS

Dee Brown
Taylor Brown
Mary McNally
JP Pomnichowski
Bruce Tutvedt
Gene Vuckovich

LEGISLATIVE AUDITOR: Tori Hunthausen

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

REPRESENTATIVES

Nancy Ballance - Vice Presiding Officer
Kimberly Dudik
Pat Noonan
Ryan Osmundson
Mitch Tropila
Brad Tschida

SENATORS

Mary Caferro
Llew Jones
Bob Keenan
Frederick Moore
Jon Sesso - Presiding Officer
Cynthia Wolken

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:

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, 2015 and 2014, 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 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

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, 2015 and 2014, or changes in financial position or cash flows thereof for the year then ended.

Unmodified 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, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In Accordance with *Governmental Auditing Standards*, we have also issued our report dated November 19, 2015 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
November 19, 2015

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>General Fund</u> | <u>State Special Revenue Fund</u> | <u>Capital Projects Fund</u> |
|--|------------------------------|---------------------------------------|----------------------------------|
| FUND EQUITY: July 1, 2014 | \$ (664,916) | \$ 2,634,870 | \$ - |
| ADDITIONS | | | |
| Budgeted Revenues & Transfers-In | 21,042 | 1,709,527 | |
| Nonbudgeted Revenues & Transfers-In | 216 | 19,035 | |
| Prior Year Revenues & Transfers-In Adjustments | | 1,192 | |
| Direct Entries to Fund Equity | <u>19,505,450</u> | <u>(69,437)</u> | <u>675,000</u> |
| Total Additions | <u>19,526,708</u> | <u>1,660,317</u> | <u>675,000</u> |
| REDUCTIONS | | | |
| Budgeted Expenditures & Transfers-Out | 19,929,304 | 2,260,332 | 675,000 |
| Nonbudgeted Expenditures & Transfers-Out | <u>(8,716)</u> | <u>(915)</u> | |
| Total Reductions | <u>19,920,588</u> | <u>2,259,417</u> | <u>675,000</u> |
| FUND EQUITY: June 30, 2015 | <u><u>\$ (1,058,796)</u></u> | <u><u>\$ 2,035,770</u></u> | <u><u>\$ -</u></u> |

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | General Fund | State Special Revenue Fund | Capital Projects Fund |
|---|--------------|-------------------------------|--------------------------|
| FUND EQUITY: July 1, 2013 | \$ (606,112) | \$ 1,347,284 | \$ - |
| ADDITIONS | | | |
| Budgeted Revenues & Transfers-In | 5,328 | 3,348,365 | |
| Nonbudgeted Revenues & Transfers-In | 305 | 42,634 | |
| Prior Year Revenues & Transfers-In Adjustments | | 182 | |
| Direct Entries to Fund Equity | 13,027,814 | 115,535 | 190,775 |
| Total Additions | 13,033,447 | 3,506,716 | 190,775 |
| REDUCTIONS | | | |
| Budgeted Expenditures & Transfers-Out | 12,546,696 | 2,217,469 | 190,775 |
| Nonbudgeted Expenditures & Transfers-Out | (6,844) | (838) | |
| Prior Year Expenditures & Transfers-Out Adjustments | 552,400 | 2,499 | |
| Total Reductions | 13,092,252 | 2,219,130 | 190,775 |
| FUND EQUITY: June 30, 2014 | \$ (664,917) | \$ 2,634,870 | \$ - |

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>General Fund</u> | <u>State Special Revenue Fund</u> | <u>Total</u> |
|--|-------------------------|---------------------------------------|---------------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | |
| Charges for Services | | \$ 1,393,927 | \$ 1,393,927 |
| Investment Earnings | | 1,968 | 1,968 |
| Sale of Documents, Merchandise and Property | \$ 21,042 | 15,765 | 36,807 |
| Transfers-in | | 318,095 | 318,095 |
| Miscellaneous | <u>216</u> | | <u>216</u> |
| Total Revenues & Transfers-In | 21,258 | 1,729,755 | 1,751,013 |
| Less: Nonbudgeted Revenues & Transfers-In | 216 | 19,035 | 19,251 |
| Prior Year Revenues & Transfers-In Adjustments | | <u>1,192</u> | <u>1,192</u> |
| Actual Budgeted Revenues & Transfers-In | 21,042 | 1,709,527 | 1,730,569 |
| Estimated Revenues & Transfers-In | <u>25,000</u> | <u>2,192,580</u> | <u>2,217,580</u> |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (3,958)</u> | <u>\$ (483,053)</u> | <u>\$ (487,011)</u> |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | |
| Charges for Services | | \$ (290,313) | \$ (290,313) |
| Investment Earnings | | (1,338) | (1,338) |
| Sale of Documents, Merchandise and Property | \$ (3,958) | (8,797) | (12,755) |
| Transfers-in | | <u>(182,605)</u> | <u>(182,605)</u> |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (3,958)</u> | <u>\$ (483,053)</u> | <u>\$ (487,011)</u> |

See Notes to the Financial Schedules

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

| | <u>General Fund</u> | <u>State Special Revenue Fund</u> | <u>Total</u> |
|---|-------------------------|---------------------------------------|------------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | |
| Charges for Services | | \$ 1,872,680 | \$ 1,872,680 |
| Investment Earnings | | 1,683 | 1,683 |
| Sale of Documents, Merchandise and Property | \$ 5,328 | 953,518 | 958,846 |
| Transfers-in | | 563,300 | 563,300 |
| Miscellaneous | <u>305</u> | | <u>305</u> |
| Total Revenues & Transfers-In | 5,633 | 3,391,181 | 3,396,814 |
| Less: Nonbudgeted Revenues & Transfers-In | 305 | 42,634 | 42,939 |
| Prior Year Revenues & Transfers-In Adjustments | | <u>182</u> | <u>182</u> |
| Actual Budgeted Revenues & Transfers-In | 5,328 | 3,348,365 | 3,353,693 |
| Estimated Revenues & Transfers-In | <u>5,000</u> | <u>3,773,404</u> | <u>3,778,404</u> |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ 328</u> | <u>\$ (425,039)</u> | <u>(424,711)</u> |

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

| | | | |
|---|---------------|---------------------|---------------------|
| Charges for Services | | \$ 113,644 | \$ 113,644 |
| Investment Earnings | | (1,619) | (1,619) |
| Sale of Documents, Merchandise and Property | \$ 328 | (36,364) | (36,036) |
| Transfers-in | | <u>(500,700)</u> | <u>(500,700)</u> |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ 328</u> | <u>\$ (425,039)</u> | <u>\$ (424,711)</u> |

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT | AUDIT & EXAMINATION | FISCAL ANALYSIS & REVIEW | LEGIS. COMMITTEES & ACTIVITIES | LEGISLATIVE SERVICES | LEGISLATIVE SERVICES FEED BILL | LEGISLATURE - HOUSE | LEGISLATURE - SENATE | Total |
|---|------------------------|--------------------------------|--------------------------------------|-------------------------|--------------------------------------|------------------------|-------------------------|----------------------|
| Personal Services | | | | | | | | |
| Salaries | \$ 2,591,944 | \$ 1,507,024 | \$ 45,269 | \$ 3,906,765 | \$ 134,229 | \$ 1,575,644 | \$ 1,148,382 | \$ 10,909,256 |
| Other Compensation | | | | | | 1,228,937 | 620,675 | 1,849,612 |
| Employee Benefits | 859,444 | 421,602 | 3,820 | 1,227,592 | 17,916 | 1,294,263 | 713,300 | 4,537,937 |
| Total | <u>3,451,388</u> | <u>1,928,626</u> | <u>49,088</u> | <u>5,134,357</u> | <u>152,145</u> | <u>4,098,843</u> | <u>2,482,357</u> | <u>17,296,805</u> |
| Operating Expenses | | | | | | | | |
| Other Services | 48,421 | 26,629 | 22,835 | 1,336,365 | 207,248 | 34,324 | 28,921 | 1,704,742 |
| Supplies & Materials | 17,207 | 12,060 | 648 | 538,510 | 4,383 | 35,112 | 36,490 | 644,409 |
| Communications | 13,727 | 5,916 | 1,710 | 232,375 | 21,629 | 7,460 | 3,641 | 286,458 |
| Travel | 75,099 | 31,203 | 126,713 | 44,444 | | 144,291 | 68,606 | 490,355 |
| Rent | | | | 189,825 | 6,181 | | | 196,006 |
| Repair & Maintenance | | | | 114,538 | | | | 114,538 |
| Other Expenses | 40,014 | 15,481 | 317,039 | 160,848 | 67,548 | 9,548 | 5,522 | 615,999 |
| Total | <u>194,467</u> | <u>91,289</u> | <u>468,945</u> | <u>2,616,904</u> | <u>306,988</u> | <u>230,734</u> | <u>143,179</u> | <u>4,052,507</u> |
| Equipment & Intangible Assets | | | | | | | | |
| Equipment | | | | 293,582 | | | | 293,582 |
| Intangible Assets | | | | 814,016 | | | | 814,016 |
| Total | | | | <u>1,107,598</u> | | | | <u>1,107,598</u> |
| Transfers-out | | | | | | | | |
| Fund transfers | 251,540 | 13,580 | 175 | 132,800 | | | | 398,095 |
| Total | <u>251,540</u> | <u>13,580</u> | <u>175</u> | <u>132,800</u> | | | | <u>398,095</u> |
| Total Expenditures & Transfers-Out | <u>\$ 3,897,395</u> | <u>\$ 2,033,495</u> | <u>\$ 518,208</u> | <u>\$ 8,991,659</u> | <u>\$ 459,134</u> | <u>\$ 4,329,578</u> | <u>\$ 2,625,536</u> | <u>\$ 22,855,004</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | | | | | | |
| General Fund | \$ 2,060,373 | \$ 2,033,532 | \$ 518,208 | \$ 7,894,227 | \$ 459,134 | \$ 4,329,578 | \$ 2,625,536 | \$ 19,920,588 |
| State Special Revenue Fund | 1,837,022 | (37) | | 422,432 | | | | 2,259,417 |
| Capital Projects Fund | | | | 675,000 | | | | 675,000 |
| Total Expenditures & Transfers-Out | 3,897,395 | 2,033,495 | 518,208 | 8,991,659 | 459,134 | 4,329,578 | 2,625,536 | 22,855,004 |
| Less: Nonbudgeted Expenditures & Transfers-Out | (3,007) | (1,655) | (138) | (4,806) | (0) | (2) | (23) | (9,631) |
| Prior Year Expenditures & Transfers-Out Adjustments | | | | | | | | |
| Actual Budgeted Expenditures & Transfers-Out | 3,900,402 | 2,035,150 | 518,346 | 8,996,465 | 459,134 | 4,329,579 | 2,625,558 | 22,864,636 |
| Budget Authority | 5,286,708 | 2,184,913 | 698,772 | 15,638,089 | 867,674 | 6,781,236 | 4,212,353 | 35,669,745 |
| Unspent Budget Authority | <u>\$ 1,386,306</u> | <u>\$ 149,764</u> | <u>\$ 180,426</u> | <u>\$ 6,641,624</u> | <u>\$ 408,540</u> | <u>\$ 2,451,657</u> | <u>\$ 1,586,794</u> | <u>\$ 12,805,109</u> |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | |
| General Fund | \$ 1,156,732 | \$ 149,764 | \$ 180,426 | \$ 983,822 | \$ 408,540 | \$ 2,451,657 | \$ 1,586,794 | \$ 6,917,734 |
| State Special Revenue Fund | 229,574 | | | 377,577 | | | | 607,150 |
| Capital Projects Fund | | | | 5,280,225 | | | | 5,280,225 |
| Unspent Budget Authority | <u>\$ 1,386,306</u> | <u>\$ 149,764</u> | <u>\$ 180,426</u> | <u>\$ 6,641,624</u> | <u>\$ 408,540</u> | <u>\$ 2,451,657</u> | <u>\$ 1,586,794</u> | <u>\$ 12,805,109</u> |

See Notes to the Financial Schedules

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

| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT | AUDIT & EXAMINATION | FISCAL ANALYSIS & REVIEW | LEGIS. COMMITTEES & ACTIVITIES | LEGISLATIVE SERVICES | LEGISLATIVE SERVICES FEED BILL | LEGISLATURE - HOUSE | LEGISLATURE - SENATE | Total |
|---|------------------------|-----------------------------|--------------------------------------|-------------------------|--------------------------------------|------------------------|-------------------------|----------------------|
| Personal Services | | | | | | | | |
| Salaries | \$ 2,494,032 | \$ 1,351,560 | \$ 87,871 | \$ 3,711,536 | | \$ 41,637 | \$ 11,194 | \$ 7,697,830 |
| Employee Benefits | 804,037 | 397,746 | 7,509 | 1,123,664 | \$ (84) | 944,954 | 484,242 | 3,762,068 |
| Total | <u>3,298,069</u> | <u>1,749,307</u> | <u>95,379</u> | <u>4,835,200</u> | <u>(84)</u> | <u>986,591</u> | <u>495,436</u> | <u>11,459,897</u> |
| Operating Expenses | | | | | | | | |
| Other Services | 48,310 | 5,536 | 9,144 | 1,194,838 | 19,076 | 636 | 4,449 | 1,281,988 |
| Supplies & Materials | 17,977 | 4,117 | 810 | 355,883 | 8,028 | 2,111 | 9,884 | 398,809 |
| Communications | 13,553 | 5,553 | 6,046 | 307,859 | 4,434 | 74 | | 337,519 |
| Travel | 49,338 | 28,544 | 196,230 | 64,271 | | 3,914 | 2,249 | 344,546 |
| Rent | | | | 194,808 | | | | 194,808 |
| Repair & Maintenance | | | | 170,972 | | | 675 | 171,647 |
| Other Expenses | 38,870 | 18,894 | 291,888 | 126,768 | 2,595 | 1,737 | 3,197 | 483,948 |
| Total | <u>168,048</u> | <u>62,645</u> | <u>504,117</u> | <u>2,415,398</u> | <u>34,133</u> | <u>8,471</u> | <u>20,454</u> | <u>3,213,266</u> |
| Equipment & Intangible Assets | | | | | | | | |
| Equipment | | | | 185,693 | | | | 185,693 |
| Total | | | | <u>185,693</u> | | | | <u>185,693</u> |
| Transfers-out | | | | | | | | |
| Fund transfers | | | | 80,000 | 209,700 | 190,400 | 163,200 | 643,300 |
| Total | | | | <u>80,000</u> | <u>209,700</u> | <u>190,400</u> | <u>163,200</u> | <u>643,300</u> |
| Total Expenditures & Transfers-Out | <u>\$ 3,466,117</u> | <u>\$ 1,811,951</u> | <u>\$ 599,497</u> | <u>\$ 7,516,291</u> | <u>\$ 243,749</u> | <u>\$ 1,185,462</u> | <u>\$ 679,090</u> | <u>\$ 15,502,157</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | | | | | | |
| General Fund | \$ 2,036,401 | \$ 1,811,951 | \$ 599,497 | \$ 6,536,103 | \$ 243,749 | \$ 1,185,462 | \$ 679,090 | \$ 13,092,252 |
| State Special Revenue Fund | 1,429,716 | | | 789,413 | | | | 2,219,129 |
| Capital Projects Fund | | | | 190,775 | | | | 190,775 |
| Total Expenditures & Transfers-Out | <u>3,466,117</u> | <u>1,811,951</u> | <u>599,497</u> | <u>7,516,291</u> | <u>243,749</u> | <u>1,185,462</u> | <u>679,090</u> | <u>15,502,157</u> |
| Less: Nonbudgeted Expenditures & Transfers-Out | (1,676) | (897) | (36) | (3,111) | (84) | (1,059) | (820) | (7,682) |
| Prior Year Expenditures & Transfers-Out Adjustments | <u>5,374</u> | <u>(527)</u> | <u>1,063</u> | <u>(14,311)</u> | <u>209,700</u> | <u>190,400</u> | <u>163,200</u> | <u>554,899</u> |
| Actual Budgeted Expenditures & Transfers-Out | <u>3,462,419</u> | <u>1,813,375</u> | <u>598,470</u> | <u>7,533,713</u> | <u>34,133</u> | <u>996,121</u> | <u>516,709</u> | <u>14,954,940</u> |
| Budget Authority | <u>4,424,277</u> | <u>1,898,635</u> | <u>723,965</u> | <u>14,612,074</u> | <u>241,585</u> | <u>1,962,043</u> | <u>1,122,927</u> | <u>24,985,506</u> |
| Unspent Budget Authority | <u>\$ 961,858</u> | <u>\$ 85,260</u> | <u>\$ 125,495</u> | <u>\$ 7,078,361</u> | <u>\$ 207,452</u> | <u>\$ 965,922</u> | <u>\$ 606,218</u> | <u>\$ 10,030,566</u> |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | |
| General Fund | \$ 688,762 | \$ 85,260 | \$ 125,495 | \$ 1,039,983 | \$ 207,452 | \$ 965,922 | \$ 606,218 | \$ 3,719,092 |
| State Special Revenue Fund | 273,096 | | | 83,153 | | | | 356,249 |
| Capital Projects Fund | | | | 5,955,225 | | | | 5,955,225 |
| Unspent Budget Authority | <u>\$ 961,858</u> | <u>\$ 85,260</u> | <u>\$ 125,495</u> | <u>\$ 7,078,361</u> | <u>\$ 207,452</u> | <u>\$ 965,922</u> | <u>\$ 606,218</u> | <u>\$ 10,030,566</u> |

See Notes to the Financial Schedules

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2014 and 2015**

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 and Capital Projects). 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 Account, MCA's and Annotations, and State Government Broadcasting.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2014 and 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Capital Project Fund – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The Legislative Branch uses this fund to account for the Session Systems Replacement project.

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, 2015 and 2014, the Legislative Branch had liabilities for compensated absences of \$1,290,520 and \$1,303,454, 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, 2014 and 2015**

2. PENSION PLAN (Continued)

Plan Description (continued)

Plan Description- The Montana Teachers' Retirement System (TRS) serves active and retired teachers and educators in the State of Montana. Its primary purpose is to administer their pension plan, which includes (but is not limited to) payment of retirement benefits, collection of member contributions and enrollment of new members. The TRS is a Defined Benefit Plan qualified under Internal Revenue Code (IRC) 401(a).

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

1500 Sixth Avenue, P. O. Box 200139, Helena, MT 59620-0139

Funding Policy

Contribution rates for the PERS 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> |
|--------------------------------------|-----------------|-----------------|--------------|
| 2015 (members hired prior to 7/1/13) | 8.27% | 6.9% | 15.17% |
| 2015 (members hired after 7/1/13) | 8.27% | 7.9% | 16.17% |
| 2014 (members hired prior to 7/1/13) | 8.17% | 6.9% | 15.07% |
| 2014 (members hired after 7/1/13) | 8.17% | 7.9% | 16.07% |
| 2013 (members hired prior to 7/1/13) | 7.17% | 6.9% | 14.07% |
| 2013 (members hired after 7/1/13) | 7.17% | 7.9% | 15.07% |

The TRS funding policy also provides for monthly employee and employer contributions at rates specified by State law. Plan members, for the fiscal years ending June 30, 2014 and 2015, were required to contribute 8.15% of their earned compensation. State agency employers were required to contribute 10.95% of earned compensation. The State's General Fund also contributes an additional .11% of total earned compensation of all TRS members.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2014 and 2015**

2. PENSION PLAN (Continued)

Funding Policy (continued)

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

| | PERS | TRS |
|---------------|-------------|------------|
| June 30, 2015 | \$ 810,080 | \$ 21,767 |
| June 30, 2014 | \$ 634,033 | \$ 3,321 |
| June 30, 2013 | \$ 630,861 | \$ 8,916 |
| June 30, 2012 | \$ 557,321 | \$ 170 |
| June 30, 2011 | \$ 801,548 | \$ 1,530 |
| June 30, 2010 | \$ 661,727 | \$ 1,076 |

In fiscal year 2015, *GASB 68 Accounting and Financial Reporting for Pensions* was implemented. While it applies to the legislative branch, the net pension obligation (NPO) will be presented in the Basic Financial Statements within the Comprehensive Annual Financial Report (CAFR), but is not presented in this regulatory framework presentation. The NPO for the legislative branch is \$7,449,821 and \$4,783 for PERS and TRS, respectively.

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, 2014 and June 30, 2015.

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.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2014 and 2015**

5. TRANSFERS-OUT

In statute, there exist two legislative branch reserve accounts. State law allows for any portion of the 30% of the unexpended and unencumbered money that was appropriated to a legislative branch be deposited in the accounts in the state special revenue fund. The money in one reserve account is statutorily appropriated, and to be used only for major legislative branch information technology projects, while the other is statutorily appropriated and to be used only for staff retirement termination pay in the legislative branch.



RUDD & COMPANY^{PC}

certified public accountants | business consultants

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, 2015 and 2014, as listed in the table of contents, and have issued our report thereon dated November 19, 2015.

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.

A handwritten signature in cursive script that reads "Rudd & Company, PLLC".

Helena, Montana
November 19, 2015



Montana Legislative Services Division
Office of the Executive Director

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

November 19, 2015

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 are pleased with the conclusion that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

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

Thank you for your work in conducting this audit.

Sincerely,

A handwritten signature in cursive script that reads "Susan B. Fox".

Susan Byorth Fox
Executive Director