

**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 2017**

# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
Joe Murray

December 2017

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, 2017.

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/ Angus Maciver*

Angus Maciver  
Legislative Auditor

17C-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, 2017**

**LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION**

**REPRESENTATIVES**

Seth Berglee  
Jenny Eck - Vice Presiding Officer  
Wylie Galt  
Austin Knudsen  
Shane Morigeau  
Casey Schreiner

**SENATORS**

Edward Buttrey  
Tom Facey  
JP Pomnichowski  
Scott Sales  
Jon Sesso  
Fred Thomas - Presiding Officer

**EXECUTIVE DIRECTOR: Susan Byorth Fox**

**LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION**

**REPRESENTATIVES**

Randy Brodehl  
Kim Abbott  
Dan Bartel  
Tom Burnett - Vice Presiding Officer  
Virginia Court  
Denise Hayman

**SENATORS**

Dee Brown  
Terry Gauthier  
Bob Keenan  
Margaret MacDonald  
Mary McNally - Presiding Officer  
Gene Vuckovich

**LEGISLATIVE AUDITOR: Angus Maciver**

**LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION**

**REPRESENTATIVES**

Nancy Ballance - Presiding Officer  
Kimberly Dudik  
Kenneth Holmlund  
Mike Hopkins  
Kelly McCarthy  
Marilyn Ryan

**SENATORS**

Llew Jones  
Edie McClafferty  
Frederick Moore  
Ryan Osmundson  
Jon Sesso  
Cynthia Wolken - Vice Presiding Officer

**LEGISLATIVE FISCAL ANALYST: Amy Carlson**



RUDD & COMPANY<sup>LLC</sup>

certified public accountants | business consultants

## INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for each of the fiscal years ended June 30, 2017 and 2016, 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 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 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, 2017 and 2016, or changes in financial position or cash flows thereof for the years then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

In both fiscal years 2016 and 2017 the branch recorded an inaccurate amount in Estimated Revenues & Transfers-In and inaccurate amounts in the Budgeted Revenues & Transfers-In Over (Under) Estimated by Class labeled as Charges for Services, Investment Earnings, Sale of Documents, Merchandise and Property and Transfers-in. This resulted in the following errors on the Schedule of Total Revenues & Transfers-In:

<b>Account</b>	<b>Fiscal Year</b>	<b>Amount Presented</b>	<b>Should be Presented</b>	<b>Over(under) Statement</b>
Estimated Revenues & Transfers-In	2016	\$6,014,804	\$3,007,402	\$3,007,402
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Charges for Services	2016	(\$1,656,240)	\$135,162	(\$1,791,402)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Investment Earnings	2016	\$3,094	\$,5094	(\$2,000)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Sale of Documents, Merchandise and Property	2016	(\$1,113,437)	(\$173,437)	(\$940,000)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Transfers-In	2016	(\$382,400)	(\$108,400)	(\$274,000)
Estimated Revenues & Transfers-In	2017	\$3,898,404	\$1,949,202	\$1,949,202
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Charges for Services	2017	(\$2,052,159)	(\$315,157)	(\$1,737,002)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Investment Earnings	2017	\$10,938	\$13,138	(\$2,200)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Sale of Documents, Merchandise and Property	2017	\$116,757	\$126,757	(\$10,000)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS – Transfers-In	2017	(\$294,060)	(\$94,060)	(\$200,000)

**Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting”, the Schedules of Total Revenues and Transfers-In present fairly, in all material respects, the respective Total Revenues & Transfers-In of the General Fund and State Special Revenue Fund of the Legislative Branch for the years ended June 30, 2017 and 2016, in accordance with the accounting policy of the State of Montana as described in Note 1.

**Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the Schedules of Changes in Fund Equity and the Schedules of Total Expenditures and Transfers-Out present fairly, in all material respects, the fund equity of each fund of the Legislative Branch as of June 30, 2017 and 2016, and the results of operations of the Legislative Branch 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 December 8, 2017 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* in considering the Legislative Branch’s internal control over financial reporting and compliance.



Helena, Montana  
December 8, 2017

LEGISLATIVE BRANCH  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Capital Projects Fund</u>
FUND EQUITY: July 1, 2016	\$ <u>(611,985)</u>	\$ <u>2,932,532</u>	\$ <u>(46,235)</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	13,546	1,679,880	
Nonbudgeted Revenues & Transfers-In	245	80,338	
Prior Year Revenues & Transfers-In Adjustments		(1,124)	
Direct Entries to Fund Equity	<u>20,503,495</u>	<u>(13,170)</u>	<u>1,999,235</u>
Total Additions	<u>20,517,286</u>	<u>1,745,924</u>	<u>1,999,235</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	20,828,463	2,639,425	1,953,000
Nonbudgeted Expenditures & Transfers-Out	<u>(10,301)</u>	<u>(418)</u>	
Total Reductions	<u>20,818,162</u>	<u>2,639,007</u>	<u>1,953,000</u>
FUND EQUITY: June 30, 2017	\$ <u><u>(912,861)</u></u>	\$ <u><u>2,039,449</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, 2016

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Capital Projects Fund</u>
FUND EQUITY: July 1, 2015	\$ <u>(1,058,796)</u>	\$ <u>2,035,770</u>	\$ <u>-</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	3,444	2,865,821	
Nonbudgeted Revenues & Transfers-In	348	80,187	
Direct Entries to Fund Equity	<u>14,585,744</u>	<u>91,310</u>	<u>2,006,250</u>
Total Additions	<u>14,589,536</u>	<u>3,037,318</u>	<u>2,006,250</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	13,991,085	2,139,343	2,052,485
Nonbudgeted Expenditures & Transfers-Out	(19,076)	(1,569)	
Prior Year Expenditures & Transfers-Out Adjustments	<u>170,716</u>	<u>2,783</u>	<u></u>
Total Reductions	<u>14,142,725</u>	<u>2,140,557</u>	<u>2,052,485</u>
FUND EQUITY: June 30, 2016	\$ <u><u>(611,985)</u></u>	\$ <u><u>2,932,532</u></u>	\$ <u><u>(46,235)</u></u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 1,502,264	\$ 1,502,264
Investment Earnings		15,257	15,257
Sale of Documents, Merchandise and Property	\$ 13,546	135,633	149,179
Transfers-in		105,940	105,940
Miscellaneous	<u>245</u>		<u>245</u>
Total Revenues & Transfers-In	13,791	1,759,094	1,772,885
Less: Nonbudgeted Revenues & Transfers-In	245	80,338	80,583
Prior Year Revenues & Transfers-In Adjustments		<u>(1,124)</u>	<u>(1,124)</u>
Actual Budgeted Revenues & Transfers-In	13,546	1,679,880	1,693,426
Estimated Revenues & Transfers-In	<u>28,000</u>	<u>3,898,404</u>	<u>3,926,404</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (14,454)</u>	<u>\$ (2,218,524)</u>	<u>(2,232,978)</u>

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

Charges for Services		\$ (2,052,159)	\$ (2,052,159)
Investment Earnings		10,938	10,938
Sale of Documents, Merchandise and Property	\$ (14,454)	116,757	102,303
Transfers-in		<u>(294,060)</u>	<u>(294,060)</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (14,454)</u>	<u>\$ (2,218,524)</u>	<u>\$ (2,232,978)</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 2,006,342	\$ 2,006,342
Investment Earnings		7,504	7,504
Sale of Documents, Merchandise and Property	\$ 3,444	766,563	770,007
Transfers-in		165,600	165,600
Miscellaneous	348		348
Total Revenues & Transfers-In	3,792	2,946,008	2,949,801
Less: Nonbudgeted Revenues & Transfers-In	348	80,187	80,535
Prior Year Revenues & Transfers-In Adjustments			0
Actual Budgeted Revenues & Transfers-In	3,444	2,865,821	2,869,265
Estimated Revenues & Transfers-In	5,000	6,014,804	6,019,804
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,556)	\$ (3,148,983)	\$ (3,150,539)

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

Charges for Services		\$ (1,656,240)	\$ (1,656,240)
Investment Earnings		3,094	3,094
Sale of Documents, Merchandise and Property	\$ (1,556)	(1,113,437)	(1,114,993)
Transfers-in		(382,400)	(382,400)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,556)	\$ (3,148,983)	\$ (3,150,539)

See Notes to the Financial Schedules

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	\$ 2,484,994	\$ 1,424,675	\$ 45,603	\$ 4,300,914	\$ 122,611	\$ 1,784,364	\$ 1,239,975	\$ 11,403,136
Other Compensation						1,302,330	656,713	1,959,043
Employee Benefits	903,860	468,054	13,236	1,415,078	17,570	1,540,895	840,109	5,198,802
Total	<u>3,388,854</u>	<u>1,892,730</u>	<u>58,839</u>	<u>5,715,991</u>	<u>140,181</u>	<u>4,627,589</u>	<u>2,736,797</u>	<u>18,560,981</u>
Operating Expenses								
Other Services	64,286	12,581	106,832	1,163,531	223,732	38,786	27,858	1,637,606
Supplies & Materials	21,975	11,023	998	244,876	4,458	41,731	55,217	380,278
Communications	14,032	4,950	2,009	232,838	22,067	4,249	4,106	284,252
Travel	64,268	44,589	125,313	61,246		124,600	61,516	481,532
Rent	2,186	2,160		237,080	1,664	267		243,357
Repair & Maintenance	64,037			248,811			535	313,383
Other Expenses	40,285	19,501	313,436	115,518	71,359	11,496	9,123	580,718
Total	<u>271,070</u>	<u>94,804</u>	<u>548,588</u>	<u>2,303,900</u>	<u>323,279</u>	<u>221,128</u>	<u>158,256</u>	<u>3,921,126</u>
Equipment & Intangible Assets								
Equipment				150,076				150,076
Intangible Assets	40,000			2,459,680				2,499,680
Total	<u>40,000</u>			<u>2,609,756</u>				<u>2,649,756</u>
Capital Outlay							31,707	31,707
Buildings							<u>31,707</u>	<u>31,707</u>
Total								
Transfers-out								
Fund transfers	105,940			140,659				246,599
Total	<u>105,940</u>			<u>140,659</u>				<u>246,599</u>
Total Expenditures & Transfers-Out	<u>\$ 3,805,864</u>	<u>\$ 1,987,534</u>	<u>\$ 607,427</u>	<u>\$ 10,770,306</u>	<u>\$ 463,460</u>	<u>\$ 4,848,718</u>	<u>\$ 2,926,860</u>	<u>\$ 25,410,169</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 1,777,090	\$ 1,987,534	\$ 607,427	\$ 8,206,945	\$ 463,460	\$ 4,848,822	\$ 2,926,884	\$ 20,818,162
State Special Revenue Fund	2,028,774			610,361		(104)	(24)	2,639,007
Capital Projects Fund				1,953,000				1,953,000
Total Expenditures & Transfers-Out	<u>3,805,864</u>	<u>1,987,534</u>	<u>607,427</u>	<u>10,770,306</u>	<u>463,460</u>	<u>4,848,718</u>	<u>2,926,860</u>	<u>25,410,169</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(3,562)	(1,906)	(144)	(4,979)		(104)	(24)	(10,718)
Prior Year Expenditures & Transfers-Out Adjustments								
Actual Budgeted Expenditures & Transfers-Out	<u>3,809,426</u>	<u>1,989,440</u>	<u>607,572</u>	<u>10,775,285</u>	<u>463,460</u>	<u>4,848,822</u>	<u>2,926,884</u>	<u>25,420,887</u>
Budget Authority	4,571,075	2,058,092	619,423	12,118,291	1,354,831	7,538,695	4,776,270	33,036,676
Unspent Budget Authority	<u>\$ 761,649</u>	<u>\$ 68,652</u>	<u>\$ 11,852</u>	<u>\$ 1,343,006</u>	<u>\$ 891,371</u>	<u>\$ 2,689,874</u>	<u>\$ 1,849,386</u>	<u>\$ 7,615,789</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 712,431	\$ 68,652	\$ 11,852	\$ 112,16	\$ 891,371	\$ 2,689,874	\$ 1,849,386	\$ 6,234,781
State Special Revenue Fund	49,218			57,051				106,268
Capital Projects Fund				1,274,740				1,274,740
Unspent Budget Authority	<u>\$ 761,649</u>	<u>\$ 68,652</u>	<u>\$ 11,852</u>	<u>\$ 1,343,006</u>	<u>\$ 891,371</u>	<u>\$ 2,689,874</u>	<u>\$ 1,849,386</u>	<u>\$ 7,615,789</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	\$ 2,519,018	\$ 1,290,473	\$ 112,816	\$ 4,069,990	14,800	\$ 53,424	\$ 58,557	\$ 8,119,078
Employee Benefits	885,014	418,145	12,417	1,318,886	2,370	1,134,676	588,619	4,330,126
Total	<u>3,374,031</u>	<u>1,708,618</u>	<u>125,233</u>	<u>5,388,876</u>	<u>17,170</u>	<u>1,188,100</u>	<u>647,176</u>	<u>12,449,204</u>
Operating Expenses								
Other Services	63,935	6,223	16,965	1,018,368	230	4,851	257	1,110,830
Supplies & Materials	28,061	5,661	1,168	579,351		23,748	2,336	640,327
Communications	14,466	4,828	5,687	209,580	4,929	64	261	239,816
Travel	52,347	53,887	270,569	50,531		4,769	4,268	436,371
Rent				225,696	9,124			234,820
Repair & Maintenance				266,415				266,415
Other Expenses	33,565	17,533	297,197	116,297		2,586	1,054	468,232
Total	<u>192,374</u>	<u>88,133</u>	<u>591,587</u>	<u>2,466,238</u>	<u>14,283</u>	<u>36,018</u>	<u>8,177</u>	<u>3,396,810</u>
Equipment & Intangible Assets								
Equipment				52,417				52,417
Intangible Assets				2,133,558				2,133,558
Total				<u>2,185,975</u>				<u>2,185,975</u>
Transfers -out								
Fund transfers				138,178	165,600			303,778
Total				<u>138,178</u>	<u>165,600</u>			<u>303,778</u>
Total Expenditures & Transfers-Out	<u>\$ 3,566,405</u>	<u>\$ 1,796,750</u>	<u>\$ 716,820</u>	<u>\$ 10,179,267</u>	<u>\$ 197,053</u>	<u>\$ 1,224,118</u>	<u>\$ 655,353</u>	<u>\$ 18,335,767</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,081,759	\$ 1,796,750	\$ 716,820	\$ 7,470,871	\$ 197,053	\$ 1,224,118	\$ 655,353	\$ 14,142,725
State Special Revenue Fund	1,484,646			655,911				2,140,557
Capital Projects Fund				2,052,485				2,052,485
Total Expenditures & Transfers-Out	<u>3,566,405</u>	<u>1,796,750</u>	<u>716,820</u>	<u>10,179,267</u>	<u>197,053</u>	<u>1,224,118</u>	<u>655,353</u>	<u>18,335,767</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(4,048)	(2,455)	(101)	(7,841)	(262)	(3,298)	(2,640)	(20,645)
Prior Year Expenditures & Transfers-Out Adjustments	5,390	0	1,487	1,046	165,600		(24)	173,499
Actual Budgeted Expenditures & Transfers-Out	<u>3,565,063</u>	<u>1,799,205</u>	<u>715,434</u>	<u>10,186,062</u>	<u>31,715</u>	<u>1,227,416</u>	<u>658,017</u>	<u>18,182,914</u>
Budget Authority	4,509,660	2,007,696	898,708	13,947,487	242,271	2,259,538	1,411,764	25,277,124
Unspent Budget Authority	<u>\$ 944,597</u>	<u>\$ 208,491</u>	<u>\$ 183,274</u>	<u>\$ 3,761,425</u>	<u>\$ 210,555</u>	<u>\$ 1,032,122</u>	<u>\$ 753,747</u>	<u>\$ 7,094,210</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 645,368	\$ 208,491	\$ 183,274	\$ 320,777	\$ 210,555	\$ 1,032,122	\$ 753,747	\$ 3,354,335
State Special Revenue Fund	299,229			212,908				512,136
Capital Projects Fund				3,227,740				3,227,740
Unspent Budget Authority	<u>\$ 944,597</u>	<u>\$ 208,491</u>	<u>\$ 183,274</u>	<u>\$ 3,761,425</u>	<u>\$ 210,555</u>	<u>\$ 1,032,122</u>	<u>\$ 753,747</u>	<u>\$ 7,094,210</u>

See Notes to the Financial Schedules

**LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
NOTES TO FINANCIAL SCHEDULES  
June 30, 2016 and 2017**

**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, 2016 and 2017**

**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, 2017 and 2016, the Legislative Branch had liabilities for compensated absences of \$1,264,501 and \$1,244,260, 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, 2016 and 2017**

**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>
2017	8.47%	7.9%	16.37%
2016	8.37%	7.9%	16.27%

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, 2016 and 2017, were required to contribute 8.15% of their earned compensation. State agency employers were required to contribute 11.05% for fiscal year 2016 and 11.15% for fiscal year 2017. 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, 2016 and 2017**

**2. PENSION PLAN (Continued)**

***Funding Policy (continued)***

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

	<b>PERS</b>	<b>TRS</b>
June 30, 2017	\$ 798,747	\$ 2,898
June 30, 2016	\$ 677,663	\$ 1,911
June 30, 2015	\$ 810,080	\$ 21,767
June 30, 2014	\$ 634,033	\$ 3,321

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 \$9,143,775 and \$4,951 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, 2016 and June 30, 2017.

**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, 2016 and 2017**

**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 the 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. The other is statutorily appropriated and to be used only for staff retirement termination pay.

**6. REVENUE ESTIMATES**

Due to a clerical error, the revenue estimates for the Legislative Branch are overstated on the financial schedules for fiscal years ended 2016 and 2017. Actual revenue estimates are as follows: 2016 - \$3,012,402; 2017 - \$1,977,202.

**7. LITIGATION**

The Legislative Branch has pending litigation related to a February 11, 2016, public records request regarding Senator Jennifer Fielder and the Legislative Services Division. Costs for agency legal services for fiscal year ended June 30, 2017, was \$5,975.40.



RUDD & COMPANY<sup>PC</sup>

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 SCHEDULES 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, 2017 and 2016, as listed in the table of contents, and have issued our report thereon dated December 8, 2017.

**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 and therefore material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control that we consider to be a significant deficiency:

The Legislative Branch lacks internal controls over the recording of revenue estimates necessary to ensure the accuracy of the Schedule of Total Revenues & Transfers-In.

## **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*.

## **Legislative Branch Response to Findings**

The Legislative Branch's response to the deficiency described above as identified in our audit is included in the Agency response. The Legislative Branch's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Rudd & Company, PLLC*

Helena, Montana  
December 8, 2017



**Montana Legislative Services Division**  
**Office of the Executive Director**

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

December 8, 2017

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 acknowledge the error affecting the revenue estimate which fortunately has no affect on funding. In the future we will ensure that the error will not happen again.

The dedication and cooperation of a number of people have made this audit 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 blue ink that reads "Susan B. Fox".

Susan Byorth Fox  
Executive Director