

FINANCIAL AUDIT  
State of Montana

For the Fiscal Year Ended June 30, 2012

MARCH 2013

11-01B

REPORT SUMMARY

This set of financial statements provides legislators and taxpayers with a summary of the state's financial position. All operations and activities of the state are summarized in these statements. At the end of fiscal year 2011-12, Montana had approximately \$451.7 million of unassigned fund balance in the General Fund. This represents an increase of \$109.8 million from June 30, 2011.

### Context

The basic financial statements include all of the state's financial activity for the fiscal year. The General Fund and Federal Special Revenue Fund make up over 75 percent of the state's governmental revenue and expenditure activity. The Health & Human Services and Education categories account for approximately 60 percent of the state's governmental expenditures.

The Schedule of Expenditures of Federal Awards reports total federal expenditures in fiscal year 2011-12 in excess of \$2.8 billion.

An in-depth analysis of the state's financial position as of June 30, 2012, can be reviewed in the Management's Discussion and Analysis section of the report. Additional information is also provided in the Notes to the Financial Statements.

During fiscal year 2010-11, the General Fund became responsible for paying the Montana State Fund (MSF) workers' compensation claims incurred before July 1, 1990, (Old Fund claims) when the Old Fund resources were exhausted. During fiscal year 2011-12, payment of Old Fund claims and administrative expenses required a transfer of approximately \$10 million from the General Fund. The estimated claims liability as of July 1, 2012, was approximately \$59 million and is an obligation

of the General Fund. In our opinion, the accompanying financial statements do not present the estimated claims liability according to Generally Accepted Accounting Principles because they are reported as part of the State Fund component unit rather than as a long-term obligation of the General Fund.

### Results

In fiscal year 2011-12, the retirement systems' audits disclosed material noncompliance with the Montana Constitution and state law requiring the systems to be actuarially sound. As of July 1, 2012, the Public Employees' Retirement System – Defined Benefit Retirement Plan, Sheriffs', Game Wardens' and Peace Officers', Highway Patrol Officers', and the Teachers' Retirement Systems were not actuarially sound.

This report also includes a recommendation related to a significant control deficiency over the financial statement preparation process.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (11-01B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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