

FINANCIAL AUDIT
State of Montana

For the Fiscal Year Ended June 30, 2016

FEBRUARY 2017

15-01B

REPORT SUMMARY

This set of financial statements provides legislators and taxpayers with a summary of the state's overall financial position as of June 30, 2016, as well as financial information on all operations and activities of state government for the fiscal year then ended. The General Fund is used to account for all governmental financial resources except those required to be accounted for in another fund. From fiscal year 2015 to fiscal year 2016, the General Fund fund equity balance decreased from \$470 million to \$271 million, primarily due to decreased tax revenue and increased expenditures between years.

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 account for approximately 80 percent of the state's governmental revenue and expenditure activity.

The Schedule of Expenditures of Federal Awards reports total federal grant expenditures, including noncash assistance, in excess of \$3.3 billion.

In fiscal year 2016, the state implemented Governmental Accounting Standards Board requirements related to fair value measurement for investments and application. As a result, this report contains new disclosures related to how fair values of investments are determined.

Results

Our audit work included obtaining and evaluating the results of completed agency audits. Also, we analyzed financial data, including testing adjustments and corrections to the accounting records, and reviewed the financial statements and notes to determine

whether they are supported by the accounting records.

The state continues to experience funding issues related to its retirement plans. In fiscal year 2016, the Sheriffs', and Game Wardens' and Peace Officers' retirement plans, and the Public Employees' Retirement System Defined Contribution Disability Other Post Employment Benefit were not actuarially sound. The information was disclosed in the Public Employee's Retirement Board audit (16-08A) report and is considered material noncompliance with the Montana Constitution, which requires plans to be funded on an actuarially sound basis, and state law, which requires the plans to amortize within 30 years. This noncompliance is included in the 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*, and is further included in the Independent Auditor's Report.

For a complete copy of the report (15-01B) 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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