

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2021**

LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

May 2022

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, 2021.

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 Counsel's written response to the report is included in the back of the audit report.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

21C-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, 2021**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Kim Abbott - Vice Chair
Laurie Bishop
Wylie Galt
Derek Harvey
Casey Knudsen
Rhonda Knudsen

SENATORS

Mark Blasdel - Chair
Jill Cohenour
Jason Ellsworth
Pat Flowers
JP Ponnichowski
Cary Smith

EXECUTIVE DIRECTOR: Susan Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

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Denise Hayman - Chair
Emma Kerr-Carpenter
Terry Moore
Matt Regier
Jerry Schillinger

SENATORS

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John Esp
Pat Flowers
Tom Jacobson
Tom McGillvray
Mary McNally

LEGISLATIVE AUDITOR: Angus Maciver

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

REPRESENTATIVES

David Bedey
Mary Caferro - Vice Chair
Frank Garner
Jim Hamilton
Kenneth Holmlund
Llew Jones
Jim Keane
Emma Kerr-Carpenter
Bill Mercer
Sharon Stewart Peregoy
Jonathon Windy Boy

SENATORS

Mike Cuffe
Janet Ellis
Tom Jacobson
Bob Keenan
Ryan Lynch
Ryan Osmundson - Chair
Dan Salomon

LEGISLATIVE FISCAL ANALYST: Amy Carlson



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, 2021 and 2020, 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. Management is also responsible for the design, implementation, and maintenance of internal control 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, 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 financial schedules are not intended to, and do not, report assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 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 the Legislative Branch as of June 30, 2021 and 2020, or changes in financial position or cash flows thereof for the years 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 results of operations and changes in fund equity of the Legislative Branch for the fiscal years ended June 30, 2021 and 2020 in accordance with the accounting policy of the State of Montana as described in Note 1.

Emphasis of Matter

As discussed in Note 1 – Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 10, 2022 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 effectiveness of the Legislative Branch's 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.

Rudd & Company, PLLC

Helena, Montana
May 10, 2022

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>
FUND EQUITY: July 1, 2020	\$ <u>(891,013)</u>	\$ <u>1,749,586</u>	\$ <u>-</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	7,106	2,094,975	983,355
Nonbudgeted Revenues & Transfers-In	238	69,253	
Prior Year Revenues & Transfers-In Adjustments		(572)	
Direct Entries to Fund Equity	<u>25,104,973</u>	<u>(42,823)</u>	
Total Additions	<u>25,112,316</u>	<u>2,120,832</u>	<u>983,355</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	25,680,064	2,494,776	983,355
Nonbudgeted Expenditures & Transfers-Out	<u>(11,870)</u>	<u>(2,065)</u>	
Total Reductions	<u>25,668,195</u>	<u>2,492,711</u>	<u>983,355</u>
FUND EQUITY: June 30, 2021	\$ <u><u>(1,446,891)</u></u>	\$ <u><u>1,377,707</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, 2020

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>
FUND EQUITY: July 1, 2019	\$ <u>(1,218,381)</u>	\$ <u>922,912</u>	\$ <u>-</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	2,857	3,165,989	1,419
Nonbudgeted Revenues & Transfers-In	287	65,399	
Prior Year Revenues & Transfers-In Adjustments		399,240	
Direct Entries to Fund Equity	<u>20,506,005</u>	<u>72,393</u>	<u>-</u>
Total Additions	<u>20,509,149</u>	<u>3,703,021</u>	<u>1,419</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	19,121,026	2,877,626	1,419
Nonbudgeted Expenditures & Transfers-Out	(13,646)	(1,278)	
Prior Year Expenditures & Transfers-Out Adjustments	<u>1,074,401</u>	<u>-</u>	<u>-</u>
Total Reductions	<u>20,181,781</u>	<u>2,876,347</u>	<u>1,419</u>
FUND EQUITY: June 30, 2020	\$ <u><u>(891,013)</u></u>	\$ <u><u>1,749,586</u></u>	\$ <u><u>-</u></u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services		\$ 1,998,071		\$ 1,998,071
Investment Earnings		1,900		1,900
Sale of Documents, Merchandise and Property	\$ 7,106	124,671		131,777
Transfers-in		39,013	\$ 983,355	1,022,368
Miscellaneous	238			238
Total Revenues & Transfers-In	7,343	2,163,655	983,355	3,154,353
Less: Nonbudgeted Revenues & Transfers-In	238	69,253		69,490
Prior Year Revenues & Transfers-In Adjustments		(572)		(572)
Actual Budgeted Revenues & Transfers-In	\$ 7,106	\$ 2,094,975	\$ 983,355	\$ 3,085,435

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services		\$ 1,964,697		\$ 1,964,697
Investment Earnings		15,258		15,258
Sale of Documents, Merchandise and Property	\$ 2,857	580,514		583,371
Transfers-in		1,070,160	\$ 1,419	1,071,579
Miscellaneous	287			287
Total Revenues & Transfers-In	3,144	3,630,629	1,419	3,635,191
Less: Nonbudgeted Revenues & Transfers-In	287	65,399		65,686
Prior Year Revenues & Transfers-In Adjustments		399,240		399,240
Actual Budgeted Revenues & Transfers-In	\$ 2,857	\$ 3,165,989	\$ 1,419	\$ 3,170,265

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	\$ 3,166,562	\$ 1,556,610	\$ 48,960	\$ 4,914,288	\$ 370,177	\$ 1,996,743	\$ 1,412,371	\$ 13,465,711
Other Compensation						1,410,526	688,111	2,098,637
Employee Benefits	1,095,029	498,655	10,401	1,594,835	115,820	1,798,802	1,021,831	6,135,374
Total	4,261,591	2,055,265	59,361	6,509,123	485,997	5,206,071	3,122,313	21,699,721
Operating Expenses								
Other Services	118,360	6,194	18,372	1,509,000	192,979	45,341	34,987	1,925,233
Supplies & Materials	46,244	1,799	101,555	590,303	6,686	36,919	32,810	816,316
Communications	19,468	5,429	2,133	476,068	14,045	1,611	1,564	520,318
Travel	14,637	6,462	33,270	45,566	26,921	109,380	65,350	301,586
Rent	4,717	3,550		282,784	292,004	1,711	470	585,236
Repair & Maintenance			3,000	555,121	9,360	17,910	19,336	604,727
Other Expenses	5,1249	3,518	381,188	85,503	96	12,030	7,511	541,095
Total	254,676	26,952	539,517	3,544,345	542,092	224,900	162,029	5,294,511
Equipment & Intangible Assets								
Equipment				1,064,221				1,064,221
Intangible Assets				900,000				900,000
Total				1,964,221				1,964,221
Capital Outlay								
Buildings								
Total								
Transfers -out								
Fund transfers	39,013			146,795				185,808
Total	39,013			146,795				185,808
Total Expenditures & Transfers-Out	\$ 4,555,281	\$ 2,082,217	\$ 598,878	\$ 12,164,484	\$ 1,028,089	\$ 5,430,971	\$ 3,284,342	\$ 29,144,261
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,441,288	\$ 2,082,221	\$ 598,309	\$ 10,802,975	\$ 1,028,089	\$ 5,430,971	\$ 3,284,342	\$ 25,668,195
State Special Revenue Fund	2,113,993	(4)	569	378,154				2,492,711
Federal Special Revenue Fund				983,355				983,355
Total Expenditures & Transfers-Out	4,555,281	2,082,217	598,878	12,164,484	1,028,089	5,430,971	3,284,342	29,144,261
Less: Nonbudgeted Expenditures & Transfers -Out	(4,353)	(2,059)	(163)	(7,117)	(12)	(154)	(77)	(13,935)
Prior Year Expenditures & Transfers-Out Adjustments								
Actual Budgeted Expenditures & Transfers-Out	4,559,634	2,084,276	599,041	12,171,600	1,028,100	5,431,125	3,284,419	29,158,196
Budget Authority	5,337,233	2,346,338	1,363,330	12,461,720	2,068,127	8,146,524	5,241,636	36,964,907
Unspent Budget Authority	\$ <u>777,599</u>	\$ <u>262,062</u>	\$ <u>764,288</u>	\$ <u>290,119</u>	\$ <u>1,040,027</u>	\$ <u>2,715,399</u>	\$ <u>1,957,217</u>	\$ <u>7,806,712</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 726,024	\$ 262,062	\$ 597,330	\$ 81,704	\$ 1,040,027	\$ 2,715,399	\$ 1,957,217	\$ 7,379,764
State Special Revenue Fund	51,575		166,958	8,415				226,948
Federal Special Revenue Fund				200,000				200,000
Unspent Budget Authority	\$ <u>777,599</u>	\$ <u>262,062</u>	\$ <u>764,288</u>	\$ <u>290,119</u>	\$ <u>1,040,027</u>	\$ <u>2,715,399</u>	\$ <u>1,957,217</u>	\$ <u>7,806,712</u>

See Notes to the Financial Schedules

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	\$ 2,964,178	\$ 1,473,869	\$ 127,657	\$ 4,733,365	\$ 21,237	\$ 45,396	\$ 40,105	\$ 9,405,806
Other Compensation								
Employee Benefits	1,060,563	485,516	27,839	1,592,403	25,217	1,330,365	661,777	5,183,680
Total	4,024,741	1,959,384	155,496	6,325,768	46,454	1,375,760	701,882	14,589,486
Operating Expenses								
Other Services	65,862	3,313	8,128	1,361,156	4,118	1,836	2,348	1,446,759
Supplies & Materials	40,486	6,310	7,839	656,539		10,844	8,654	730,671
Communications	19,986	5,364	3,563	382,019	3,305	94	92	414,422
Travel	54,740	29,856	358,554	83,718	30,974	10,665	2,060	570,567
Rent	4,713	3,727		290,775	157,946	458	509	458,129
Repair & Maintenance				256,865		10,844	299	268,008
Other Expenses	59,638	10,854	373,312	166,441	2,820	3,779	1,754	618,597
Total	245,424	59,423	751,395	3,197,513	199,162	38,519	15,716	4,507,153
Equipment & Intangible Assets								
Equipment				480,582				480,582
Intangible Assets				2,270,224				2,270,224
Total				2,750,806				2,750,806
Transfers-out								
Fund transfers				142,042	267,670	403,060	399,330	1,212,102
Total				142,042	267,670	403,060	399,330	1,212,102
Total Expenditures & Transfers-out	\$ 4,270,165	\$ 2,018,808	\$ 906,892	\$ 12,416,130	\$ 513,286	\$ 1,817,339	\$ 1,116,928	\$ 23,059,547
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,401,431	\$ 2,018,808	\$ 774,419	\$ 11,539,569	\$ 513,286	\$ 1,817,339	\$ 1,116,928	\$ 20,181,781
State Special Revenue Fund	1,868,734		132,472	875,141				2,876,347
Federal Special Revenue Fund				1,419				1,419
Total Expenditures & Transfers-out	4,270,165	2,018,808	906,892	12,416,130	513,286	1,817,339	1,116,928	23,059,547
Less: Nonbudgeted Expenditures & Transfers-Out	(3,092)	(1,734)	(60)	(6,283)	(146)	(2,127)	(1,482)	(14,924)
Prior Year Expenditures & Transfers-Out Adjustments	3,104		(1,980)	3,217	267,670	403,060	399,330	1,074,401
Actual Budgeted Expenditures & Transfers-Out	4,270,152	2,020,542	908,931	12,419,196	245,763	1,416,406	719,080	22,000,070
Budget Authority	4,903,382	2,214,732	1,449,375	13,064,405	450,924	2,567,775	1,801,700	26,452,293
Unspent Budget Authority	\$ 633,230	\$ 194,190	\$ 540,444	\$ 645,209	\$ 205,161	\$ 1,151,369	\$ 1,082,620	\$ 4,452,223
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 450,514	\$ 194,190	\$ 372,916	\$ 455,860	\$ 205,161	\$ 1,151,369	\$ 1,082,620	\$ 3,912,630
State Special Revenue Fund	182,716		167,528	189,349				539,593
Unspent Budget Authority	\$ 633,230	\$ 194,190	\$ 540,444	\$ 645,209	\$ 205,161	\$ 1,151,369	\$ 1,082,620	\$ 4,452,223

See Notes to the Financial Schedules

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

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 Federal Special Revenue funds). 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 department 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 special state program purposes. The Legislative Branch's State Special Revenue Funds include Legislative Audit Services, Legislative Branch Information Technology Reserve Account, Legislative Branch Retirement Reserve Account, Legislative Audit Division Specialist Services Reserve Account (HB 639, L. 2019), Montana Codes Annotated, State Government Broadcasting and Legislative Fiscal Division (HB 661, L. 2017).

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Federal Funds – to account for activities funded from federal revenue sources. Legislative Branch Federal Special Revenue Funds include Legislative Coronavirus Aid, Relief, and Economic Security Act funds (CARES Act).

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 Montana Public Employees' Retirement Administration (MPERA).

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

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

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

2. PENSION PLAN (Continued)

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>
2021	8.87%	7.9%	16.77%
2020	8.77%	7.9%	16.67%

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, 2020 and 2021, were required to contribute 8.15% of their earned compensation. State agency employers were required to contribute 11.45% for fiscal year 2020 and 11.55% for fiscal year 2021. The State’s General Fund also contributes an additional .11% of total earned compensation of all TRS members.

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

	<u>PERS</u>	<u>TRS</u>
June 30, 2021	\$ 1,214,130	\$ 1,920
June 30, 2020	\$ 829,276	\$ 244
June 30, 2019	\$ 914,760	\$ 993
June 30, 2018	\$ 702,484	\$ 317

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 State’s Annual Comprehensive Annual Financial Report (CAFR), but is not presented in this regulatory framework presentation. The NPO for the legislative branch for the fiscal years ended June 30, 2021 is \$13,126,376 for PERS.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

3. GENERAL FUND EQUITY 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 exceeds the assets it has placed in the fund, resulting in negative ending General Fund equity for each of the fiscal years ended June 30, 2020 and 2021.

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.

Direct entries to fund equity in the General Fund and State Special Revenue Funds also include: correction of errors from a previous period that occurred at least two fiscal years prior; fiscal year-end entries to identify amounts that are considered nonspendable (such as merchandise inventory), as required by GASB Statement No. 54.

5. SIGNIFICANT CHANGE – USE OF FEDERAL EXPENDITURES

The Legislative Branch was awarded approximately \$984,773 from the Coronavirus Aid, Relief and Economic Security Act (CARES) in response to the pandemic beginning late in FY 2020. During FY 2020 and 2021, the Legislative Branch spent \$1,419 and \$983,355, respectively. Funds were used largely for the expansion of the Branch's information technology and audio-visual infrastructure to accommodate remote attendance of legislative sessions. Other expenditures included personal protective equipment, sanitation supplies and other materials to accommodate social distancing requirements.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

6. LITIGATION

The Legislative Branch has resolved/settled litigation related to the following matter(s):

Settled matter regarding litigation filed via email on April 1, 2019, by Mr. Jim Kephart involving Senator Mary McNally, former chair of the Legislative Audit Committee, Legal Counsel for the Legislative Audit Division, and two employees of the Montana Department of Revenue. Order of dismissal for failure to prosecute was filed on Feb. 2, 2022, by the Honorable Robert Whelan of the 2nd Judicial District Court, Silver Bow County. Costs for agency legal services for fiscal year ended June 30, 2020, was \$433.

Resolved litigation in Montana State Legislature v. McLaughlin (Final Order issued 9/7/21, Certiorari denied 3/21/22), Justice Rice v. Legislature (Order issued 10/6/21), regarding legislative subpoenas. The Attorney General's office represented the Legislature in both cases and assumed all litigation costs.



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, 2021 and 2020, as listed in the table of contents, and related notes to the financial schedules, and have issued our report thereon dated May 10, 2022.

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 financial schedules. 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.

Rudd & Company, PLLC

Helena, Montana
May 10, 2022



Montana Legislative Services Division
Office of the Executive Director

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3971

May 10, 2022

Rudd and Company, PLLC
PO Box 1989
Helena MT 59624

RE: Legislative Branch Audit Response (2021 Biennium)

Dear Rudd & Company, PLLC:

We have reviewed the draft audit report for the Legislative Branch excluding the Consumer Counsel and are pleased with the conclusion that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

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,

Susan Byorth Fox
Executive Director