LEGISLATIVE AUDIT DIVISION

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November 2015

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana University System Workers' Compensation Program for the fiscal year ended June 30, 2015.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, P.C., under a contract between the firm and our office. The contents of this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency'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-04

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MONTANA UNIVERSITY SYSTEM - WORKERS' COMPENSATION PROGRAM

AUDITED FINANCIAL STATEMENTS
With Supplemental Information

June 30, 2015

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM

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INDEPENDENT AUDITORS' REPORT

To the Legislative Audit Committee
of the Montana State Legislature
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the Montana University System - Workers' Compensation Program, an enterprise fund of the State of Montana, which comprise the statement of net position as of June 30, 2015, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana University System - Workers' Compensation Program (an enterprise fund of the State of Montana) as of June 30, 2015, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the financial statements present only the Montana University System - Workers' Compensation Program and do not purport to, and do not, present fairly the financial position of the State of Montana as of June 30, 2015, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 and the schedule of claims development information on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report Issued in Accordance with *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, on our consideration of Montana University System - Workers' Compensation Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montana University System - Workers' Compensation Program's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Montana University System Workers' Compensation Program (Program) provides this *Management's Discussion and Analysis* of the Program's financial statements. This narrative overview and analysis of the financial activities of the Program is for the fiscal year ended June 30, 2015. It should be read in conjunction with the Program's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *financial statements* provide a broad view of the Program's short-term and long-term operations and financial position. These statements are prepared using the accrual basis of accounting with revenues recognized as soon as they are earned and expenses recognized as soon as the related liability is incurred, regardless of the related cash flow timing. The financial statements include: *Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and the Notes to the Financial Statements.*

The *Statement of Net Position* presents the Program's assets and liabilities, with the difference between the two reported as "net position."

The *Statement of Revenues, Expenses and Changes in Net Position* presents changes to the Program's net position during the fiscal year. Changes in assets and liabilities are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave).

Statement of Cash Flows shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. The cash flow statement reflects the flow of cash in and cash out of the Program.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Position and Results of Operation

Revenue

Financial results indicate that fiscal year 2015 premium revenues were $4.60 million. The Program's premium revenues are based on a rate applied to payroll and are therefore dependent on employment and wages at the member campuses. The rate applied to payroll remained unchanged between fiscal years 2012 and 2015, though no premium revenue was received during a 6-month premium holiday during fiscal year 2014. Montana University System (MUS) payroll increased approximately 4% between fiscal years 2014 and 2015.

The Program utilizes an actuarial analysis to establish annual workers' compensation premium needs and adopts a rate expected to meet this need. The MUS Work Comp Committee (Committee), then divides the composite rate into two risk class rates that correspond to the National Council on Compensation Insurance (NCCI) risk classes for higher education. These premium rates are applied to monthly payroll by each member campus and submitted to the Program.

The Program earns modest interest on funds deposited with the Montana Board of Investments' (Board) Short Term Investment Pool (STIP) and interest bearing bank accounts used to pay claim costs. Total interest from both sources was less than $25,000 for the fiscal year ending June 30, 2015.

Expenses

Total Program expenses for fiscal year 2015 were $4.13 million. Claim payments, $afety $mart awards and ceded insurance premiums were the top Program expenditures during the fiscal year.

- The Program made claim payments of $2.83 million during fiscal year 2015. Though higher than in the preceding two years, this figure is less than was paid for claims expenses during each of the fiscal years 2009, 2010, 2011 and 2012.
- Ceded insurance premiums totaled nearly $309,000 during the fiscal year. The Department of Labor and Industry (DLI) mandates all self-insured workers' compensation programs carry excess insurance, additionally, the Program purchases an other states workers' compensation policy to ensure coverage for MUS employees who are living and working outside Montana on a more than temporary basis.
- The Committee authorized $600,000 in $afety $mart awards during fiscal year 2015 and slightly less than $581,000 of the awarded funds were spent within the fiscal year. $afety $mart was initiated in fiscal year 2012 as a mechanism for reducing the Program equity in a controlled manner consistent with its mission and goals. When authorized, $afety $mart funds are awarded to campuses specifically to enhance workers' safety and to reduce claim frequency and claim severity.

Net Position

Net position at fiscal yearend was $10.87 million; approximately $500,000 higher than net position at the end of the preceding fiscal year.

Insurance programs acknowledge that it is entirely possible for a given year's losses to exceed premium revenues collected in that year and that equity built through positive results achieved most years can offset larger than expected losses in exceptional years. The Program tracks numerous benchmarks to evaluate adequacy of its equity or net position. In the Program's experience, the least restrictive benchmark is Risk Based Capital -- an insurance industry measure; the most restrictive is DLI's Equity:SIR ratio of 10:1 where the SIR is the Self-Insured Retention ($750,000) on the Program's excess insurance policy.

In its history as a self-insured, the Program's losses have developed less than initially anticipated resulting in Program equity, or net position, that exceeds the DLI benchmark of $7.5 million. Starting in fiscal year 2012, the Program initiated steps to stem its equity growth. Though net position at the end of fiscal year 2015 was about 6% above the DLI benchmark, results indicate the 2015 net gain is more closely aligned with the actuarial target for annual contributions toward equity than in recent past years.

Investments

The Program's total assets (primarily cash and investments) as of June 30, 2015, totaled $19.27 million; a $1.13 million (6%) increase compared to invested assets at fiscal yearend 2014. The Program's assets are managed by the Board as required by state statute.

In 2007, the Board purchased a $25 million par issue of Orion Finance USA and two issues of Axon Financial Funding totaling $90 million par and another $25 million par issue of Orion Finance USA. These four issues were downgraded from the highest investment grade rating by Standard & Poor's and Moody's at time of purchase, to a D rating by Standard & Poor's with an insolvency event declared by each. On the January and April 2008 maturity dates, these securities matured at their amortized cost of $140 million.

These Structured Investment Vehicle (SIV) securities are currently generating cash to be applied to the securities. The Program's share of these investments as of June 30, 2015 is approximately $155,000 shown as long-term investments on the *Statement of Net Position*.

Claim Liabilities

The Program carried total liabilities of $8.40 million at the close of fiscal year 2015 with estimated claim liabilities accounting for $8.29 million (99%) of the total. Estimated claim liabilities are comprised of $1.75 million current claim liability and $6.54 million non-current claim liability, also known as Incurred but not Reported (IBNR). After three consecutive years of decreased estimated liabilities, fiscal year 2015 total liabilities are approximately 7.6% higher than at the close of fiscal year 2014.

The MUS Program utilizes a Third Party Administrator (TPA) with experienced, senior staff to manage claims and an actuary experienced in workers' compensation to calculate its claim liability and to ensure adequate rate setting and reserving for the liability.

The Program and Program's actuary will continue to incorporate Montana University System claim data, trends and experience into its estimate of current and non-current claim liability and make adjustments accordingly.

Current Year Financial and Budget Results

		FY 2015 Actual	2015 Budget	Variance
REVENUE	Premiums + Non-Op. income	4,626,489	4,560,769	65,720
OPERATING EXPENSES				
	Personnel services	95,999	93,632	(2,367)
	Operational expenses	618,661	621,020	2,359
	Benefits & Claims	2,833,778	3,000,000	166,222
	OPERATING EXPENSE SUBTOTAL	**3,548,438**	**3,714,652**	**166,214**
	OTHER EXPENSE - $afety $mart Awards	580,544	600,000	19,456
TOTAL EXPENSES		**4,128,982**	**4,314,652**	**185,670**
CHANGE IN NET POSITION		**497,507**	**246,117**	**251,390**

Budget Variance Fiscal Year 2015

The slight variations between budget and actual amounts are principally due to the necessary reliance on estimates of system payroll for revenue and estimates of claim costs for expenses prior to the start of the year.

The legislative budget authority was established at $4.56 million but the Program received slightly more than $4.62 million in revenue through premiums earned. Because premiums are based on a rate applied to payroll, some variation between anticipated/budgeted revenues and actual revenue is expected.

The benefits and claims budget amount is an estimate of ultimate losses for the fiscal year, including IBNR, whereas the benefit and claims amount recorded in the fiscal year reflects payments made only within the fiscal year.

While the Committee authorized $600,000 in $afety $mart funds, not all funds were spent within the fiscal year principally due to time extensions granted by the Committee and lower than anticipated costs for some projects.

DLI Benchmarks

Annually, the Program undergoes an analysis and determination of financial ability to meet its obligations by the DLI Self-Insurers' Regulatory Department. The Program is meeting all DLI benchmarks.

Capital Asset and Long-Term Debt Activity

No significant activity regarding capital assets occurred during the fiscal year. The Program's assets will continue to be invested by the Board as required by state statute. The Program does not carry any significant debt other than its estimated claim liabilities.

Currently Known Facts, Decisions or Conditions

Currently known facts, decisions, or conditions that are expected to have an impact on the Program's financial position (net assets) or on the results of operations (revenues and expenses) are summarized below:

- The combined premium rate adopted for fiscal year 2016, $0.98/$100 payroll, is a reduction of approximately 6% compared to the fiscal year 2015 combined rate of $1.04/$100 payroll.
- $300,000 in $afety $mart funds were authorized for distribution to campuses during fiscal year 2016.
- The Program was reimbursed approximately $23,000 by its excess insurance policy in fiscal year 2015. The Program will continue to receive reimbursements on a fiscal year 2009 claim that has pierced the SIR and is expected to remain open for the foreseeable future. A second claim was reported to the excess carrier in fiscal year 2013; however, those costs are limited to statutory survivor benefits and are not expected to exceed the excess $500,000 SIR until 2028. (Note: SIR was raised from $500,000 to $750,000 starting in fiscal year 2014).
- July 1, 2016 will mark five years since the Montana Legislature implemented a statutory 5-year claim closure, with provisions for specific exceptions and an opportunity to petition for reopening. Though the Program has had very few claims remain open five or more years since becoming self-funded, the claim closure law may have an impact on claim liability estimates and loss costs. A court challenge to the constitutionality of this claim closure provision is expected.

CONCLUSION

The Montana University System Workers' Compensation Program has a strong financial position with good liquidity. The Program is managing a careful slowing of its equity growth to better align with adequacy measures for meeting its obligations and DLI's SIR:Equity ratio benchmark. The Program and its actuary will continue to monitor the fiscal health of the Program and refine revenues to align with its specific experience as a self-insured entity.

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 18,960,034
Interest receivable	2,915
Reinsurance receivable	6,563
Short-term securities lending collateral	41,679
Prepaid expense	110,781
Total current assets	19,121,972
Noncurrent Assets	
Long-term investments	154,786
Total noncurrent assets	154,786
Total assets	$ 19,276,758
LIABILITIES	
Current Liabilities	
Vouchers payable	$ 49,984
Current portion of compensated absences liability	4,646
Current securities lending liability	41,679
Current portion of estimated claims liability	1,747,717
Total current liabilities	1,844,026
Noncurrent Liabilities	
Compensated absences liability - net of current portion	2,447
Estimated claims liability - net of current portion	6,540,623
Estimated liability - OPEB	15,435
Total noncurrent liabilities	6,558,505
Total liabilities	$ 8,402,531
NET POSITION	
Unrestricted	$ 10,874,227

See the notes to financial statements.

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Premiums	$ 4,603,374
OPERATING EXPENSES	
Claims administration	165,935
Actuary fees	15,679
Insurance and reinsurance expense	308,947
Audit fees	12,120
Dues	2,940
Department of Labor assessment	73,458
Rent	7,554
Travel	610
Supplies and materials	745
Personal services	95,999
Communications	711
Other operating expenses	29,962
Safety Smart awards	580,544
Benefits and claims	2,833,778
Total operating expenses	4,128,982
OPERATING INCOME	474,392
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	23,049
STIP security lending income	73
STIP security lending expenses	(7)
Total nonoperating revenues	23,115
CHANGE IN NET POSITION	497,507
NET POSITION BEGINNING OF YEAR	10,376,720
NET POSITION END OF YEAR	$ 10,874,227

See the notes to financial statements.

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from premiums	$ 4,603,374
Benefits and claims	(2,141,001)
Cash payments for insurance and reinsurance expense	(322,439)
Cash payments for employees	(94,726)
Cash payments for administrative expenses	(332,172)
Cash payments for other operating expenses	(618,944)
Net cash provided by operating activities	1,094,092
CASH FLOWS FROM INVESTING ACTIVITIES	
Reclassification of STIP from long-term investments	26,132
STIP security lending income received	73
STIP security lending expenses paid	(7)
Interest received	21,748
Net cash provided by investing activities	47,946
Net change in cash	1,142,038
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	17,817,996
CASH AND CASH EQUIVALENTS END OF YEAR	$ 18,960,034

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Operating income	$ 474,392
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in reinsurance receivables	23,454
Increase in prepaid expense	(13,493)
Decrease in vouchers payable	(62,040)
Increase in compensated absences liability	1,273
Increase in estimated liability - OPEB	1,183
Increase in estimated claims liability	669,323
	619,700
Net cash provided by operating activities	$ 1,094,092

See the notes to financial statements.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Program:

The Montana University System - Workers' Compensation Program (the Program) was organized to provide self-insured workers' compensation coverage for employees of the Montana University System. The Montana University System Board of Regents elected to provide workers' compensation coverage under the Compensation Plan Number One (39-71-2101, MCA) as of July 1, 2003. Prior to that date, the Montana University System obtained its workers' compensation coverage through participation in the Montana State Fund. Each member of the Program is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program.

Basis of Accounting:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, specifically standards applicable to public entity risk pools. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and reporting principles.

Professional standards require resources to be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.

- *Restricted:* Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- *Unrestricted:* Amounts not required to be reported in the other components of net position.

When both restricted and unrestricted resources are available for use, it is the Program's policy to use restricted first, then unrestricted resources as they are needed.

Reporting Entity:

In accordance with governmental accounting and financial reporting standards, there are no component units to be included with the Montana University System-Workers' Compensation Program as a reporting agency.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting:

The Program is considered a public entity risk pool and is classified as an enterprise fund of the State of Montana; that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Program is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expense incurred as appropriate for capital maintenance, public policy, management control, accountability and other purposes. The Program maintains its records on the accrual basis of accounting with revenues recorded when earned and expenses recorded when the obligation is incurred. Operating revenues and expenses generally arise from providing insurance coverage. All other revenues and expenses are classified as non-operating.

Administration of Claim Payments:

The Program contracts directly with Intermountain Claims, Inc. for claims administration services.

Allowance for Doubtful Accounts:

Management of the Program considers all premium receivables to be fully collectible, therefore, an allowance for uncollectible premiums is not deemed necessary.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking and savings accounts and specific investments held on behalf of the Program in pooled accounts with the Montana Board of Investments Short-Term Investment Program (STIP). The Program considers all highly-liquid investments with maturity of three months or less when purchased to be cash equivalents.

The Program is required by statute to invest with the Montana Board of Investment (BOI), who has a policy that STIP is managed in a manner consistent with the SEC Rule 2a7. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net position. The STIP portfolio includes asset-backed securities, commercial paper, corporate and U.S. government direct obligations, U.S. government agency securities, repurchase agreements, institutional money market funds, certificates of deposit, and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, and credit cards. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. government. U.S. government agency securities include U.S. government agency and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed-upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The variable rate securities reset to LIBOR (London Interbank Offered Rate).

Investments:

As required by Professional Standards, investments have been reported at fair value.

Premium Receivable:

These amounts represent premium receivable from a component unit (Montana University System) of the State of Montana.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. The major estimates are unpaid claims liabilities, and due to their prospective nature, actual results may differ from those estimates.

Premium Revenue:

Premium rates for all members are established by the Program's Committee based on anticipated premiums needed as determined by the actuary. Premium rates are adjusted annually based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies and in the event of increased costs due to changes in law or excessive claims costs. The Program considers anticipated investment income in determining if a premium deficiency exists.

Unpaid Claims Liabilities and Expenses:

The Program establishes claim liabilities **(**loss reserves**)** for unpaid claims liabilities based on actuarial estimates of the ultimate cost of claims (including future allocated claim adjustment expenses) that have been reported but not paid or settled and that have been incurred but not reported. The liability includes the unallocated claims adjustment expense. The liabilities are based on the estimated ultimate cost of settling the reported and unreported claims, and claims reserve development including the effects of inflation and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on current reviews of claims information, experience with similar claims and other factors. Adjustments to estimated claims liabilities are charged or credited to expense in the periods in which they are made.

During the fiscal year ended June 30, 2015, the long-term claims liability estimate was increased by $1,279,799. As a result of the change in estimate, net reporting of claims expense was $2,833,778. Excluding the adjustment, the program incurred $2,164,455 of Benefit and Claims Expense during the fiscal year.

The Program is self-insured for workers' compensation claims to a maximum of $750,000 per occurrence after July 1, 2013. Prior to July 1, 2013, the Program was self-insured for workers' compensation claims to a maximum of $500,000 per occurrence. Losses in excess of those limits or $1,000,000 for an aircraft-related claim, are covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1,000,000 above the self-insured amount. During the fiscal year ended June 30, 2015, the Program ceded $308,947 in premiums to reinsurers.

NOTE 2 -- CASH AND INVESTMENTS

Cash and cash equivalents at June 30, 2015 consist of the following:

Cash with fiscal agent	$ 373,302
Cash in bank	715,723
Cash in Montana Board of Investments STIP Program	17,871,009
Totals	$ 18,960,034

Cash in bank represents the cash held in the State of Montana Treasury. All of the cash on deposit in operating, savings and claims accounts at June 30, 2015 is in US Bank which is covered up to the limits imposed by the Federal Depository Insurance Corporation (FDIC).

The following table presents the cost and the fair value of investments at June 30, 2015

	Cost	Fair Value
Structured investment vehicles	$ 154,786	$ 154,786

Effective June 30, 2005, the Program implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 "Deposit and Investment Risk Disclosures". The investment risk disclosures are described in the following paragraphs.

Credit Risk
Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Short Term Investment Pool (STIP) securities have credit risk as measured by major credit rating services. This risk is that the issuer of a STIP security may default in making timely principal and interest payments. The Board of Investments' policy specifies that STIP securities be rated an investment grade as defined by Standard and Poor's, Moody's, or Fitch's rating services. Information regarding the credit ratings for funds held by the STIP is available in the Board of Investment's comprehensive annual financial report.

The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The STIP Investment Policy specifies concentration of credit risk exposure by limiting portfolio investment types by 2% per non-government issuer except up to 3% may be invested per issuer as long as not more than 2% is invested in securities maturing more than seven days. Investments explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement. In October 2008, the U.S. government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, the Program had no concentration of credit risk exposure to Fannie Mae and Freddie Mac in STIP.

NOTE 2 -- CASH AND INVESTMENTS (Continued)

Legal and Credit Risk

In January 2007, the Montana Board of Investments (the Board) purchased a $25 million par issue of Orion Finance USA. In April 2007, the Board purchased two issues of Axon Financial Funding totaling $90 million par and another $25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of $139,991,131 representing 5.02% of the total portfolio. At the time of purchase and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by Standard & Poor's and Aaa by Moody's. Since June 30, 2008 and through June 30, 2010, these issues carried a D rating by Standard & Poor's. On November 20, 2007, an insolvency event was declared by Axon Financial Funding. Orion Finance USA declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of $140 million.

The Board has determined that it is currently in the best interest of the STIP to continue to hold these securities in the investment portfolio. These SIV securities are currently generating cash to be applied to the securities.

The Montana University System - Workers' Compensation Program's share of these investments as of June 30, 2015 is $154,786. These are shown as long-term investments on the statement of net position.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of the outside party.

As of June 30, 2015, all STIP securities were registered in the nominee name for the Montana Board of Investments and held in the possession of State Street Bank and Trust. According to the STIP Investment Policy, "Acceptable forms of collateral under repurchase agreements will consist of U.S. Treasury and/or U.S. Agency securities which will be required to be maintained at a market value of 102% of the value of the repurchase agreement." Information regarding the collateralization and risk of funds held by the STIP is available in the Montana Board of Investment's comprehensive annual financial report. There is no regulatory oversight for the investment pool, and the pool does not have a credit quality rating.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Program investment policies do not formally address interest rate risk. According to the STIP investment policy "the STIP portfolio will minimize the risk that the market value of the securities will deviate significantly from cost due to changes in the general level of interest rate by means of the following:

1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2) investing funds primarily in short-term maturities of money market securities; and
3) maintaining a dollar-weighted average portfolio maturity of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities)."

NOTE 2 -- CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

The weighted average maturity measure expresses investment time horizons – the time when investments are due or reset and payable in days, months, or years – weighted to reflect the dollar size of the individual investments within an investment type. As of June 30, 2015, the portfolio had a dollar-weighted average portfolio maturity of 43 days. Information regarding the investments and corresponding maturities held by the STIP is available in the Board of Investment's comprehensive annual financial report.

NOTE 3 -- SECURITIES LENDING

The Board has authorized the use of securities lending transactions - loans of debt or equity securities to broker-dealer and other entities for collateral with a corresponding agreement for the Board to return the collateral for the same securities in the future. The Board has contracted with the custodial bank, State Street Bank and Trust (the Bank). The Bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities while the securities are on loan. The Board and the Bank split the earnings on security lending activities. The Board retains all rights and risks of ownership during the loan period. Information regarding the Short Term Investment Pool securities lending transactions is available in the Board's comprehensive annual financial report.

NOTE 4 -- RELATED PARTIES

Certain employees of the campuses of the university system provide services to the Program at no charge. The value of such services has not been determined.

NOTE 5 -- PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Funding Policy

The State of Montana's Public Employees' Retirement Board (Retirement Board) was authorized by 19-3-2102, MCA, to establish with the Public Employees' Retirement System (PERS) a defined contribution plan (Plan) in accordance with Montana law in July 2002. The Plan was established as a pension plan for the exclusive benefit of members and their beneficiaries and as a "qualified plan" pursuant to section 401(a) of the Internal Revenue Code and its implementing regulations. The assets of the Plan are held in a trust, with the Retirement Board acting as a trustee. The Retirement Board has the powers and shall perform the duties regarding the Plan as provided in 19-3-2104, and 19-2-403, MCA as applicable and may also exercise the powers and shall perform the duties provided in Title 19, Chapter 3, MCA. A Plan participant is vested in 100% of the participant's employee contribution account at all times and is vested 100% in the participant's employer contribution account upon completion of five years of membership service. Normal retirement age under the Plan is age 65. Upon a participant's attainment of normal retirement age and completion of five years of membership service, the participant has a nonforfeitable right to the employer contribution account. Any non-vested amounts shall be forfeited upon termination of service. Any amount forfeited will be held in a separate plan account and used to pay administrative expenses of the Plan.

NOTE 5 -- PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

The employer contribution rate per 19-3-316, MCA is calculated as follows: 6.9% and an additional contribution of 1.27% beginning on July 1, 2013, increasing .01% each fiscal year and continuing until the additional contributions terminate pursuant to 19-3-316, MCA; less the plan choice rate determined under 19-3-2117 and 19-3-212, MCA; less the education fund rate and less the long term disability fund rate under 19-3-2117, MCA. Employee plan contributions per 19-3-315(2), MCA are 7.9% of compensation. The total contribution to the participant's individual account is 12.09%.

	*Employer	Employee	Total
2015	4.19%	7.9%	12.09%
2014	4.19%	7.9%	12.09%
2013	4.19%	7.9%	12.09%

*Total Employer Contributions (8.17%) less required disbursements (3.98%) = Allocation to Employee Account (4.19%) starting in 2013.

The amount contributed by the Program to the Plan during the year ended June 30, 2015 was $5,957.

Further information regarding the plan may be obtained by contacting:

Public Employees' Retirement System
100 N Park Avenue, Suite 200
P.O. Box 200131
Helena, MT 59620-0131
(406) 444-3154

NOTE 6 -- LEASE AND RENT EXPENSE

The Program as part of the Office of the Commissioner of Higher Education entered into a ten year lease agreement with Student Assistance Foundation of Montana to lease a portion of office space at the building located on 2500 Broadway, Helena, Montana. The commencement date of the lease was January 1, 2009. During the year ended June 30, 2015, the Program paid rent of $7,554.

The following is a schedule by year of minimum future lease payments for the years ended June 30:

2016	$ 5,003
2017	5,049
2018	5,094
2019	2,547
Total minimum future lease payments	$ 17,693

NOTE 7 -- UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Program establishes actuarial estimated unpaid claims liabilities (undiscounted basis). The estimated unpaid claims incurred but not reported and loss development liability have been adjusted to reflect the actuarial best estimates of the ultimate costs of claims for 2015.

NOTE 7 -- UNPAID CLAIMS LIABILITIES (Continued)

The following represents changes in the aggregate unpaid claims liabilities for the Program for 2015:

Total present value of estimated unpaid claim losses at beginning of year	$ 7,619,017
Changes in the estimated unpaid claim losses:	
Provision for insured events of the current year	3,417,000
Decrease in provision for insured events of prior years	(583,222)
Total incurred claims	2,833,778
Payments (including claims legal defense):	
Claims paid attributable to insured events of current year	701,427
Claims paid attributable to insured events of prior years	1,463,028
Total payments	2,164,455
Total present value of estimated unpaid claim losses at end of year	$ 8,288,340

The estimated liability for workers' compensation claims as of June 30 2015, consist of the following:

Estimated claims reported but unpaid	$ 1,747,717
Estimated claims incurred but not reported and loss development	6,540,623
	$ 8,288,340

NOTE 8 -- OTHER POST-EMPLOYMENT BENEFITS

A retiree may continue coverage with the Montana University System Employee Group Benefits Plan (Benefits Plan) if the retiree is eligible to receive a State Retirement Benefit from Teacher Retirement System (TRS) or the Public Employee Retirement System (PERS) at the time they leave their employment with the Montana University System.

An eligible retiree must make arrangements with the Human Resources/Benefits Office to continue coverage as a retiree on a self-pay basis within 63 days of retirement.

NOTE 8 -- OTHER POST-EMPLOYMENT BENEFITS (Continued)

Plan Description

The Benefits Plan is considered a multiple employer agent plan. The Benefits Plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the Program. The Benefits Plan is reported as an agency fund. There are no assets or liabilities as only contributions collected and distributions made are reflected in the fund. See the funding policy that follows.

The Benefits Plan does not issue a standalone financial report, but is subject to audit as part of the State of Montana's Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at http://accounting.mt.gov/cafr/default.mcpx or by contacting the Montana Department of Administration, P.O. Box 200102, Helena, MT 59620-0102.

As of June 30, 2015, the number of MUS Worker's Compensation Program active participants in the Benefits Plan was 1.

Funding Policy

The Benefits Plan funds the post employment benefits on a pay-as-you-go basis from premiums from campuses, which are paid by retirees. Montana Code Annotated, Title 20, Chapter 25, Part 13 gives authority for establishing the group benefits plans.

The Benefits Plan's administratively established self-insured retiree medical premiums vary between $278 and $970 per month and are revised annually. The Benefits Plan provides different coinsurance amounts depending on whether members use in-network or out-of-network providers. After an annual $500 in-network deductible for most non-Medicare-eligible retirees, the Benefits Plan reimburses 75% in medical claims until the in-network out of pocket maximum of $3,500 has been reached. After the in-network out of pocket maximum is reached, the Benefits Plan reimburses covered medical claims at 100% for the remainder of the Benefits Plan year. For out-of-network services, after an annual $750 deductible (which is separate from the in-network deductible), the Benefits Plan reimburses 65% in allowed medical claim charges until the out-of-network out of pocket maximum is reached. The Benefits Plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

Annual Other Post-employment Benefit Cost and Contributions

The Program's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. For the fiscal year ended June 30, 2015, the Program's annual OPEB cost (expense) of $1,723 was equal to the ARC. The actuarial determination was based on plan information as of July 1, 2013.

There are no long-term contracts for contributions to the OPEB plan. Contributions refer to contributions made in relation to ARC.

NOTE 8 -- OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following table presents the Workers' Compensation Program OPEB cost for the fiscal year ended June 30, 2015, the amount contributed, and changes in the Workers' Compensation Program OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	$	1,575
Interest on net OPEB obligation		688
Amortization		(540)
Annual OPEB cost		1,723
Contributions made		(540)
Increase in net OPEB obligation		1,183
Net OPEB obligation - beginning of year		14,252
Net OPEB obligation - end of year	$	15,435

Actuarial Methods and Assumptions

The projected unit credit funding method was used to determine the cost of the Benefits Plan. This method's objective is to fund each participant's benefits under the Benefits Plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service.

The actuarial assumptions included, in addition to marital status at retirement, mortality rates and retirement age:

Interest/Discount Rate	4.25%
Payroll Growth Rate	2.50%
Participation	55% of future retirees are assumed to elect medical coverage, 60% of the future retirees who elect coverage and are married are assumed to elect spousal coverage as well
Healthcare Cost Trend Rate-Medical	7.00%
Healthcare Cost Trend Rate-Prescription drugs	7.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual review and revision as actual results are compared with past expectations, and new estimates are made about the future.

NOTE 9 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM
CLAIMS DEVELOPMENT INFORMATION

The table on the following pages illustrates how the Program's earned revenues (net of excess loss coverage) and investment income compare to related costs of loss (net of loss assumed by excess loss coverage insurers) and other expenses assumed by the Program as of the end of each of the previous eleven years. The rows of the table are defined as follows:

1 This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue.

2 This line shows each fiscal year's other operating costs of the Program including overhead and claims expense not allocable to individual claims.

3 This line shows the Program's gross incurred claims and allocated claim adjustment expenses and net incurred claims and allocated adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy* year).

4 This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5 This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6 This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.

7 This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

MONTANA UNIVERSITY SYSTEM - WORKERS' COMPENSATION PROGRAM
CLAIMS DEVELOPMENT INFORMATION

	Fiscal and Policy Year Ended											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net earned (required contribution and investment revenues)	$ 2,273,944	$ 2,850,849	$ 3,510,259	$ 4,153,570	$ 4,777,099	$ 4,930,524	$ 4,758,849	$ 4,515,064	$ 3,968,546	$ 4,052,736	$ 1,930,189	$ 4,316,704
2. Unallocated expenses	227,267	279,716	263,904	259,412	386,512	460,508	441,977	426,068	883,006	701,688	1,002,129	985,418
3. Estimated incurred claims and expenses, end of policy year	2,174,000	2,366,000	2,453,000	2,600,000	2,693,000	2,922,000	2,959,000	3,115,000	3,158,000	3,399,000	3,329,000	3,417,000
4. Gross paid (cumulative) as of:												
End of policy year	551,749	382,154	390,972	367,913	469,399	640,717	572,486	742,041	709,651	891,252	1,010,989	701,427
One year later	1,019,751	1,001,996	910,335	932,787	1,099,932	1,764,405	1,446,724	1,608,465	1,185,473	1,803,450	1,647,393	
Two years later	1,123,504	1,227,600	1,254,242	1,092,644	1,286,205	2,997,006	1,835,851	1,900,333	1,277,606	2,282,882		
Three years later	1,147,508	1,526,088	1,351,046	1,157,520	1,440,632	3,275,598	2,071,374	1,961,168	1,317,629			
Four years later	1,165,362	1,554,903	1,386,285	1,203,059	1,497,940	3,450,482	2,190,713	2,078,996				
Five years later	1,210,361	1,660,121	1,393,297	1,227,284	1,563,146	3,630,194	2,354,356					
Six years later	1,251,309	1,691,861	1,401,236	1,238,378	1,571,929	3,672,828						
Seven years later	1,253,722	1,759,234	1,408,799	1,238,514	1,574,542							
Eight years later	1,257,246	1,769,993	1,410,797	1,238,514								
Nine years later	1,259,246	1,785,717	1,410,797									
Ten years later	1,261,093	1,793,068										
Eleven years later	1,263,925											
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses												
End of policy year	2,174,000	2,366,000	2,453,000	2,600,000	2,693,000	2,922,000	2,959,000	3,115,000	3,158,000	3,399,000	3,329,000	3,417,000
One year later	2,174,000	2,565,000	2,267,356	2,293,413	2,686,541	3,046,000	3,017,000	3,428,000	3,364,000	3,693,000	3,317,000	
Two years later	2,037,000	2,459,000	2,510,000	2,412,000	2,630,000	3,977,000	3,000,000	3,396,000	2,650,000	3,712,000		
Three years later	1,830,000	2,602,000	2,471,000	2,131,000	2,391,000	4,199,000	3,078,000	3,032,000	2,140,000			
Four years later	1,570,000	2,622,000	2,069,000	1,804,000	2,335,000	3,987,000	2,923,000	2,725,000				
Five years later	1,499,000	2,312,000	1,512,000	1,779,000	1,754,000	3,657,000	2,926,000					
Six years later	1,327,000	1,965,000	1,511,000	1,412,000	1,769,000	3,318,000						
Seven years later	1,284,000	1,825,000	1,422,000	1,231,000	1,661,000							
Eight years later	1,288,000	1,825,000	1,388,000	1,232,000								
Nine years later	1,244,000	1,785,000	1,390,000									
Ten years later	1,246,000	1,805,000										
Eleven years later	1,248,000											
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(926,000)	(561,000)	(1,063,000)	(1,368,000)	(1,032,000)	396,000	(33,000)	(390,000)	(1,018,000)	313,000	(12,000)	-

See the accompanying independent auditors' report.

INDEPENDENT AUDITORS' 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*

To the Legislative Audit Committee
of the Montana State Legislature
Helena, Montana

We have audited, 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, the financial statements of the Montana University System - Workers' Compensation Program, (an enterprise fund of the State of Montana) which comprise the statement of net position as of June 30, 2015, and the related statement of revenue, expense and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montana University System - Workers' Compensation Program'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montana University System - Workers' Compensation Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montana University System - Workers' Compensation Program'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements 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 over financial reporting 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 Montana University System - Workers' Compensation Program's financial statements are free of 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 statement 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*.

We noted certain other matters that we reported to management of the Montana University System - Workers' Compensation Program in a separate letter dated October 28, 2015.

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.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 28, 2015

MONTANA UNIVERSITY SYSTEM -
WORKERS' COMPENSATION PROGRAM
SCHEDULE OF FINDINGS AND RESPONSES

The results of our tests disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters or any internal control deficiencies considered to be significant deficiencies or material weaknesses, which were required to be reported under *Government Auditing Standards* as of June 30, 2015.