



INDEPENDENT AUDITOR'S 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 Board of County Commissioners  
Yellowstone County  
Billings, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yellowstone County, Montana (the County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County’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; 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*.

**County’s Response to Findings**

The County’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Billings, Montana  
February 4, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of County Commissioners  
Yellowstone County  
State of Montana

**Report on Compliance on Major Federal Program**

We have audited Yellowstone County, State of Montana's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

***Report on Internal Control over Compliance***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anderson Zurmuehlen + Co, P.C.*

Billings, Montana  
February 4, 2020

YELLOWSTONE COUNTY, MONTANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (Page 1 of 2)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/18</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/19</u>
<b>U.S. Department of Treasury</b>							
<u>Direct Programs:</u>							
Equitable Sharing Program	21.016	N/A	N/A	8,811	0	0	8,811
<b>Total U.S. Department of Treasury</b>			<b>\$0</b>	<b>\$8,811</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,811</b>
<b>U.S. Department of Justice</b>							
<u>Direct Programs:</u>							
Emergency Equipment Enhancements for City and County (JAG Sub-grant from City of Billings)	16.738		25,585	0	25,585	25,585	0
			<b>\$25,585</b>	<b>\$0</b>	<b>\$25,585</b>	<b>\$25,585</b>	<b>\$0</b>
<u>Passed through State Board of Crime Control:</u>							
Yellowstone County Victim Witness Program	16.575	16-V88-92054	210,202	0	91,700	91,700	0
VOCA- AT33	16.575	15-V88-92310	18,330	0	18,330	18,330	0
VOCA- CAC AT32	16.575	15-V44-92337	15,720	0	15,720	15,720	0
VOCA- Center for Children and Families	16.575	17-V01-92077	155,893	0	122,402	122,402	0
<b>Total U.S. Department of Justice</b>			<b>\$400,145</b>	<b>\$0</b>	<b>\$248,152</b>	<b>\$248,152</b>	<b>\$0</b>
<b>U.S. Department of Health and Human Services</b>							
<u>Passed through State Department of Health and Human Services</u>							
Foster Care Title IV-E	93.658		N/A	\$0	244,845	244,845	0
<b>Total U.S. Department of Health and Human Services</b>			<b>\$0</b>	<b>\$0</b>	<b>\$244,845</b>	<b>\$244,845</b>	<b>\$0</b>

The accompanying notes are an integral part of this schedule.

YELLOWSTONE COUNTY, MONTANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (Page 2 of 2)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/18</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/19</u>
<b>U.S. Department of Homeland Security</b>							
<b>Passed through State Department of Military Affairs, DES Division</b>							
FY19 Emergency Mgt Performance Grant (EMPG) Yellowstone	97.042	EMD-2017-EP-00003	158,000	0	118,951	118,951	0
FEMA- Pre-Disaster Mitigation Planning	97.047	PDMC-PL-08-MT-2016-003	36,604	0	26,965	26,965	0
Homeland Security- Portable Interoperable Communications	97.067	EMW-2018-SS-00021	155,507	0	97,689	97,689	0
<b>Total U.S. Department of Homeland Security</b>			<b>\$350,111</b>	<b>\$0</b>	<b>\$243,605</b>	<b>\$243,605</b>	<b>\$0</b>
<b>U.S. Department of Interior</b>							
<b>Passed through State Department of Natural Resources &amp; Conservation</b>							
Volunteer Fire Assistance Program Sub Award	10.664	VFA-19-560	8,000	0	8,000	8,000	0
Sub-Total CFDA Number 10.664			8,000	0	8,000	8,000	0
<b>Direct Programs</b>							
BLM-Community Assistance	15.228	L14AC00118	48,060	0	14,908	14,908	0
BLM Noxious Weed Control	15.230	L17AC00054	5,500	0	5,257	5,257	0
Taylor Grazing	N/A	N/A	N/A	0	314	314	0
Bankhead Jones	N/A	N/A	N/A	0	3,209	3,209	0
			53,560	0	23,688	23,688	0
<b>Total U.S. Department of Interior</b>			<b>\$61,560</b>	<b>\$0</b>	<b>\$31,688</b>	<b>\$31,688</b>	<b>\$0</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$837,401</b>	<b>\$8,811</b>	<b>\$793,875</b>	<b>\$793,875</b>	<b>\$8,811</b>

The accompanying notes are an integral part of this schedule.

**YELLOWSTONE COUNTY, MONTANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2019**  
**Page 1 of 2**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Yellowstone County, Montana (County) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect Cost Rate**

The County has elected not to use the 10 percent minimis indirect cost rate in Sec. 200.414 Indirect Costs under Uniform Guidance.

**(4) Relationship to General Purpose Financial Statements**

Federal awards revenues are reported in the County's general purpose financial statements as follows:

	Federal Awards <u>Revenues</u>	State & Local Intergovernmental <u>Revenues</u>	Total Intergovernmental <u>Revenues</u>
General Fund	\$ 514,979	\$ 1,559,131	\$ 2,074,110
Road Fund	3,209	2,804,900	2,808,109
Property and Liability Insurance Fund	0	35,428	35,428
Public Safety Fund	25,585	364,390	389,975
Nonmajor Governmental Funds	250,102	1,473,163	1,723,265
<b>Totals</b>	<u>\$ 793,875</u>	<u>\$ 6,237,012</u>	<u>\$ 7,030,887</u>

**YELLOWSTONE COUNTY, MONTANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2019**

Page 2 of 2

**(5) Matching Funds**

In accordance with the terms of the grants, the County has expended cash and in-kind matching contributions during the year ended June 30, 2019 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<b><u>US Department of Justice</u></b>		
Yellowstone County Victim-Witness Program	16-V88-92054	26,274
VOCA - AT33	15-V88-92310	7,182
VOCA - CAC AT32	15-V44-92337	6,159
VOCA - Center for Children and Families	17-V01-92077	18,400
		<b><u>\$ 58,015</u></b>
 <b><u>US Department of Homeland Security</u></b>		
FY19 Emergency Mgt Performance Grant (EMPG) Yellowstone	EMD-2017-EP-00003	119,051
FEMA Hazard Mitigation Grant	PDMC-PL-08-MT-2016-003	535
		<b><u>\$ 119,586</u></b>
 <b><u>US Department of Interior</u></b>		
Volunteer Fire Assistance Program Sub Award	VFA-19-560	800
BLM-Community Assistance	L14AC00118	7,969
		<b><u>\$ 8,769</u></b>
 <b><u>Total Matching on Federal Expenditures</u></b>		 <b><u>\$ 186,370</u></b>



YELLOWSTONE COUNTY, STATE OF MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)	No

YELLOWSTONE COUNTY, STATE OF MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2019

**Identification of major programs**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	U.S. Department of Health and Human Services – Foster Care Title IV-E
97.067	U.S. Department of Homeland Security – Portable Interoperable Communications

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**Section II – Financial Statement Finding**

**2019-01 Presentation of Net Position**

*Criteria:*

Debt issued for the purposes of purchasing capital assets should be netted against the net investment in capital assets on the government-wide statement of net position.

*Condition:*

Net investment in capital assets on the government-wide statement of net position for governmental activities did not reflect the proper amount of related debt.

*Context:*

New debt issuances were not included in the calculation of net position for the net investment in capital assets.

*Effect:*

Net investment in capital assets was overstated by \$9,941,454 and unrestricted net position was understated by \$9,941,454. The total net position reported for the government-wide statement of net position was not affected.

YELLOWSTONE COUNTY, STATE OF MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2019

**2019-01 Presentation of Net Position (Continued)**

*Cause:*

There were no procedures in place to ensure that new and existing debt related to the purchase of capital assets was properly included in the calculation of net position for net investment in capital assets on the government-wide statement of net position.

*Recommendation:*

We recommend that management develop an annual reconciliation of the net investment in capital assets account to ensure that all applicable debt is included in the calculation.

*Client Response:*

Yellowstone County will include all debt related to capital assets in the calculation of net investment in capital assets in the future.

**Federal Award Findings and Questioned Costs**

**None Reported.**

**Prior Year Financial Statement Findings**

**None Reported.**

**Prior Year Federal Award Findings and Questioned Costs**

**None Reported.**