

IV. SINGLE AUDIT SECTION

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, 2013, which collectively comprise the County's basic financial statements and have issued our report thereon December 16, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yellowstone 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 Yellowstone County's internal control. Accordingly, we do not express an opinion on the effectiveness of Yellowstone 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 over financial reporting 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; therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Yellowstone 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.

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.

Anderson Zurmuehlen & Co, P.C.

Billings, Montana
December 16, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of County Commissioners
Yellowstone County
Billings, Montana

Report on Compliance on Major Federal Program

We have audited Yellowstone County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Yellowstone County's major federal program for the year ended June 30, 2013. Yellowstone County's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on Yellowstone County's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements (referred to above), which could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Yellowstone 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 the major federal program. However, our audit does not provide a legal determination of Yellowstone County's compliance.

Opinion on Major Federal Program

In our opinion, Yellowstone 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, 2013.

Report on Internal Control Over Compliance

Management of Yellowstone 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 Yellowstone County's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 OMB Circular A-133, 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 Yellowstone 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
December 16, 2013

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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<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 06/30/12</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/13</u>
U.S. Department of Transportation							
<u>Passed through State Department of Transportation/Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600, 20.6	105991	10,000	0	1,945	1,945	0
Yellowstone County STEP OT	20.600, 20.6	106712	10,000	0	8,021	8,021	0
			<u>20,000</u>	<u>0</u>	<u>9,966</u>	<u>9,966</u>	<u>0</u>
<u>Passed through State Department of Transportation:</u>							
Community Transportation Enhancement Program (CTEP)-Sidewalk Hillner Ln-Blngs	20.205	Control No. 7932	109,957	0	13,495	13,495	0
Community Transportation Enhancement Program (CTEP)-Bike/Ped Safety Campaign-Blngs	20.205	Control No. 7939	86,466	0	23,875	23,875	0
			<u>196,423</u>	<u>0</u>	<u>37,370</u>	<u>37,370</u>	<u>0</u>
Total U.S. Department of Transportation			<u>\$216,423</u>	<u>\$0</u>	<u>\$47,336</u>	<u>\$47,336</u>	<u>\$0</u>
U.S. Department of Justice							
<u>Direct Programs:</u>							
Emergency Equipment Enhancements for the City of Billings and Yellowstone County (JAG Sub-grant from City of Billings)	16.738	2011-DJ-BX-3277	12,928	0	4,110	4,110	0
Emergency Equipment Enhancements for City and County (JAG Sub-grant from City of Billings)	16.738	2012-DJ-BX-1081	12,910	0	10,146	10,146	0
Project CALM	16.745	2010-MO-BX-0061	250,000	0	63,243	63,243	0
			<u>275,838</u>	<u>0</u>	<u>77,499</u>	<u>77,499</u>	<u>0</u>
<u>Passed through Montana Department of Administration:</u>							
COPS 2007 Technology Program	16.710	2007CKWX0043	N/A	0	1,913	1,913	0
			<u>0</u>	<u>0</u>	<u>1,913</u>	<u>1,913</u>	<u>0</u>
<u>Passed through State Board of Crime Control:</u>							
Yellowstone County Victim-Witness Program	16.575	12-V01-91200	51,640	0	51,640	51,640	0
Jail-Based Treatment Program	16.593	11-R01-91064	60,511	0	45,007	45,007	0
Yellowstone County PPN Prosecutor	16.609	11-001-91250	28,713	0	28,713	28,713	0
			<u>140,864</u>	<u>0</u>	<u>125,360</u>	<u>125,360</u>	<u>0</u>
<u>Passed through State Office of Court Administrator:</u>							
Montana Case Management and Offender Tracking Program	16.541	2010-JL-FX-0473	N/A	0	18,600	18,600	0
			<u>0</u>	<u>0</u>	<u>18,600</u>	<u>18,600</u>	<u>0</u>
Total U.S. Department of Justice			<u>\$416,702</u>	<u>\$0</u>	<u>\$223,372</u>	<u>\$223,372</u>	<u>\$0</u>
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Lockwood Water & Sewer District	14.228	MT-CDBG-10PF-08	450,000	0	0	0	0
Total U.S. Department of Housing & Urban Development			<u>\$450,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
U.S. Department of Health and Human Services							
<u>Passed through State Department of Health and Human Services</u>							
Foster Care Title IV-E	93.658	20123LEGL0005	N/A	\$0	158,514	158,514	0
Total U.S. Department of Health and Human Services			<u>\$0</u>	<u>\$0</u>	<u>\$158,514</u>	<u>\$158,514</u>	<u>\$0</u>

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, 2013

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<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 06/30/12</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/13</u>
U.S. Department of Homeland Security							
<u>Passed through State Department of Military Affairs, DES Division</u>							
FFY12 Emergency Mgt Performance Grant (EMPG) Yellowstone	97.043	EMW-2011-EP-00035/EMW-2012-SS-00143-S01	92,790	0	92,790	92,790	0
FEMA Hazard Mitigation Grant	97.039	DR-1767-P-1-R	101,720	0	21,924	21,924	0
NE Billings Communications Site-Planning	97.055	2010-IP-T0-0023	45,932	0	14,721	14,721	0
FFY10 NE Billings Site Build Out/Microwave Hops	97.067	2010-SS-T0-0089	653,221		575,699	575,699	0
Total U.S. Department of Homeland Security			\$893,663	\$0	\$705,134	\$705,134	\$0
U.S. Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
2012 Volunteer Fire Assistance Program	10.664	VFA-13-560	7,000	0	7,000	7,000	0
			7,000	0	7,000	7,000	0
<u>Direct Programs</u>							
BLM-MT925-Community Assistance-2009	15.228	L09AC15445	74,025	0	3,054	3,054	0
BLM Noxious Weed Control	15.230	L12AC20322	10,000	0	0	0	0
Taylor Grazing	N/A	N/A	N/A	0	299	299	0
			84,025	0	3,353	3,353	0
Total U.S. Department of Interior			\$91,025	\$0	\$10,353	\$10,353	\$0
Environmental Protection Agency							
<u>Passed through Montana Department of Agriculture</u>							
Pesticide Recycle Grant	66.605	MDA 11-30-049	920	268	268	268	0
Total Environmental Protection Agency			\$920	\$268	\$268	\$268	\$0
TOTAL FEDERAL AWARDS			\$2,068,733	\$268	\$1,144,977	\$1,144,977	\$0

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, 2013
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(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yellowstone County, Montana (County) and is presented using a basis of accounting which is consistent with the general purpose financial statements, which is described in note 1 to the County's general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) 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 and Local Intergovernmental <u>Revenue</u>	Total Intergovernmental <u>Revenues</u>
General Fund	\$ 261,390	\$ 525,445	\$ 786,835
Road Fund	0	2,050,091	2,050,091
Property and Liability Insurance Fund	0	12,263	12,263
Public Safety Fund	724,805	153,269	878,074
Nonmajor Governmental Funds	158,782	1,403,199	1,561,981
Totals	\$ <u>1,144,997</u>	\$ <u>4,144,267</u>	\$ <u>5,289,244</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

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(3) 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, 2013 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>US Department of Transportation</u>		
Community Transportation Enhancement Program (CTEP)-		
Sidewalk Hillner Lane – Billings	Control No. 7932	2,092
Bike/Ped Safety Campaign – Billings	Control No. 7939	5,047
		<u>\$7,139</u>
<u>US Department of Justice</u>		
Project CALM	2010-MO-BX-0061	80,260
COPS 2007 Technology Program	2007CKWX0043	319
Yellowstone County Victim-Witness Program	12-V01-91200	12,910
Jail-Based Treatment Project - JBT	11-R01-91064	36,001
Yellowstone County PPN Prosecutor	11-O01-91250	28,713
		<u>\$158,203</u>
<u>US Department of Homeland Security</u>		
FFY12 Emergency Mgt Performance Grant (EMPG) Yellowstone	EMW-2011-EP-00035/EMW-2012-SS-00143-S01	92,790
FEMA Hazard Mitigation Grant	DR-1767-P-1-R	9,093
		<u>\$101,883</u>
<u>US Department of Interior</u>		
2012 Volunteer Fire Assistance Program	VFA 13-560	778
BLM-MT925-Community Assistance – 2009	L09AC15445	3,026
		<u>\$3,804</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u>\$271,029</u>

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that are 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 deficiency identified that are not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for its major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Identification of Major Programs

97.067	Homeland Security Grant Program	\$575,699
	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
	Auditee qualified as low-risk auditee?	Yes

Findings and Significant Deficiencies or Material Weaknesses – Financial Statement Audit- None Reported

Findings and Questioned Costs- Major Federal Award Programs Audit- None Reported

Prior Year Audit Findings- None Reported