

**RESOLUTION NO. 3504**

**A RESOLUTION AUTHORIZING THE CITY OF MILES CITY TO ENTER INTO A CONTRACT WITH OLNES & ASSOCIATES, P.C. FOR AUDIT SERVICES FOR FISCAL YEAR 2011-2012, FISCAL YEAR 2012-2013, AND FISCAL YEAR 2013-2014.**

*WHEREAS*, the City of Miles City desires to obtain financial audit services for Fiscal Years 2011-2012, 2012-2013, and 2013-2014;

*AND WHEREAS* Olness & Associates, P.C. has submitted a proposal to provide such audit services to the City of Miles City;

*AND WHEREAS*, the City Council has determined that the proposed Standard Audit Contract with Olness & Associates, P.C., dated May 31, 2012, attached hereto as Exhibit "A", is in the best interests of the City of Miles City;

**NOW THEREFORE, IT IS RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA AS FOLLOWS:**

1. The Standard Audit Contract between the City of Miles City, Montana and Olness & Associates, P.C., a Montana professional corporation, of Billings, Montana, dated May 31, 2012, attached hereto as Exhibit "A", and made a part hereof, is hereby approved and adopted by this Council subject to approval by the Department of Administration of the State of Montana.
2. The Mayor of the City of Miles City is hereby empowered and authorized to execute said Standard Audit Contract on behalf of the City of Miles City and bind the City of Miles City thereto.
3. The Mayor of the City of Miles City and the City Clerk are hereby empowered and authorized to execute such further documents as are necessary to carry out the terms of said Standard Audit Contract and bind the City of Miles City thereto.

**SAID RESOLUTION FINALLY PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL OF THE CITY OF MILES CITY, MONTANA, THIS 26TH DAY OF JUNE, 2012.**

  
\_\_\_\_\_  
C.A. Grenz, Mayor

ATTEST:

  
\_\_\_\_\_  
Rebecca Stanton, City Clerk

Exhibit "A"

DEPARTMENT OF ADMINISTRATION  
LOCAL GOVERNMENT SERVICES BUREAU  
STANDARD AUDIT CONTRACT

**RECEIVED**  
JUL 09 2012  
ADMINISTRATION  
LOCAL GOVERNMENT  
SERVICES BUREAU

THIS CONTRACT is made this 31<sup>ST</sup> day of MAY, 2012, by and between

OLNESS & ASSOCIATES, PC

**Certified or Licensed Public Accountant**

**("Contractor"),**

CITY OF MILES CITY

**Governmental Entity**

**("Entity"),**

and the Montana Department of Administration, Local Government Services Bureau, ("State"), PO Box 200547, Helena, MT 59620-054 acting under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

1. **State Approval:** This contract is not effective with respect to any party until it is approved and signed by the State, as required by Section 2-7-506(3), MCA. The Contractor may not begin any audit work until the State gives this approval. If the Contractor begins work before the State has approved and signed the contract and the State subsequently does not approve and sign the contract, the Contractor is not entitled to receive any compensation for the work performed.

2. **Audit Period and Payment:** This contract covers the following audit period(s):  
JULY 1, 2011 to JUNE 30, 2014.

A. The Entity shall pay the Contractor for the audit work on the basis of time and necessary out-of-pocket expenses, which will not exceed:

\$ 14,750 for initial (or sole) audit covering 07/01/2011 to 06/30/2012.

\$ 14,750 for subsequent audit covering 07/01/2012 to 06/30/2013.

\$ 14,750 for subsequent audit covering 07/01/2013 to 06/30/2014.

The Entity shall pay the fees listed in Appendices A, B & C, as applicable, which are attached hereto and incorporated by reference.

B. If the cost of any subsequent audit is not agreed upon at the time this contract is executed, the Contractor and the Entity shall negotiate the cost at a later date. The results of this negotiation will be set forth in the Appendices and made a part of this contract. The Contractor shall provide the State and the Entity with a copy of the appropriate Appendices.

C. The contract payments do not include the cost of additional work that may be required if the Contractor discovers a defalcation or material irregularity. Any change in the scope of the audit services to be provided under this contract requires a contract amendment.

2. continued:
- D. The Contractor may submit interim bills to the Entity each month, based upon the estimated percentage of contract completion. The Entity may retain 10 percent of each of these estimates until the Contractor has delivered the final audit report, at which time the Entity shall release the amount retained.
3. **Audit Scope:** The Contractor shall conduct a financial statement audit of the Entity as follows:
- A. The Contractor shall conduct the audit in accordance with (i) generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and (ii) the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The objective of the audit is the expression of the Contractor's opinion on the Entity's financial statements. The Contractor shall obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, the audit is not designed to detect error or fraud that is immaterial to the financial statements. If the Contractor's opinion on the Entity's financial statements is other than unqualified, the Contractor shall fully discuss the reasons with the Entity in advance of issuing a report. If, for any reason, the Contractor is unable to complete the audit or is unable to form or has not formed an opinion, the Contractor may decline to express an opinion or decline to issue a report as a result of the engagement.
- B. The Contractor shall include tests of internal control over financial reporting, but the audit is not designed to provide an opinion on internal control or to identify significant deficiencies. The Contractor, however, shall make the Entity aware, in writing, of any significant deficiencies that come to the Contractor's attention.
- C. The Contractor shall include the following tests of compliance and other matters as required by Government Auditing Standards. These tests, however, will not be designed to provide an opinion on such compliance. The Contractor shall determine whether:
- (1) the Entity has complied with all appropriate statutes and regulations, as required by Section 2-7-502, MCA;
  - (2) the Entity has complied with the provisions of each of its revenue bond ordinances and indenture agreements;
  - (3) if the audit is of a county, city or town, money is or has been retained in a local charge for services fund contrary to the requirements of Sections 17-2-301 through 17-2-303, MCA, as required by Section 17-2-302, MCA. **The Contractor shall report any findings of noncompliance with the provisions of these statutes, regardless of materiality;** and
  - (4) if the audit is of a county or consolidated city/county government, the Entity has complied with state laws relating to receipts and disbursements of agency funds maintained by the Entity, as required by Section 2-7-505, MCA.
- D. When applicable, the audit must meet all requirements of the Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133.
- E. The audit scope with regard to federal financial assistance for each fiscal year covered by this audit contract must be as specified in Appendices A, B and C.

3. continued:

- F. Except as provided below, for purposes of determining the scope of the audit, the Entity is considered the financial reporting entity as defined by the Governmental Accounting Standards Board. This provision does not preclude the Entity from engaging a different audit firm for the audit of a segment, fund or component unit of the Entity. However, both the Entity and Contractor shall notify the State whenever the Entity elects to engage a different audit firm for the audit of a segment, fund or governmental component unit. Such additional audit must be contracted for on the State's Standard Audit Contract, and the audit firm shall be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the State.

If this contract is for an audit of a segment, fund, or governmental component unit of the primary government, the Entity is considered to be the segment, fund or component unit.

- G. Any school district audit must also include auditing procedures sufficient to provide an opinion as to whether the following supplemental information is fairly stated in relation to the basic financial statements:
- (1) the school district's enrollment for the fiscal year or years being audited as reported to the Office of Public Instruction in the Fall and Spring enrollment reports; and
  - (2) when applicable, the extracurricular funds for pupil functions.
- H. If the Entity is a school district or associated cooperative, the Contractor shall contact the State Office of Public Instruction and the county superintendent of schools before or during the audit of the Entity. The Contractor shall determine whether those offices are aware of potential financial or legal compliance problems relating to the Entity that could affect the scope of the audit.
- I. The Contractor shall immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor shall also immediately notify the State Office of Public Instruction in writing.
- J. The Contractor shall provide the Entity with a copy of its most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the contract period.
- K. The Contractor shall notify the Entity of all proposed audit adjustments and, if the Entity concurs, shall obtain written acceptance of these proposed adjustments. The State reserves the right to request documentation of these proposed and accepted audit adjustments.

4. **Entity's Responsibilities:** The Entity shall be responsible for:

- A. its basic financial statements, including note disclosures;
- B. all supplementary information required by GASB and by provisions of this contract;
- C. establishing and maintaining effective internal control over financial reporting, including internal controls related to the prevention and detection of fraud;
- D. ensuring that it complies with the laws and regulations applicable to its activities;

4. continued:
  - E. making all financial records and related information available to the Contractor;
  - F. the schedule of expenditures of federal awards required for audits conducted under OMB Circular A-133;
  - G. approving all proposed audit adjustments before posting, if the Entity concurs with the proposed adjustments;
  - H. adjusting the financial statements and accounting records to correct material misstatements and to agree with the audited financial statements; and
  - I. providing the Contractor, at the conclusion of the audit engagement, with a letter that confirms certain representations made during the audit, including an affirmation that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
5. **Dates for Annual Financial Report or Trial Balance of Accounts:** The Entity shall prepare its annual financial report or a trial balance of accounts no later than the dates specified in Appendices A, B and C. If the Entity is unable to prepare its annual financial report or trial balance by the date specified in the Appendices, the Entity shall notify the Contractor and the State in writing prior to the specified dates.
6. **Beginning the Audit:** The Contractor shall begin the audit field work based on the schedule established in Appendices A, B and C. Under Section 2-7-503(3)(a), MCA, all audits must commence within nine months from the close of the last fiscal year of the audit period.
7. **Completion of Audit:** The Contractor shall deliver the audit report to the Entity and the State, based on the schedule established in Appendices A, B and C. If the Contractor cannot deliver the audit report to the Entity and the State on the date specified in the Appendices, the Contractor shall notify the Entity and the State in writing of that fact, and the reason(s) therefore. Under Section 2-7-503(3)(a), MCA, all audits must be completed and the reports issued within one year from the close of the last fiscal year covered by the audit. If the audit is conducted in accordance with the provisions of OMB Circular A-133, the Contractor shall also complete the audit and issue the audit report within the time period required by that Circular, unless a longer period has been agreed to in advance by the federal cognizant or oversight agency for audit. If the Entity has requested and received an extension of the A-133 due date from a federal agency, the Entity shall submit a copy of the approved extension to the State.
8. **Audit Presentation:** The final audit report must contain basic financial statements and required supplementary information consistent with financial reporting standards in effect for the year or years being audited, as established by the Governmental Accounting Standards Board. In addition, other supplementary information required by provisions within this contract and by OMB Circular A-133 must also be included, if applicable.
  - A. The final audit report must also contain any other financial statements and supporting schedules and information as agreed upon by the Entity and Contractor.
  - B. The financial statements presented must be in accordance with the financial reporting standards in effect for the year or years being audited, as described above. If the accounting records or other circumstances do not permit financial statements to comply with these requirements, the Contractor shall notify the

8. continued:  
State of those conditions and describe the financial statements that will be presented. The applicable auditor's reports must also be modified as required to reflect a departure from generally accepted accounting principles.
- C. If the audit is of a school district with separate elementary and high school district general funds, the general funds must be combined as a single major fund. All other funds must be separately considered for major fund criteria.
- D. If the audit is a biennial audit covering two years, the Contractor shall present complete financial statements as specified above for each year covered by the audit. However, note disclosures for both fiscal years may be in one set of notes, with separate fiscal year disclosures as necessary. The two years must be presented under one audit report cover and opined upon in one Independent Auditor's Report.
9. **Auditor's Reports:** All audit reports must contain the following auditor's reports, which must comply with applicable professional standards in effect for the fiscal year or years being audited:
- A. an independent auditor's report on the financial statements of the Entity;
- B. a 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. If applicable, this report must include information about fraud, illegal acts, significant violations of provisions of contracts or grant agreements, and significant abuse, or indications of these acts.
- C. a report disclosing any lack of compliance with State statutes, rules, regulations, or ordinances that would not have a material effect on the financial statements, but of which the Contractor becomes aware during the course of the audit. This report must be referred to in the report required in 9.B. above. This report may be combined with other reports if appropriate, or the findings may be included in a management letter. If included in a management letter, that letter must be included as a part of, or accompanying, the audit report.
- D. a report on any supplemental schedules or information presented, if any such schedules or information are presented in the audit report. This report may be given in a supplemental information paragraph of the auditor's report on the financial statements (9.A. above), or in a separate report. For the following supplemental information, the Contractor shall report on whether the information is fairly stated, in all material respects, "in relation to" the financial statements as a whole, unless the condition of the financial records do not allow the auditor to render such an opinion:
- Supplemental schedule of school district enrollment required in paragraph 11.A;
  - Supplemental schedule of school district extracurricular fund financial activities required in paragraph 11B; and
  - Supplemental schedule of expenditures of federal awards required by OMB circular A-133 and in paragraph 10.A.
- E. a report disclosing the action taken by the Entity to correct any deficiencies or implement any recommendations contained in the prior audit report. This report must be in a format that specifically identifies, by title or summary, each deficiency or recommendation contained in the prior audit report and the action taken by the Entity on each such deficiency or recommendation.
- F. If the Contractor includes audit findings in the reports referenced in 9.B. and 9.C. above or in a

9. continued:

management letter, the views of Entity officials and their planned corrective actions must also be included, as required by Government Auditing Standards, if they are available at the time the Contractor files copies of the audit report with the State. If the views and planned corrective actions are not available at that time, the Contractor shall so indicate in the reports.

10. **Single Audits:** All audit reports for single audits done in accordance with OMB Circular A-133 must also contain the following:

A. a schedule of expenditures of federal awards. As required by OMB Circular A-133, the schedule must:

- (i) list individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs;
- (ii) for federal awards received as a subrecipient, include the name of the pass-through entity and identifying number assigned by the pass-through entity;
- (iii) provide total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available;
- (iv) include notes that describe the significant accounting policies used in preparing the schedule;
- (v) to the extent practical, for pass-through entities identification in the schedule of the total amount provided to subrecipients from each federal program; and
- (vi) in either the schedule or a note to the schedule, the value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

B. a report on the schedule of expenditures of federal awards. This report may be combined with other reports as provided by OMB Circular A-133 and professional standards. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.

C. a report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133. This report must refer to the separate schedule of findings and questioned costs described in paragraph 10.D. of the contract. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.

D. a schedule of findings and questioned costs which must include the information required by OMB Circular A-133.

E. the corrective action plan required by OMB Circular A-133, if that plan is available at the time the Contractor files copies of the audit report with the State. This corrective action plan may be combined with the Entity's planned corrective actions related to findings reported in accordance with Government Auditing Standards, as provided in paragraph 9.F., above.

11. **School Districts:** School district audit reports must also include the following as supplemental

IN WITNESS WHEREOF, Contractor, Entity, and State have executed this Standard Audit Contract on the date first above written:

**Certified or Licensed Public Accountant**

OLNESS & ASSOCIATES, PC  
Firm Name  
By: [Signature]  
Authorized Representative

Date: 7/3/12

**Governmental Entity**

CITY OF MILES CITY  
Entity Name  
By: C.A. Sherry  
Authorized Representative

Date: 6/26/12

**Montana Department of Administration,  
Local Government Services Bureau**

By: Kay Gray  
Approved By

Date: 8/20/12



as follows:

AS NEEDED

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited

**OR**

The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

**Certified or Licensed Public Accountant**

OLNESS & ASSOCIATES, PC

Firm Name

By: [Signature]  
Authorized Representative

Date: 7/3/12

**Governmental Entity**

CITY OF MILES CITY

Entity Name

By: C.A. Gung  
Authorized Representative

Date: 6/26/12

**Montana Department of Administration,  
Local Government Services Bureau**

By: Kay Gray  
Approved By

Date: 8/20/12

APPENDIX B

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): \_\_\_\_\_

CITY OF MILES CITY

Telephone: \_\_\_\_\_

Address: P.O. BOX 910  
(Street Address or P.O. Box)

MILES CITY, MT 59301  
(City/Town) (Zip Code)

Contact Person(s):

PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR): \_\_\_\_\_  
OLNESS & ASSOCIATES, PC

Telephone: \_\_\_\_\_  
252-6230

Address: 2810 CENTRAL AVE STE B  
(Street Address or P.O. Box)

BILLINGS, MT 59102  
(City/Town) (Zip Code)

Contact Person(s):  
BRENT OLNESS

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending  
JUNE 30, 2013 (and \_\_\_\_\_).  
(Month & Day) (Year) (Year)

B. Date to commence audit work: 12/16/2013

C. Date to submit final audit report to Entity and State: 3/31/2014

2. Time and Price for Engagement:

A. Estimated total hours - 315

B. Price for audit personnel \$ 14,750

Price for Travel \_\_\_\_\_

Price for typing, clerical and report preparation \_\_\_\_\_

Total price for this engagement \$ 14,750

3. The reporting entity contains the following discretely presented component units: \_\_\_\_\_

N/A

4. Date Annual Financial Report or a trial balance will be available: NOVEMBER 2013

5. Number of copies of audit report Contractor will provide to Entity: AS REQUESTED

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

AS NEEDED

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited

**OR**

The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

**Certified or Licensed Public Accountant**

OLNESS & ASSOCIATES  
Firm Name  
By: [Signature]  
Authorized Representative

Date: 7/3/10

**Governmental Entity**

CITY OF MILES CITY  
Entity Name  
By: C. A. Gung  
Authorized Representative

Date: 6/26/12

**Montana Department of Administration,  
Local Government Services Bureau**

By: Kay Gray  
Approved By

Date: 8/20/12

APPENDIX C

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): \_\_\_\_\_

Telephone: \_\_\_\_\_ Address: CITY OF MILES CITY  
P.O. BOX 910  
(Street Address or P.O. Box)  
MILES CITY, MT 59301  
(City/Town) (Zip Code)

Contact Person(s): \_\_\_\_\_

PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR): \_\_\_\_\_  
OLNESS & ASSOCIATES, PC

Telephone: \_\_\_\_\_ Address: 2810 CENTRAL AVE, STE B  
(Street Address or P.O. Box)  
252-6230 BILLINGS, MT 59102  
(City/Town) (Zip Code)

Contact Person(s): \_\_\_\_\_

BRENT OLNESS

1. Audit Period and Dates of Engagement:

- A. This audit will cover the fiscal year(s) ending  
JUNE 30, 2014 (and \_\_\_\_\_).  
(Month & Day) (Year) (Year)
- B. Date to commence audit work: 12/15/2014
- C. Date to submit final audit report  
to Entity and State: 3/31/2015

2. Time and Price for Engagement:

- A. Estimated total hours - 315
- B. Price for audit personnel \$ 14,750  
Price for Travel \_\_\_\_\_  
Price for typing, clerical  
and report preparation \_\_\_\_\_  
Total price for this  
engagement \$ 14,750

3. The reporting entity contains the following discretely presented component units: \_\_\_\_\_  
N/A

4. Date Annual Financial Report or a trial balance will be available: NOVEMBER 2014

5. Number of copies of audit report Contractor will provide to Entity:  
AS REQUESTED

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

AS NEEDED

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal award **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited

OR

The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

**Certified or Licensed Public Accountant**

OLNESS & ASSOCIATES, PC

Firm Name

By: \_\_\_\_\_

Authorized Representative

Date: \_\_\_\_\_

7/3/10

**Governmental Entity**

CITY OF MILES CITY

Entity Name

By: \_\_\_\_\_

Authorized Representative

Date: \_\_\_\_\_

7/6/12

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_

Approved By

Date: \_\_\_\_\_

8/20/12