



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the basic financial statements of Yellowstone County, Montana (the County) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 5, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 5, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other immaterial matters involving internal control that we have reported to management in a separate letter dated November 5, 2003.

This report is intended for the information of the audit committee, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zur Muehlen & Co. P.C.

Billings, Montana
November 5, 2003



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of County Commissioners
Yellowstone County
Billings, Montana

Compliance

We have audited the compliance of Yellowstone County, Montana (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to its major federal programs for the year ended June 30, 2003. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Yellowstone County, Montana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zur Muehlen & Co. P.C.

Billings, Montana
November 5, 2003

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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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 06/30/02</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/03</u>
U.S. Department of Transportation							
<u>Passed through State Department of Justice / Highway Traffic Safety:</u>							
Highway Traffic Safety Plan - CODES Project	20.600	N/A	\$29,213	\$0	\$18,797	\$18,797	\$0
Highway Traffic Safety Plan - Radar	20.600	02-02-02-26	2,625	0	2,625	2,625	0
Highway Traffic Safety Plan - Safe Communities Project	20.600	02-09-01-01	86,000	0	26,466	26,466	0
			117,838	0	47,888	47,888	0
<u>Passed through State Department of Transportation:</u>							
Montana Safe Kids, Safe Communities (FY02)	20.600	N/A	20,915	0	7,541	7,541	0
Montana Safe Kids, Safe Communities (FY03)-Healthy Moms, Healthy Babies	20.600	N/A	25,000	0	17,025	17,025	0
Community Transportation Enhancement Program Canyon Creek Interpretive Center	20.205	STPE 56(32)	82,252	0	9,052	9,052	0
Community Transportation Enhancement Program - Downtown Bike	20.205	STPE 1099(30)	862,916	0	284,734	284,734	0
			991,083	0	318,352	318,352	0
Total U.S. Department of Transportation			\$1,108,921	\$0	\$366,240	\$366,240	\$0
U.S. Department of Justice							
<u>Direct Programs:</u>							
2001 Local Law Enforcement Block Grant	16.592	2001-LB-BX-2196	\$20,879	\$5,606	\$0	\$0	\$5,606
2002 Local Law Enforcement Block Grant	16.592	2002-LBBX-1169	17,359	0	17,359	17,359	0
Community Gun Violence Prosecution Program	16.609	2002-GP-CS-0142	120,000	0	36,667	36,667	0
Continued Implementation of Youth Intake	16.542	2001-JN-FX-0048	249,450	0	78,402	78,402	0
2000 COPS in Schools Program	16.710	2000SHWX0468	125,000	0	43,241	43,241	0
2000 COPS Technology - Computer Upgrades	16.710	2000CKWX0021	1,200,000	0	355,433	355,433	0
2001 COPS Technology - Range	16.710	2001CKWX0066	149,670	0	36,266	36,266	0
			1,882,358	5,606	567,368	567,368	5,606
<u>Passed through State Board of Crime Control:</u>							
Victim Witness Program	16.588	02-W03-81076	57,223	0	56,810	56,810	0
Violence Against Women Policy Review	16.579	01-K14-81337	4,575	0	4,575	4,575	0
Community Asset Training Program	16.540	02-J13-81054	14,000	0	13,848	13,848	0
Community Asset Training Program	16.540	00-J13-81531	5,471	0	5,471	5,471	0
Youth Intake & Assessment	16.523	02-A07-81233	155,571	0	113,517	113,517	0
Youth Intake & Assessment	16.523	01-A02-80866	240,818	15,172	32,991	48,163	0
			477,658	15,172	227,212	242,384	0
<u>Passed through State Distaster & Emergency Services Division</u>							
Domestic Preparedness Equipment	16.007	N/A	102,505	0	102,616	98,530	4,086
Total U.S. Department of Justice			\$2,462,521	\$20,778	\$897,196	\$908,282	\$9,692

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, 2003

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Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Program Balance 6/30/02	Federal Revenues	Federal Expenditures	Program Balance 6/30/03
U.S Environmental Protection Agency							
<u>Passed through Montana Department of Environmental Quality:</u>							
Air Pollution Control Program	66.001	N/A	\$55,395	\$0	\$50,704	\$50,704	\$0
Total U.S. Environmental Protection Agency			\$55,395	\$0	\$50,704	\$50,704	\$0
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Economic Development	14.228	MT-CDBG-ED-EDPG-02-04	\$20,000	\$0	\$9,304	\$9,307	\$0
Community Development Block Grant/Education Technical Assistance	14.228	MT-CDBG-ED-MBDC-TA-2002-09	5,000	0	5,000	5,000	0
Community Development Block Grant/Lockwood Housing Project	14.228	MT-CDBG-99HR-05	400,000	0	108,947	108,947	0
Total U.S. Department of Housing & Urban Development			\$425,000	\$0	\$123,251	\$123,254	\$0
U.S. Department of Health and Human Services							
<u>Direct Programs</u>							
Medical Reserve Corp.	90.008	US2SG02036-01-0	\$50,000	\$0	\$16,746	\$16,746	\$0
Total U.S. Department of Health and Human Services			\$50,000	\$0	\$16,746	\$16,746	\$0
U.S. Federal Emergency Management Agency							
<u>Direct Programs</u>							
Project Impact - Building Disaster Resistant Communities	83.551	EMD-2000-GR-0043	\$319,500	\$0	\$51,091	\$51,091	\$0
Total U.S Federal Emergency Management Agency			\$319,500	\$0	\$51,091	\$51,091	\$0
U,S, Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
Volunteer & Rural Fire Assistance Title IV Grant	N/A	02-56-00	\$10,801	\$0	\$10,801	\$10,801	\$0
			10,801	0	10,801	10,801	0
<u>Direct Programs</u>							
Taylor Grazing	N/A	N/A	N/A	\$0	\$275	\$275	\$0
Bankhead Jones	N/A	N/A	N/A	0	2,302	2,302	0
			\$0	\$0	\$2,577	\$2,577	\$0
Total U.S Department of Interior			\$10,801	\$0	\$13,378	\$13,378	\$0
National Park Service							
<u>Direct Programs</u>							
Lewis & Clark National Historic Trail	N/A	FY02-051	\$10,000	\$0	\$10,000	\$7,420	\$2,580
Total National Park Service			\$10,000	\$0	\$10,000	\$7,420	\$0
TOTAL FEDERAL AWARDS			\$4,442,138	\$20,778	\$1,528,606	\$1,537,115	\$9,692

The accompanying notes are an integral part of this schedule.