

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 the basic financial statements of the opinion units of Yellowstone County, Montana (the County) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 4, 2005. 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.

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 opinions 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 reportable 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 caused by error or fraud 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.

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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated November 4, 2005.

This report is intended solely 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 Zuv Muehlen & Co; P.C.

Billings, Montana
November 4, 2005

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, 2005. The County's major federal program is 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 its major federal program for the year ended June 30, 2005.

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 caused by error or fraud 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 Zuv Muehlen & Co, P.C.

Billings, Montana
November 4, 2005

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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 06/30/04	Federal Revenues	Federal Expenditures	Program Balance 6/30/2005
U.S. Department of Health and Human Services							
Direct Programs							
Medical Reserve Corp.	90.008	US2SG02036-01-0	\$100,000	\$0	\$56,205	\$56,205	\$0
Passed through State Department of Health and Human Services							
Foster Care Title IV-E	93.658	2005-3LEGL0018	N/A	\$0	\$123,472	\$123,472	\$0
Total U.S. Department of Health and Human Services			\$100,000	\$0	\$179,677	\$179,677	\$0
U.S Department of Homeland Security							
Passed through State Department of Military Affairs, DES Division							
War Supplemental Grant	97.004	2003-MU-T3-0021	\$805,262	\$0	\$810,933	\$810,933	\$0
Office of Domestic Preparedness SHSGP Equipment Grant	97.004	2003-TE-TX-0176	109,601	0	109,601	109,601	0
FY03 Homeland Security Grant Program-Critical Infrastructure-Heights Water	97.004	2003-MU-T3-0021	10,660	0	10,660	10,660	0
FY03 Homeland Security Grant Program-Critical Infrastructure-Lockwood Water	97.004	2003-MU-T3-0021	7,940	0	7,940	7,940	0
FY03 Homeland Security Grant Program-Critical Infrastructure-Billings PUD	97.004	2003-MU-T3-0021	65,013	0	0	0	0
FY04 Homeland Security Grant Program-Training	97.004	2004-GE-T4-0002	110,724	0	0	0	0
FY04 Homeland Security Grant Program-Equipment	97.004	2004-GE-T4-0002	693,393	0	225,105	225,105	0
FY04 Homeland Security Grant Program-Citizen Corps Grant	97.001	2004-GE-T4-0002	48,800	0	0	0	0
Billings Cove Creek Flood Mitigation Project-Engineering Phase	97.039	1424-P-1-R	8,000	0	0	0	0
FEMA Fire Operations and Firefighter Safety	83.554	EMW-2003-FG-09661	62,577	0	24,739	24,739	0
FY04 Assistance to Firefighters	97.044	EMW-2004-FG-16783	55,998	0	57,020	57,020	0
FEMA Community Emergency Response Team	83.564	n/a	10,000	0	50	50	0
Total U.S. Department of Homeland Security			\$1,987,968	\$0	\$1,246,048	\$1,246,048	\$0
U.S. Department of Housing & Urban Development							
Passed through State Department of Commerce							
Community Development Block Grant/Lockwood Housing Project	14.228	MT-CDBG-99HR-05	400,000	0	0	0	0
Total U.S. Department of Housing & Urban Development			\$400,000	\$0	\$0	\$0	\$0
U.S. Department of Interior							
Passed through State Department of Natural Resources & Conservation							
Volunteer & Rural Fire Assistance Title IV Grant	N/A	04-56-00	\$20,000	\$0	\$20,000	\$20,000	\$0
			\$20,000	\$0	\$20,000	\$20,000	\$0
Direct Programs							
National Fire Plan (Wildfire Hazard Assessment & Mitigation Plan)	15.228	ESA030016	\$143,000	\$0	\$30,648	\$30,648	\$0
Taylor Grazing	N/A	N/A	N/A	0	294	294	0
Bankhead Jones	N/A	N/A	N/A	0	2,273	2,273	0
			\$143,000	\$0	\$33,215	\$33,215	\$0
Total U.S Department of Interior			\$163,000	\$0	\$53,215	\$53,215	\$0

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, 2005
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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 6/30/04</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 6/30/05</u>
U.S. Department of Justice							
<u>Direct Programs:</u>							
Community Gun Violence Prosecution Program	16.609	2002-GP-CS-0142	120,000	0	40,000	40,000	0
Continued Implementation of Youth Intake	16.542	2001-JN-FX-0048	249,450	0	77,882	77,882	0
2004 Local Law Enforcement Block Grant	16.592	2004-LB-BX-1119	1,000	0	1,000	1,000	0
2004 COPS in Schools Program	16.710	2004-SH-WX-0027	125,000	0	41,250	41,250	0
			495,450	-	160,132	160,132	0
<u>Passed through State Board of Crime Control:</u>							
Victim Witness Program	16.575	04-V04-81685	40,000	0	40,000	40,000	0
Intensive Community Supervision Program	16.523	04-A11-81585	45,585	0	15,883	15,883	0
Billings KIDS Pilot Project	16.540	04-J19-81870	40,940	0	40,940	40,940	0
Youth Intake & Assessment	16.523	03-A12-81560	84,927	0	24,231	24,231	0
			211,452	0	121,054	121,054	0
			706,902	0	281,186	281,186	0
Total U.S. Department of Justice			\$868,674	\$0	\$364,302	\$364,302	\$0
U.S. Department of Transportation							
<u>Passed through State Department of Justice / Highway Traffic Safety:</u>							
Highway Traffic Safety Plan - CODES Project	20.600	04-05-05-01	29,520	0	4,176	4,176	0
			29,520	0	4,176	4,176	0
<u>Passed through State Department of Transportation:</u>							
Montana Safe Kids, Safe Communities (FY04)-Healthy Moms, Healthy Babies	20.600	N/A	25,000	0	6,571	6,571	0
Montana Safe Kids, Safe Communities (FY05)-Healthy Moms, Healthy Babies	20.600	N/A	25,000	0	16,463	16,463	0
Community Transportation Enhancement Program Canyon Creek Interpretive Center	20.205	STPE 56(32)	82,252	0	55,906	55,906	0
			132,252	0	78,940	78,940	0
Total U.S. Department of Transportation			\$161,772	\$0	\$83,116	\$83,116	\$0
TOTAL FEDERAL AWARDS			\$3,519,642	\$0	\$1,843,242	\$1,843,242	\$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, 2005
Page 1 of 2

(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	\$1,353,195	\$ 539,005	\$ 1,892,200
Road Fund	0	1,686,513	1,686,513
Property and Liability Insurance Fund	0	16,900	16,900
Public Safety Fund	42,250	211,424	253,674
Nonmajor Governmental Funds	<u>447,797</u>	<u>2,496,498</u>	<u>2,944,295</u>
Totals	\$ <u>1,843,242</u>	\$ <u>4,950,340</u>	\$ <u>6,793,582</u>

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005
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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, 2005 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>U.S. Department of Health and Human Services</u>		
Foster Care Title IV-E	n/a	<u>\$123,472</u>
<u>U.S. Department of Justice</u>		
2004 Local Law Enforcement Block Grant	2004-LBBX-1119	\$ 111
Community Gun Violence Prosecution Program	2002-GP-CX-0142	31,768
2004 COPS in Schools Program	2004SHWX0027	8,270
Victim Witness Program	04-V04-81685	35,027
Intensive Community Supervision	04-A11-81858	1,735
Youth Intake & Assessment	03-A12-81560	<u>2,692</u>
		<u>\$ 79,603</u>
<u>U.S. Department of Interior</u>		
Volunteer & Rural Fire Assistance Title IV Grant	03-56-00	<u>\$ 3,149</u>
<u>U.S. Department of Transportation</u>		
Community Transportation Enhancement Program Canyon Creek Interpretive Center	STPE 56(32)	<u>\$ 8,670</u>
<u>Total Matching on Federal Expenditures</u>		<u>\$ 214,894</u>