



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 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, 2007, and have issued our report thereon dated December 19, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the County in a separate letter dated December 19, 2007.

This report is intended solely for the information and use of governance, 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 Zim Muehlen & Co., P.C.

Billings, Montana
December 19, 2007



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 each of its major federal programs for the year ended June 30, 2007. 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 each of its major federal program is 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 of 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, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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, 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 control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of governance, 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 Zuer Muehlen & Co., P.C.

Billings, Montana
December 19, 2007

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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 06/30/06</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/07</u>
U.S. Department of Transportation							
<u>Passed through State Department of Transportation / Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600	06-09-02-25/06-11-03-25	\$ 17,250	\$0	\$ 3,969	\$ 3,969	\$0
Yellowstone County STEP OT	20.601	2007-03-01-28/2007-21-02-28	16,250	0	2,124	2,124	0
Subtotal Passed through State Department of Transportation / Highway Traffic Safety			33,500	0	6,093	6,093	0
<u>Passed through State Department of Transportation:</u>							
Montana Safe Kids, Safe Communities (FY07)-Healthy Moms, Healthy Babies	20.600	N/A	30,000	0	22,439	22,439	0
Montana Safe Kids, Safe Communities (FY06)-Healthy Moms, Healthy Babies	20.600	N/A	30,000	0	8,071	8,071	0
MDT Highway Traffic Safety Office - Yellowstone Co. Speed Trailer	20.600	2006-06-01-03	13,025	0	13,025	13,025	0
Subtotal Federal CFDA Number 20.600			73,025	0	43,535	43,535	0
Community Transportation Enhancement Program Pompeys Pillar Landscaping	20.205	STPE 56(67)	380,687	0	176,489	176,489	0
Subtotal Passed through State Department of Transportation			453,712	0	220,024	220,024	0
Total U.S. Department of Transportation			487,212	0	226,117	226,117	0
U.S. Department of Justice							
<u>Direct Programs:</u>							
Project Safe Neighborhoods	16.609	2004-GP-CX-0699	150,000	0	50,000	50,000	0
2004 COPS in Schools Program	16.710	2004-SH-WX-0027	125,000	0	41,667	41,667	0
Subtotal Direct Programs			275,000	0	91,667	91,667	0
<u>Passed through State Board of Crime Control:</u>							
Residential Substance Abuse Treatment	16.593	05-R01-82124	110,822	0	110,822	110,822	0
Residential Substance Abuse Treatment	16.593	06-R01-82300	31,932	0	19,475	19,475	0
Subtotal Federal CFDA Number 16.593			142,754	0	130,297	130,297	0
Victim Witness Program	16.575	06-V04-82219	40,000	0	40,000	40,000	0
Secure Detention Computer Equipment	16.523	03-A10-82343	3,300	0	3,300	3,300	0
Children of Incarcerated Parents	16.548	06-P02-82308	53,440	0	26,169	26,169	0
Billings KIDS Pilot Project	16.540	05-J19-82059	40,940	0	21,821	21,821	0
Subtotal Passed through State Board of Crime Control			280,434	0	221,587	221,587	0
Total U.S. Department of Justice			555,434	0	313,254	313,254	0
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Custer Sewer	14.228	MT-CDBG-05PF-08	500,000	0	16,298	16,298	0
Community Development Block Grant/Link Communications	14.228	MT-CDBG-ED05-01	326,500	0	12,106	12,106	0
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			1,226,500	0	28,404	28,404	0
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	2005-3LEGL0018	N/A	\$0	87,250	87,250	\$0
Total U.S. Department of Health and Human Services			\$0	\$0	\$87,250	\$87,250	\$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, 2007
(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 6/30/06</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 6/30/07</u>
U.S Department of Homeland Security							
Passed through State Department of Military Affairs, DES Division							
FY04 Homeland Security Grant Program-Equipment	97.004	2004-GE-T4-0002	\$ 693,393	\$0	\$ 26,016	\$ 26,016	\$0
FY04 US DHS ODP HSGP County Tactical Interoperable Commun. Plan (TICP)	97.004	2004-GE-T4-0002	10,500	0	4,264	4,264	0
Subtotal Federal CFDA Number 97.004			703,893	0	30,280	30,280	0
FY05 Homeland Security Grant Program-Citizen Corps Grant	97.067	2005-GE-T5-0042	22,500	0	20,513	20,513	0
Billings Cove Creek Flood Mitigation Project	97.039	1424-P-1-R	183,588	0	63,393	63,393	0
Total U.S. Department of Homeland Security			909,981	0	114,186	114,186	0
U.S. Election Assistance Commission							
Passed through State Department of Administration							
Help America Vote Grant	90.401	N/A	33,164	32,444	22,022	22,022	10,422
Title II, Section 251 HAVA	90.401	N/A	70,000	0	70,000	70,000	0
Total U.S. Election Assistance Commission			103,164	32,444	92,022	92,022	10,422
U.S. Department of Interior							
Passed through State Department of Natural Resources & Conservation							
Volunteer & Rural Fire Assistance Title IV Grant	383.71	VFA-07-560	20,000	0	20,000	20,000	0
			20,000	0	20,000	20,000	0
Passed through State Department of Administration							
Yellowstone Co GCDB & Cadastral Database Accuracy Enhancement	15.DDD	ESA04C004	24,000	0	23,206	23,206	0
Total U.S. Bureau of Land Management			24,000	0	23,206	23,206	0
Direct Programs							
National Fire Plan (Wildfire Hazard Assessment & Mitigation Plan)	15.228	ESA030016	200,045	0	12,805	12,805	0
Clark on the Yellowstone L&C Bicentennial Nat'l Heritage Signature Event	15.225	ESA04W024	104,800	0	69,675	69,675	0
Pompey's Pillar Amenities	15.224	ESA06U021969	270,000	0	198,572	198,572	0
Taylor Grazing	N/A	N/A	N/A	0	160	160	0
Bankhead Jones	N/A	N/A	N/A	0	2,709	2,709	0
Subtotal Direct Programs			574,845	0	283,921	283,921	0
Total U.S Department of Interior			618,845	0	327,127	327,127	0
TOTAL FEDERAL AWARDS			\$3,901,136	\$32,444	\$1,188,360	\$1,188,360	\$10,422

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, 2007
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	\$ 661,255	\$ 444,279	\$ 1,105,534
Road Fund	2,709	1,681,932	1,684,641
Property and Liability Insurance Fund	0	8,450	8,450
Public Safety Fund	221,592	115,561	337,153
Capital Improvement Fund	70,000	0	70,000
Nonmajor Governmental Funds	<u>232,804</u>	<u>1,629,486</u>	<u>1,862,290</u>
Totals	\$ <u>1,188,360</u>	\$ <u>3,879,708</u>	\$ <u>5,068,068</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2007
Page 2 of 2

(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, 2007 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>U.S. Department of Transportation</u>		
Community Transportation Enhancement Program Pompey's Pillar	STPE 56(67)	<u>\$ 47,106</u>
<u>U.S. Department of Justice</u>		
2004 COPS in Schools Program	2004SHWX0027	11,348
Victim Witness Program	06-V04-82219	10,000
Secure Detention Computer Equipment	03-A10-82343	332
Children of Incarcerated Parents	06-P02-82308	17,765
Residential Substance Abuse Treatment	05-R01-82124	36,941
Residential Substance Abuse Treatment	06-R01-82300	10,644
		<u>\$ 87,030</u>
<u>U.S. Department of Homeland Security</u>		
Billings Cove Creek Flood Mitigation Project	1424-P-1-R	<u>\$24,858</u>
<u>U.S. Election Assistance Commission</u>		
Title II, Section 251 HAVA	n/a	<u>\$70,000</u>
<u>U.S. Department of Interior</u>		
Volunteer & Rural Fire Assistance Title IV Grant	VFA-07-560	2,222
Clark on the Yellowstone L&C Bicentennial Nat'l Heritage Sig. Event	ESA04W024	104,285
		<u>\$106,507</u>
<u>Total Matching on Federal Expenditures</u>		<u>\$ 335,501</u>



YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
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, 2007

Identification of Major Programs

15.224	Pompey's Pillar Amenities	\$198,572
16.593	Residential Substance Abuse Treatment	\$130,297
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?		Yes

Financial Statement Findings: None

Federal Award Findings and Questioned Costs: None

Prior Year Audit Findings:

06-1 Bank reconciliation error

Criteria:

In order to accurately report cash and cash equivalents, bank reconciliations must be performed in a timely manner.

Condition:

The checking account was not reconciled with the bank statement accurately and timely.

Effect:

Cash and revenue were overstated by \$11,985.

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Cause:

A credit card utilization process was implemented prior to consultation with the Finance Department to ensure that proper procedures and internal controls were in place to accurately record the transactions.

Recommendation:

We recommend that before the County starts any new processes, there is a meeting with the originating department and the Finance Department to establish that the proper procedures and internal controls are put into place to accurately record transactions.

Status:

County departments have been made aware of this and the County anticipates compliance with this in the future. Bank reconciliations are performed quarterly.