

## 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 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 20, 2009. 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 opinions 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*.

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 ZurMuehlen + Co., P.C.

Billings, Montana  
December 20, 2009



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
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 program for the year ended June 30, 2009. 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 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 its major federal program for the year ended June 30, 2009.

### 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 ZurMuehlen + Co., P.C.

Billings, Montana  
December 20, 2009

**YELLOWSTONE COUNTY, MONTANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**  
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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 06/30/08</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/09</u>
<b>U.S. Department of Transportation</b>							
<u>Passed through State Department of Transportation / Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600,601,602	2008-13-13-34/2008-09-08-34	12,500	0	3,513	3,513	0
Yellowstone County STEP OT	20.601, 20.60	2009-11-04-01/2009-17-04-01	10,000	0	7,573	7,573	0
			<b>22,500</b>	<b>-</b>	<b>11,086</b>	<b>11,086</b>	<b>-</b>
<u>Passed through State Department of Transportation:</u>							
Montana Safe Kids, Safe Communities (FY08)-Healthy Moms, Healthy Babies	20.600	N/A	30,000	0	7,074	7,074	0
12th St Bike/Ped Bridge - Laurel	20.205	Control No. 6402	51,616	0	17,450	17,450	0
			<b>81,616</b>	<b>0</b>	<b>24,524</b>	<b>24,524</b>	<b>0</b>
<b>Total U.S. Department of Transportation</b>			<b>\$104,116</b>	<b>\$0</b>	<b>\$35,610</b>	<b>\$35,610</b>	<b>\$0</b>
<b>U.S. Department of Justice</b>							
<u>Direct Programs:</u>							
Project Safe Neighborhoods	16.609	2004-GP-CX-0699	150,000	0	12,500	12,500	0
FY 2008 Justice Assistance Grant Program (JAG Sub-grant from City of Billings)	16.738	2008-DJ-BX-0640	1,000	0	1,000	1,000	0
Efficient and Effective Law Enforcement Operations (JAG Sub-grant from City of Billings)	16.804	2009-SB-B9-0568	47,642	0	0	0	0
			<b>198,642</b>	<b>0</b>	<b>13,500</b>	<b>13,500</b>	<b>0</b>
<u>Passed through State Board of Crime Control:</u>							
Children of Incarcerated Parents	16.548	07-P02-90116	50,000	0	4,021	4,021	0
Children of Incarcerated Parents	16.548	08-P02-90332	45,942	0	45,206	45,206	0
Victim Witness Program	16.575	08-V01-90300	36,528	0	36,528	36,528	0
Jail-Based Treatment Project	16.593	07-R01-90206	53,731	0	22,116	22,116	0
Jail-Based Treatment Project	16.593	08-R01-90428	46,285	0	30,437	30,437	0
Yellowstone County Anti-Gang/Gun Violence Program	16.609	07-O01-90342	50,000	0	0	0	0
Anti-Gang/Gun Violence Program	16.744	06-N01-90127	49,233	0	36,900	36,900	0
			<b>331,719</b>	<b>0</b>	<b>175,208</b>	<b>175,208</b>	<b>0</b>
<b>Total U.S. Department of Justice</b>			<b>\$530,361</b>	<b>\$0</b>	<b>\$188,708</b>	<b>\$188,708</b>	<b>\$0</b>
<b>U.S. Department of Housing &amp; Urban Development</b>							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Custer Sewer	14.228	MT-CDBG-05PF-08	500,000	0	14,277	14,277	0
Community Development Block Grant/Link Communications	14.228	MT-CDBG-ED05-01	326,500	0	4,180	4,180	0
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<b>\$826,500</b>	<b>\$0</b>	<b>\$18,457</b>	<b>\$18,457</b>	<b>\$0</b>
<b>U.S. Department of Health and Human Services</b>							
<u>Passed through State Department of Health and Human Services</u>							
Foster Care Title IV-E	93.658	2005-3LEGL0018	N/A	\$0	133,623	133,623	0
<b>Total U.S. Department of Health and Human Services</b>			<b>\$0</b>	<b>\$0</b>	<b>\$133,623</b>	<b>\$133,623</b>	<b>\$0</b>

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, 2009**  
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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 06/30/08</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/09</u>
<b>U.S. Department of Homeland Security</b>							
<b>Passed through State Department of Military Affairs, DES Division</b>							
FY08 US Dept of Homeland Security Grant Program (HSGP) Lenco Bear	97.067	2008-GE-T8-0023	359,120	0	359,120	359,120	0
FY07 US Dept of Homeland Security Grant Program (HSGP) Tactical Interoperable Communication	97.067	2007-GE-T7-0011	50,000	0	49,875	49,875	0
FY08 US Dept of Homeland Security Grant Program (HSGP) Emergency Mgt Performance Award	97.042	2008-EM-E8-2009	88,828	0	88,828	88,828	0
<b>Total U.S. Department of Homeland Security</b>			<b>\$497,948</b>	<b>\$0</b>	<b>\$497,823</b>	<b>\$497,823</b>	<b>\$0</b>
<b>U.S. Election Assistance Commission</b>							
<b>Passed through State Department of Administration</b>							
Help America Vote Grant	90.401	n/a	33,164	10,230	6,183	6,183	4,047
Elections Ballot Security Grant (HAVA)	39.011	n/a	5,000	0	5,000	5,000	0
Provisional Judge Grant (HAVA)	39.011	n/a	1,000	0	1,000	1,000	0
Polling Place Grant (HAVA)	39.011	n/a	3,000	0	3,000	3,000	0
<b>Total U.S. Election Assistance Commission</b>			<b>\$42,164</b>	<b>\$10,230</b>	<b>\$15,183</b>	<b>\$15,183</b>	<b>\$4,047</b>
<b>U.S. Department of Interior</b>							
<b>Passed through State Department of Natural Resources &amp; Conservation</b>							
2008 Volunteer & Rural Fire Assistance Program	15.034	VFA-09-560	17,950	0	17,950	17,950	0
			<b>17,950</b>	<b>0</b>	<b>17,950</b>	<b>17,950</b>	<b>0</b>
<b>Direct Programs</b>							
National Fire Plan (Wildfire Hazard Assessment & Mitigation Plan)	15.228	ESA030016/L08AC14478	250,045	0	50,507	50,507	0
Wildfire Community Assistance in Yellowstone County	15.228	ESA08V020/L08AC13103	18,000	0	9,320	9,320	0
Taylor Grazing	N/A	N/A	N/A	0	243	243	0
			<b>268,045</b>	<b>0</b>	<b>60,070</b>	<b>60,070</b>	<b>0</b>
<b>Total U.S. Department of Interior</b>			<b>\$285,995</b>	<b>\$0</b>	<b>\$78,020</b>	<b>\$78,020</b>	<b>\$0</b>
<b>U.S. Department of Agriculture</b>							
<b>Passed through State Department of Agriculture</b>							
Yellowstone County Salt Cedar Management 2008	10.664	MDA 2008-718T	37,272	0	37,272	37,272	0
<b>Total U.S. Department of Agriculture</b>			<b>\$37,272</b>	<b>\$0</b>	<b>\$37,272</b>	<b>\$37,272</b>	<b>\$0</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$2,324,356</b>	<b>\$10,230</b>	<b>\$1,004,696</b>	<b>\$1,004,696</b>	<b>\$4,047</b>

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, 2009**  
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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:

	<u>Federal Awards Revenues</u>	<u>State and Local Intergovernmental Revenue</u>	<u>Total Intergovernmental Revenues</u>
General Fund	\$ 262,813	\$ 129,323	\$ 392,136
Road Fund	0	1,794,817	1,794,817
Property and Liability Insurance Fund	0	0	0
Public Safety Fund	430,833	46,663	477,496
Capital Improvement Fund	5,000	0	5,000
Nonmajor Governmental Funds	<u>306,050</u>	<u>1,551,782</u>	<u>1,857,832</u>
<b>Totals</b>	<b>\$ <u>1,004,696</u></b>	<b>\$ <u>3,522,585</u></b>	<b>\$ <u>4,527,281</u></b>



**YELLOWSTONE COUNTY, MONTANA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2009**

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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, 2009 for the following programs:

	<b><u>Grant No.</u></b>	<b><u>Amount</u></b>
<b><u>US Department of Transportation</u></b>		
12 <sup>th</sup> St Bike/Ped Bridge – Laurel	Control No. 6402	<u>\$119</u>
<b><u>US Department of Justice</u></b>		
Victim Witness Program	VWP 08-V01-90330	9,132
Children of Incarcerated Parents	08-P02-90332	22,971
Jail Based Treatment Project	08-R01-90428	15,428
		<u>\$47,531</u>
<b><u>US Department of Interior</u></b>		
Volunteer & Rural Fire Assistance Program	VFA 09-560	1,995
Wildfire Community Assistance in YCO	ESA08V020/L08AC13103	1,800
		<u>\$3795</u>
<b><u>US Department of Agriculture</u></b>		
Yellowstone County Saltcedar Mgmt 2009	MDA 2008-718T	<u>\$35,000</u>
<b><u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u></b>		<u><u>\$ 86,445</u></u>



YELLOWSTONE COUNTY, MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

**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 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 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, 2009

**Identification of Major Programs**

97.067	U.S Department of Homeland Security Grant Program	\$408,995
	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:**     None