

IV. SINGLE AUDIT SECTION

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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon December 10, 2012. 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

Management the County is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 10, 2012

INDEPENDENT AUDITOR'S 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

To the Board of County Commissioners
Yellowstone County
Billings, Montana

Compliance

We have audited the compliance of Yellowstone County, Montana (the County)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 the 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 the internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 10, 2012

**YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 06/30/11</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/12</u>
U.S. Department of Transportation							
<u>Passed through State Department of Transportation/Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600, 20.60	2011-02-06-35	9,000	0	2,287	2,287	0
Yellowstone County STEP OT	20.600, 20.60	105991	10,000	0	3,879	3,879	0
			<u>19,000</u>	<u>0</u>	<u>6,166</u>	<u>6,166</u>	<u>0</u>
<u>Passed through State Department of Transportation:</u>							
Community Transportation Enhancement Program (CTEP)-MetraPark Sidewalks-Billings	20.205	Control No. 7486	744,552	0	280,782	280,782	0
Community Transportation Enhancement Program (CTEP)-Sidewalk Hillner Ln-Blngs	20.205	Control No. 7932	109,957	0	0	0	0
Community Transportation Enhancement Program (CTEP)-Bike/Ped Safety Campaign-Blngs	20.205	Control No. 7939	86,466	0	0	0	0
			<u>940,975</u>	<u>0</u>	<u>280,782</u>	<u>280,782</u>	<u>0</u>
<u>Passed through State Department of Military Affairs, DES Division:</u>							
USDOT-HMEP Planning Grant	20.703	HM-HMP-0216-11-01-00	5,082	0	5,082	5,082	0
			<u>5,082</u>	<u>0</u>	<u>5,082</u>	<u>5,082</u>	<u>0</u>
Total U.S. Department of Transportation			\$965,057	\$0	\$292,030	\$292,030	\$0
U.S. Department of Justice							
<u>Direct Programs:</u>							
Emergency Equipment Enhancements for the City of Billings and Yellowstone County (JAG Sub-grant from City of Billings)	16.738	2011-DJ-BX-33277	12,928	0	8,386	8,386	0
Emergency Equipment Enhancements for City and County (JAG Sub-grant from City of Billings)	16.738	2012-DJ-BX-1081	12,910	0	0	0	0
Project CALM	16.745	2010-MO-BX-0061	250,000	0	55,888	55,888	0
			<u>275,838</u>	<u>0</u>	<u>64,274</u>	<u>64,274</u>	<u>0</u>
<u>Passed through State Board of Crime Control:</u>							
Yellowstone County Victim-Witness Program	16.575	11-V01-90985	56,333	0	56,333	56,333	0
Jail-Based Treatment Project - JBT	16.593	10-R01-90889	71,331	0	37,552	37,552	0
Jail-Based Treatment Program	16.593	11-R01-91064	34,792	0	15,504	15,504	0
Yellowstone County PPN Prosecutor	16.609	10-O01-91037	20,000	0	20,000	20,000	0
			<u>182,456</u>	<u>0</u>	<u>129,389</u>	<u>129,389</u>	<u>0</u>
<u>Passed through State Office of Court Administrator:</u>							
Montana Case Management and Offender Tracking Program	16.541	2010-JL-FX-0473	N/A	0	6,576	6,576	0
			<u>0</u>	<u>0</u>	<u>6,576</u>	<u>6,576</u>	<u>0</u>
Total U.S. Department of Justice			\$458,294	\$0	\$200,239	\$200,239	\$0
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Lockwood Water & Sewer District	14.228	MT-CDBG-10PF-08	450,000	0	0	0	0
Total U.S. Department of Housing & Urban Development			\$450,000	\$0	\$0	\$0	\$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	20123LEGL0005	N/A	\$0	139,014	139,014	0
Total U.S. Department of Health and Human Services			\$0	\$0	\$139,014	\$139,014	\$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, 2012**

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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 06/30/11</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/12</u>
U.S Department of Homeland Security							
<u>Passed through State Department of Military Affairs, DES Division</u>							
FF2007 Public Safety Interoperable Communications (PSIC) Grant	11.555	2007-GS-H7-0010	815,298	0	346,473	346,473	0
SFY 2012 US Dept of Homeland Security Grant Program (HSGP) Emergency Mgt Performance Gr	97.042	EMW-2011-EP-00035	99,385	0	93,979	93,979	0
FEMA Severe Storms and Flooding	97.036	FEMA-1996-DR-MT	197,050	0	197,050	197,050	0
FEMA Pre-Disaster Mitigation (PDM) Project Grant	97.047	PDMC-PL-08-MT-2009-002 PDM GRANT	229,467	0	52,829	52,829	0
FEMA Hazard Mitigation Grant	97.039	DR-1767-P-1-R	101,720	0	0	0	0
NE Billings Communications Site-Planning	97.055	2010-IP-T0-0023	45,932		4,645	4,645	
Total U.S. Department of Homeland Security			\$1,488,852	\$0	\$694,976	\$694,976	\$0
U.S. Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
2011 Volunteer Fire Assistance Program	10.664	VFA-12-560	8,200	0	8,200	8,200	0
			8,200	0	8,200	8,200	0
<u>Direct Programs</u>							
BLM-MT925-Community Assistance-2009	15.228	L09AC15445	74,025	0	9,319	9,319	0
BLM Noxious Weed Control	15.230	L12AC20322	10,000	0	6,007	6,007	0
Noxious Weed Control on Public Lands in Yellowstone County, Montana	15.235	ESA060041/L08AC14539	83,444	0	3,683	3,683	0
Taylor Grazing	N/A	N/A	N/A	0	375	375	0
Bankhead Jones	N/A	N/A	N/A	0	2,250	2,250	0
			167,469	0	21,634	21,634	0
Total U.S Department of Interior			\$175,669	\$0	\$29,834	\$29,834	\$0
U.S. Department of Agriculture							
<u>Natural Resources Conservation Service</u>							
<u>Direct Programs</u>							
EWP Project: Huntley Streambank Protection	10.923	69-0325-12-008	808,800	0	486,221	486,221	0
Total U.S Department of Agriculture			808,800	0	486,221	486,221	0
Environmental Protection Agency							
<u>Passed through Montana Department of Agriculture</u>							
Pesticide Recycle Grant	66.605	MDA 11-30-049	920	346	78	78	268
Total Environmental Protection Agency			\$920	\$346	\$78	\$78	\$268
TOTAL FEDERAL AWARDS			\$4,347,592	\$346	\$1,842,392	\$1,842,392	\$268

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, 2012

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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	\$ 866,439	\$ 589,964	\$ 1,456,403
Road Fund	199,300	2,034,620	2,233,920
Property and Liability Insurance Fund	0	8,510	8,510
Public Safety Fund	474,614	207,699	682,313
Nonmajor Governmental Funds	302,039	1,505,966	1,808,005
Totals	\$ <u>1,842,392</u>	\$ <u>4,346,759</u>	\$ <u>6,189,151</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

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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, 2012 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>US Department of Transportation</u>		
Community Transportation Enhancement Program (CTEP)- MetraPark Sidewalks – Billings	Control No. 7486	8,046
USDOT – HMEP Planning Grant	HM-HMP-0216-11-01-00	1,271
		<u>\$ 9,317</u>
<u>US Department of Justice</u>		
Project CALM	2010-MO-BX-0061	45,602
Yellowstone County Victim-Witness Program	11-V01-90985	14,083
Jail-Based Treatment Project - JBT	10-R01-90889	13,599
		<u>\$73,284</u>
<u>US Department of Homeland Security</u>		
FF2007 Public Safety Interoperable Communications (PSIC)	2007-GS-H7-0010	86,618
SFY 2012 US Dept of HSGP Emergency Mgt Performance Grant (EMPG)	EMW-2011-EP-00035	93,979
FEMA Severe Storms and Flooding	FEMA-1996-DR-MT	65,683
FEMA Pre Disaster Mitigation (PDM) Project Grant	PDMC-PL-08-MT-2009-002	60,984
		<u>\$307,264</u>
<u>US Department of Interior</u>		
2011 Volunteer & Rural Fire Assistance Program	VFA 12-560	<u>\$ 911</u>
<u>US Department of Agriculture</u>		
EWP Project: Huntley Streambank Protection	69-0325-12-008	<u>\$158,868</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u><u>\$549,644</u></u>

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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, 2012

Identification of Major Programs

10.923	EWP Project: Huntley Streambank Protection	\$486,221
11.555	Public Safety Interoperable Communications (PSIC) Grant	\$346,473
	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