

II. FINANCIAL SECTION



Independent Auditors' Report

The Honorable Board of County Commissioners,
Yellowstone County
Billings, Montana:

We have audited the accompanying general purpose financial statements of Yellowstone County, Montana, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Yellowstone County, Montana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Yellowstone County, Montana, as of June 30, 2002, and the results of its operations, the cash flows of its proprietary fund types, and the net assets and changes in net assets of its investment trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2002 on our consideration of Yellowstone County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Yellowstone County, Montana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The information included in the "Introductory Section" and the "Statistical Section" as listed in the table of contents has not been audited by us, and, accordingly, we express no opinion thereon.

KPMG LLP

Billings, Montana
October 22, 2002