

IV. SINGLE AUDIT SECTION



ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MSI GLOBAL ALLIANCE INDEPENDENT MEMBER FIRM

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon December 21, 2011. 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 *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 21, 2011



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, 2011. The County's major federal program 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, 2011.

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, 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 21, 2011

**YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(Page 1 of 2)

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Program Balance 06/30/10	Federal Revenues	Federal Expenditures	Program Balance 06/30/11
U.S. Department of Transportation							
<u>Passed through State Department of Transportation/Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600, 20.60	2010-05-04-28 2010-16-04-28	12,000	0	3,765	3,765	0
Yellowstone County STEP OT	20.600, 20.60	2011-02-06-35	9,000	0	5,650	5,650	0
			<u>21,000</u>	<u>0</u>	<u>9,415</u>	<u>9,415</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	708,308	0	463,769	463,769	
			<u>708,308</u>	<u>0</u>	<u>463,769</u>	<u>463,769</u>	<u>0</u>
<u>Passed through State Fish, Wildlife and Parks:</u>							
Recreational Trails Program - Earl Guss ParkTrail	20.219	#RT2008-47	10,500	0	10,500	10,500	
			<u>10,500</u>	<u>0</u>	<u>10,500</u>	<u>10,500</u>	<u>0</u>
<u>Passed through State Department of Military Affairs, DES Division:</u>							
USDOT-HMEP Planning Grant	20.703	HM-HMP-0190-10-01-00	9,280	0	9,280	9,280	
			<u>9,280</u>	<u>0</u>	<u>9,280</u>	<u>9,280</u>	<u>0</u>
Total U.S. Department of Transportation			\$749,088	\$0	\$492,964	\$492,964	\$0
U.S. Department of Justice							
<u>Direct Programs:</u>							
FY 2009 Recovery Act Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation (JAG Sub-grant from City of Billings)	16.804	2009-SB-B9-0568	47,642	0	89	89	0
2010 Byrne Justice Assistance Grant (JAG) Program (JAG Sub-grant from City of Billings)	16.738	2010-DJ-BX-1006	13,980	0	13,980	13,980	0
Project CALM	16.745	2010-MO-BX-0061	152,500	0	34,022	34,022	0
COPS Technology Program Grant	16.710	2010CKWX0353	147,000	0	147,000	147,000	0
			<u>361,122</u>	<u>0</u>	<u>195,091</u>	<u>195,091</u>	<u>0</u>
<u>Passed through State Board of Crime Control:</u>							
Yellowstone County Victim/Witness Program	16.575	10-V01-90775	56,333	0	56,333	56,333	0
Jail-Based Treatment Project - JBT	16.593	09-R01-90713	52,448	0	17,021	17,021	0
Jail-Based Treatment Project - JBT	16.593	10-R01-90889	52,448	0	33,779	33,779	0
Yellowstone County Anti-Gang/Gun Violence Program	16.609	07-O01-90342	50,000	0	9,095	9,095	0
Yellowstone County Anti-Gang/Gun Violence Program	16.609	09-O01-90850	20,000	0	20,000	20,000	0
			<u>231,229</u>	<u>0</u>	<u>136,228</u>	<u>136,228</u>	<u>0</u>
Total U.S. Department of Justice			\$592,351	\$0	\$331,319	\$331,319	\$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	211,795	0	0	0	0
Total U.S. Department of Housing & Urban Development			\$211,795	\$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	2005-3LEGL0018	N/A	\$0	123,403	123,403	0
Total U.S. Department of Health and Human Services			\$0	\$0	\$123,403	\$123,403	\$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, 2011
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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 06/30/10	Federal Revenues	Federal Expenditures	Program Balance 06/30/11
U.S Department of Homeland Security							
Passed through State Department of Military Affairs, DES Division							
SFY 2011 US Dept of Homeland Security Grant Program (HSGP) Emergency Mgt Performance G	97.042	2010-2010-EP-E0-00015	121,253	0	121,253	121,253	0
FEMA Pre-Disaster Mitigation (PDM) Project Grant	97.047	PDMC-PL-08-MT-2009-002 PDM GRANT	229,467	0	131,711	131,711	0
FEMA Hazard Mitigation Grant	97.039	DR-1767-P-1-R	101,720	0	0	0	0
HSGP Emergency Operation Plan (EOP) Update	97.067	2009-SS-T9-0005	50,117	0	25,641	25,641	0
HSGP BZPP	97.078	BZPP 2009-BF-T9-0037	196,622	0	194,622	194,622	0
Total U.S. Department of Homeland Security			\$699,179	\$0	\$473,227	\$473,227	\$0
U.S. Election Assistance Commission							
Passed through State Department of Administration							
Help America Vote Grant	90.401	n/a	33,164	4,047	4,047	4,047	0
Total U.S. Election Assistance Commission			\$33,164	\$4,047	\$4,047	\$4,047	\$0
U.S. Department of Interior							
Passed through State Department of Natural Resources & Conservation							
2010 Volunteer & Rural Fire Assistance Program	228 & 10.664	VFA-11-560	19,990	0	19,990	19,990	0
			19,990	0	19,990	19,990	0
Direct Programs							
BLM-MT925-Community Assistance-2009	15.228	L09AC15445	34,025	0	13,992	13,992	0
Noxious Weed Control on Public Lands in Yellowstone County, Montana	15.235	ESA060O41/L08AC14539	83,444	0	14,760	14,760	0
Taylor Grazing	N/A	N/A	N/A	0	449	449	0
Bankhead Jones	N/A	N/A	N/A	0	2,407	2,407	0
			117,469	0	31,608	31,608	0
Total U.S Department of Interior			\$137,459	\$0	\$51,598	\$51,598	\$0
Environmental Protection Agency							
Passed through Montana Department of Agriculture							
Pesticide Recycle Grant	66.605	MDA 11-30-049	920	0	574	574	0
Total Environmental Protection Agency			\$920	\$0	\$574	\$574	\$0
TOTAL FEDERAL AWARDS			\$2,423,956	\$4,047	\$1,477,132	\$1,477,132	\$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, 2011
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:

	<u>Federal Awards Revenues</u>	<u>State and Local Intergovernmental Revenue</u>	<u>Total Intergovernmental Revenues</u>
General Fund	\$ 995,254	\$ 520,680	\$ 1,515,934
Road Fund	2,407	1,992,700	1,995,107
Property and Liability Insurance Fund	0	0	0
Public Safety Fund	255,306	48,561	303,867
Capital Improvement Fund	0	9,498	9,498
Nonmajor Governmental Funds	224,165	1,312,237	1,536,402
Enterprise Fund	0	0	0
Totals	\$ <u>1,477,132</u>	\$ <u>3,883,676</u>	\$ <u>5,360,808</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011
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, 2011 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	107,360
Recreational Trails Program – Earl Guss Park Trail	#RT2008-47	2,625
USDOT – HMEP Planning Grant	HM-HMP-0190-10-01-00	2,320
		<u>\$112,305</u>
<u>US Department of Justice</u>		
Yellowstone County Victim/Witness Program	10-V01-90775	14,083
Jail-Based Treatment Project – JBT	09-R01-90713	6,304
Jail-Based Treatment Project - JBT	10-R01-90889	17,483
		<u>\$37,870</u>
<u>US Department of Interior</u>		
2010 Volunteer & Rural Fire Assistance Program	VFA 11-560	<u>\$2,221</u>
<u>US Department of Homeland Security</u>		
SFY 2011 US Dept of HSGP Emergency Mgt Performance Grant (EMPG)	2010-2010-EP-E0-00015	121,253
FEMA Pre Disaster Mitigation Update Plan	PDMC-PL-08-MT-2009-002	11,243
		<u>\$132,496</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u><u>\$284,892</u></u>

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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, 2011

Identification of Major Programs

20.205	Community Transportation Enhancement Program (CTEP)	\$463,769
20.219	Recreational Trails Program	\$ 10,500

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