



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 basic financial statements of Yellowstone County, Montana (the County) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 10, 2004. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated November 10, 2004.

This report is intended solely for the information and use of the audit committee, 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 Zur Muehler & Co. PC*

Billings, Montana  
November 10, 2004



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 its major federal programs for the year ended June 30, 2004. 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 programs are 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 on 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, 2004.

Internal Control Over Compliance

The **management** of the County is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, 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.



Billings, Montana  
November 10, 2004

**YELLOWSTONE COUNTY, MONTANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**  
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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 06/30/03	Federal Revenues	Federal Expenditures	Program Balance 6/30/2004
<b>U.S. Department of Transportation</b>							
<b>Passed through State Department of Justice / Highway Traffic Safety:</b>							
Highway Traffic Safety Plan - CODES Project	20.600	N/A	\$29,213	\$0	\$6,636	\$6,636	\$0
Highway Traffic Safety Plan - CODES Project	20.600	N/A	29,520	0	19,069	19,069	0
			<b>58,733</b>	<b>0</b>	<b>25,705</b>	<b>25,705</b>	<b>0</b>
<b>Passed through State Department of Transportation:</b>							
Montana Safe Kids, Safe Communities (FY04)-Healthy Moms, Healthy Babies	20.600	N/A	25,000	0	16,485	16,485	0
Montana Safe Kids, Safe Communities (FY03)-Healthy Moms, Healthy Babies	20.600	N/A	25,000	0	6,342	6,342	0
Community Transportation Enhancement Program Canyon Creek Interpretive Center	20.205	STPE 56(32)	82,252	0	10,189	10,189	0
Community Transportation Enhancement Program - Downtown Bike	20.205	STPE 1099(30)	862,916	0	266	266	0
			<b>995,168</b>	<b>0</b>	<b>33,282</b>	<b>33,282</b>	<b>0</b>
<b>Total U.S. Department of Transportation</b>			<b>\$1,053,901</b>	<b>\$0</b>	<b>\$58,987</b>	<b>\$58,987</b>	<b>\$0</b>
<b>U.S. Department of Justice</b>							
<b>Direct Programs:</b>							
2001 Local Law Enforcement Block Grant	16.592	2001-LB-BX-2196	\$20,879	\$5,606	\$0	\$5,606	\$0
2003 Local Law Enforcement Block Grant	16.592	2003-LBBX-0704	13,204	0	13,204	13,204	0
Community Gun Violence Prosecution Program	16.609	2002-GP-CS-0142	120,000	0	40,000	40,000	0
Continued Implementation of Youth Intake	16.542	2001-JN-FX-0048	249,450	0	39,154	39,154	0
2004 COPS in Schools Program	16.710	2004-SH-WX-0027	125,000	0	0	0	0
2000 COPS in Schools Program	16.710	2000SHWX0468	125,000	0	11,839	11,839	0
2000 COPS Technology - Computer Upgrades	16.710	2000CKWX0021	1,200,000	0	15,600	15,600	0
2001 COPS Technology - Range	16.710	2001CKWX0066	149,670	0	51,368	51,368	0
			<b>2,003,203</b>	<b>5,606</b>	<b>171,165</b>	<b>176,771</b>	<b>0</b>
<b>Passed through State Board of Crime Control:</b>							
Victim Witness Program	16.588	03-W03-81489	47,000	0	47,000	47,000	0
Violence Against Women Policy Review	16.579	01-K14-81337	4,575	0	0	0	0
Community Asset Training Program	16.540	03-J19-81541	13,000	0	12,214	12,214	0
Billings KIDS Pilot Project	16.540	03-J13-81536	36,345	0	36,260	36,260	0
Youth Intake & Assessment	16.523	02-A07-81233	155,571	0	34,924	34,924	0
Youth Intake & Assessment	16.523	03-A12-81560	84,927	0	34,232	34,232	0
			<b>341,418</b>	<b>0</b>	<b>164,630</b>	<b>164,630</b>	<b>0</b>
<b>Passed through State Disaster &amp; Emergency Services Division</b>							
2002 USDOD Domestic Preparedness Exercise Project	97.004	N/A	1,000	0	1,000	1,000	0
Domestic Preparedness Equipment	16.007	N/A	102,505	4,086	0	4,086	0
			<b>103,505</b>	<b>4,086</b>	<b>1,000</b>	<b>5,086</b>	<b>0</b>
<b>Total U.S. Department of Justice</b>			<b>\$2,448,126</b>	<b>\$9,692</b>	<b>\$336,795</b>	<b>\$346,487</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, 2004**  
 (Page 2 of 2)

Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Program Balance 6/30/03	Federal Revenues	Federal Expenditures	Program Balance 6/30/04
<b>U.S. Environmental Protection Agency</b>						
<b>Passed through Montana Department of Environmental Quality</b>						
66.001	N/A	\$55,395	\$0	\$9,576	\$9,576	\$0
<b>Passed through Montana Department of Military Affairs, DES Division</b>						
FY03 CERCLA Grant						
97.021	EMD-2003-GR-0313	\$6,882	\$0	\$6,882	\$6,882	\$0
<b>Total U.S. Environmental Protection Agency</b>						
<b>\$62,277</b>						
<b>\$16,458</b>						
<b>\$16,458</b>						
<b>\$0</b>						
<b>U.S. Department of Housing &amp; Urban Development</b>						
<b>Passed through State Department of Commerce</b>						
14.228	MT-CDBG-ED-EDPG-02-04	\$20,000	\$0	\$8,612	\$8,612	\$0
14.228	MT-CDBG-ED98-06	400,000	0	209,384	209,384	0
14.228	MT-CDBG-ED03-05	269,000	0	269,000	269,000	0
14.228	MT-CDBG-99HR-05	400,000	0	201,576	201,576	0
<b>Total U.S. Department of Housing &amp; Urban Development</b>						
<b>\$1,099,000</b>						
<b>\$688,572</b>						
<b>\$688,572</b>						
<b>\$0</b>						
<b>U.S. Department of Health and Human Services</b>						
<b>Direct Programs</b>						
90.008	US2SG02036-01-0	\$100,000	\$0	\$59,599	\$59,599	\$0
<b>Total U.S. Department of Health and Human Services</b>						
<b>\$100,000</b>						
<b>\$59,599</b>						
<b>\$59,599</b>						
<b>\$0</b>						
<b>U.S. Department of Homeland Security</b>						
<b>Passed through State Department of Military Affairs, DES Division</b>						
97.004	2003-MU-T3-0021	\$805,262	\$0	\$6,248	\$6,248	\$0
97.004	2003-TE-TX-0176	109,604	0	0	0	0
97.039	1424-P-1-R	8,000	0	8,000	8,000	0
83.564	n/a	10,000	0	9,950	9,950	0
83.564	n/a	13,695	0	13,695	13,695	0
83.564	n/a	4,533	0	4,533	4,533	0
97.047	n/a	30,000	0	30,000	30,000	0
83.562	EMD-2003-GR-0314	2,839	0	2,839	2,839	0
<b>Total U.S. Department of Homeland Security</b>						
<b>\$983,933</b>						
<b>\$75,265</b>						
<b>\$75,265</b>						
<b>\$0</b>						
<b>U.S. Department of Interior</b>						
<b>Passed through State Department of Natural Resources &amp; Conservation</b>						
N/A	03-56-00	\$20,273	\$0	\$20,273	\$20,273	\$0
<b>Volunteer &amp; Rural Fire Assistance Title IV Grant</b>						
<b>\$20,273</b>						
<b>\$20,273</b>						
<b>\$0</b>						
<b>Direct Programs</b>						
15.228	ESA030016	\$143,000	\$0	\$967	\$967	\$0
N/A	N/A	N/A	0	266	266	0
N/A	N/A	N/A	0	1,380	1,380	0
<b>Total U.S. Department of Interior</b>						
<b>\$143,000</b>						
<b>\$2,613</b>						
<b>\$2,613</b>						
<b>\$0</b>						
<b>\$163,273</b>						
<b>\$0</b>						
<b>\$22,886</b>						
<b>\$22,886</b>						
<b>\$0</b>						
<b>National Park Service</b>						
<b>Direct Programs</b>						
N/A	FY02-051	\$10,000	\$2,580	\$0	\$2,580	\$0
<b>Lewis &amp; Clark National Historic Trail</b>						
<b>\$10,000</b>						
<b>\$2,580</b>						
<b>\$2,580</b>						
<b>\$0</b>						
<b>Total National Park Service</b>						
<b>\$10,000</b>						
<b>\$2,580</b>						
<b>\$2,580</b>						
<b>\$0</b>						
<b>\$5,910,510</b>						
<b>\$12,272</b>						
<b>\$1,258,562</b>						
<b>\$1,270,834</b>						
<b>\$0</b>						
<b>TOTAL FEDERAL AWARDS</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, 2004**

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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 general purpose 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 Revenues	State and Local Intergovernmental Revenue	Total Intergovernmental Revenues
General Fund	\$ 863,013	\$ 236,754	\$ 1,099,767
Road Fund	0	1,640,222	1,640,222
Property and Liability Insurance Fund	0	21,125	21,125
Public Safety Fund	114,838	225,508	340,346
Capital Improvement Fund	0	127,000	127,000
Nonmajor Governmental Funds	<u>280,711</u>	<u>2,487,466</u>	<u>2,768,177</u>
<b>Totals</b>	<b>\$ <u>1,258,562</u></b>	<b>\$ <u>4,738,075</u></b>	<b>\$ <u>5,996,637</u></b>

**YELLOWSTONE COUNTY, MONTANA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2004  
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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, 2004 for the following programs:

<b>U.S. Department of Transportation</b>	<b>Grant No.</b>	<b>Amount</b>
Community Transportation Enhancement Program Canyon Creek Interpretive Center	STPE 56(32)	1,579
Community Transportation Enhancement Program - Downtown Bike	STPE 1099(30)	<u>41</u>
		<b><u>\$ 1,620</u></b>

<b>U.S. Department of Justice</b>	<b>Grant No.</b>	<b>Amount</b>
2003 Local Law Enforcement Block Grant	2003-LBBX-0704	\$ 1,467
Community Gun Violence Prosecution Program	2002-GP-CX-0142	26,361
2000 COPS in Schools Program	2000SHWX0468	1,748
Victim Witness Program	03-W03-81489	15,667
Youth Intake & Assessment	02-A07-81233	3,880
Youth Intake & Assessment	03-A12-81560	<u>5,537</u>
		<b><u>\$ 54,660</u></b>

<b>U.S. Environmental Protection Agency</b>	<b>Grant No.</b>	<b>Amount</b>
Air Pollution Control Program	N/A	<b><u>\$ 31,920</u></b>

<b>U.S. Department of Interior</b>	<b>Grant No.</b>	<b>Amount</b>
Volunteer & Rural Fire Assistance Title IV Grant	03-56-00	<b><u>\$ 2,253</u></b>

**Total Matching on Federal Expenditures** **\$ 90,453**

YELLOWSTONE COUNTY, MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

1. Summary of Auditor's Results:

- The report on the basic financial statements is an unqualified opinion.
- The audit did not disclose any noncompliance which is material to the basic financial statements.
- The audit did not disclose any reportable conditions in internal control over financial reporting.
- The audit did not disclose reportable conditions in internal control over its major program.
- The audit did not disclose audit findings that the auditor is required to report under OMB Circular A-133.
- The report on compliance for major programs has an unqualified opinion.
- Major programs consist of the following:

<u>PROGRAM</u>	<u>GRANTOR</u>	<u>CEDA#</u>
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.228

- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
  - The County qualified as a low-risk auditee.
2. The audit did not disclose any findings required to be reported in accordance with GAGAS.
  3. The audit did not disclose any findings required under OMB-A-133
  4. There were no prior year audit findings.