

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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 22, 2010. 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 Zimmuehlen + Co, P.C.

Billings, Montana
December 22, 2010



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) with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2010. 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, 2010.

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 Ziemer Muehlen & Co, P.C.

Billings, Montana
December 22, 2010

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Page 1 of 2)

<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 06/30/09</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/10</u>
U.S. Department of Transportation							
<u>Passed through State Department of Transportation / Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600,601,602	2009-11-04-29,2009-17-04-29	15,000	0	4,794	4,794	0
Yellowstone County STEP OT	20.600, 20.60	2010-05-04-28 2010-16-04-28	12,000	0	6,371	6,371	0
Total U.S. Department of Transportation			\$27,000	\$0	\$11,165	\$11,165	\$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	47,553	47,553	0
Technological Advancements for the City of Billings and Yellowstone County (JAG Sub-grant from City of Billings)	16.738	2009-DJ-BX-0719	2,000	0	2,000	2,000	0
			49,642	0	49,553	49,553	0
<u>Passed through State Board of Crime Control:</u>							
Children of Incarcerated Parents	16.548	08-P02-90332	45,942	0	736	736	0
Juvenile Detention Alternative Initiative	16.540	09-J02-90557	42,586	0	38,203	38,203	0
Yellowstone County Victim/Witness Program	16.575	09-V01-90474	59,897	0	59,897	59,897	0
Jail-Based Treatment Project	16.593	08-R01-90428	46,285	0	15,848	15,848	0
Jail-Based Treatment Project - JBT	16.593	09-R01-90713	52,448	0	35,427	35,427	0
Yellowstone County Anti-Gang/Gun Violence Program	16.609	07-O01-90342	50,000	0	40,905	40,905	0
Anti-Gang/Gun Violence Program	16.744	06-N01-90127	49,233	0	12,333	12,333	0
			346,391	0	203,349	203,349	0
Total U.S. Department of Justice			\$396,033	\$0	\$252,902	\$252,902	\$0
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Custer Water and Sewer	14.228	MT-CDBG-05PF-08	500,000	0	500	500	0
Total U.S. Department of Housing & Urban Development			\$500,000	\$0	\$500	\$500	\$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	112,261	112,261	0
Total U.S. Department of Health and Human Services			\$0	\$0	\$112,261	\$112,261	\$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, 2010
(Page 2 of 2)

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Program Balance 06/30/09	Federal Revenues	Federal Expenditures	Program Balance 06/30/10
U.S. Department of Homeland Security							
Passed through State Department of Military Affairs, DES Division							
SFY 2010 US Dept of Homeland Security Grant Program (HSGP) Emergency Mgt Performance G	97.042	2009-EP-E9-0009/2008-EM-E8-002	151,336	0	149,678	149,678	0
FEMA Pre-Disaster Mitigation (PDM) Project Grant	97.047	PDMC-PL-08-MT-2009-002 PDM GRANT	229,467	0	42,685	42,685	0
HSGP Emergency Operation Plan (EOP) Update	97.067	2009-SS-T9-0005	50,117	0	21,698	21,698	0
Total U.S. Department of Homeland Security			\$430,920	\$0	\$214,061	\$214,061	\$0
U.S. Election Assistance Commission							
Passed through State Department of Administration							
Help America Vote Grant	90.401	n/a	33,164	4,047	0	0	4,047
Total U.S. Election Assistance Commission			\$33,164	\$4,047	\$0	\$0	\$4,047
U.S. Department of Interior							
Passed through State Department of Natural Resources & Conservation							
2009 Volunteer & Rural Fire Assistance Program	228 & 10.664	VFA-10-560	20,000	0	20,000	20,000	0
			20,000	0	20,000	20,000	0
Direct Programs							
BLM-MT925-Community Assistance-2009	15.228	L09AC15445	34,025	0	10,285	10,285	0
Wildfire Community Assistance in Yellowstone County, Montana	15.228	ESA08V020/L08AC13103	18,000	0	8,680	8,680	0
Noxious Weed Control on Public Lands in Yellowstone County, Montana	15.235	ESA060O41/L08AC14539	83,444	0	26,016	26,016	0
Taylor Grazing	N/A	N/A	N/A	0	219	219	0
Bankhead Jones	N/A	N/A	N/A	0	4,611	4,611	0
			135,469	0	49,811	49,811	0
Total U.S. Department of Interior			\$155,469	\$0	\$69,811	\$69,811	\$0
U.S. Department of Energy							
Direct Programs							
Recovery Act - Energy Efficiency & Conservation Block Grant Program	81.128	DE-RW0000163	151,800	0	151,800	151,800	0
Total U.S. Department of Energy			\$151,800	\$0	\$151,800	\$151,800	\$0
TOTAL FEDERAL AWARDS			\$1,694,386	\$4,047	\$812,500	\$812,500	\$4,047

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, 2010
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	\$ 253,745	\$ 419,222	\$ 672,967
Road Fund	4,611	2,089,537	2,094,148
Property and Liability Insurance Fund	0	0	0
Public Safety Fund	60,718	98,191	158,909
Capital Improvement Fund	0	138,877	138,877
Nonmajor Governmental Funds	341,626	1,358,106	1,699,732
Enterprise Fund	151,800	0	151,800
Totals	\$ <u>812,500</u>	\$ <u>4,103,933</u>	\$ <u>4,916,433</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
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, 2010 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>US Department of Justice</u>		
Victim Witness Program	VWP 09-V01-90474	14,974
Jail Based Treatment Project	09-R01-90713	11,179
		<u>\$26,153</u>
<u>US Department of Interior</u>		
Volunteer & Rural Fire Assistance Program	VFA 10-560	2,222
BLM MT-925 Community Assistance 2009	L09AC15445	3,403
		<u>\$5,625</u>
<u>US Department of Homeland Security</u>		
FEMA Pre Disaster Mitigation Update Plan	PDMC-PL-08-MT-2009-002	<u>\$4,262</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u><u>\$ 36,040</u></u>

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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, 2010

Identification of Major Programs

81.128	U.S Department of Energy – Recovery Act Grant Program	\$151,800
93.658	U.S Department of Health and Human Services – Foster Care Title IV-E	\$112,261
	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