



Proposal to



For Auditing Services

May 22, 2012



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

May 22, 2012

Billings Public Schools
c/o Patricia Hubbard
Director of Business Services
415 North 30th Street
Billings, MT 59101

Dear Ms. Hubbard and members of the Audit Selection Committee:

Anderson ZurMuehlen & Co., P.C. (Anderson ZurMuehlen) is pleased to offer this proposal for annual independent financial audit services for the Billings Elementary School District #2 and the Billings High School District of Yellowstone County. We commit to perform the work in the time period specified. Based on your request for proposal, we understand your needs to be:

- **Financial Statement Audit and A-133 Audit** for fiscal years ending June 30, 2012, 2013, and 2014 conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) as set forth by the American Institute of Certified Public Accountants, Government Auditing Standards issued by the Comptroller General of the United States, the Single Audit Act Amendment of 1996 as prescribed in OMB Circular A-133 (as applicable), and the State of Montana Department of Administration Audit Contract.

Anderson ZurMuehlen is uniquely qualified to serve as your independent auditors because:

- **Our highly trained and qualified assurance professionals have significant experience and expertise in local government audits:** We currently serve over 35 local governments across the state of Montana, including the Bozeman, Great Falls and Missoula school districts. This gives our staff a unique perspective and ability to consult on best practices in internal control processes, financial management, and benchmarking statistics. In addition, we have made a commitment to quality as evidenced by our membership in the AICPA's Government Audit Quality Center and our internal requirement of independent quality control review of all governmental audit workpapers and reports.
- **Our Local Government Service Team,** made up of shareholders and managers across our offices, meets monthly to discuss important issues and best practices for our governmental clients. Individuals are assigned to research and report on current topics of interest. We then share these ideas and practices with our clients through emails, telephone calls, newsletters and presentations.
- **Longevity and commitment to client service.** We are a firm of professional accountants and business advisors with over 50 years of service to our clients. In addition, we have demonstrated our commitment to quality assurance services through years of successful peer reviews.

We look forward to meeting the needs of the Billings School District. Please contact me if you have any questions about our proposal.

Sincerely,

Anderson ZurMuehlen & Co., P.C.

Stefeni S. Freese, Shareholder



mandatory elements

Qualifications and Criteria

Team members for this engagement were selected for their technical ability, experience and management skills.

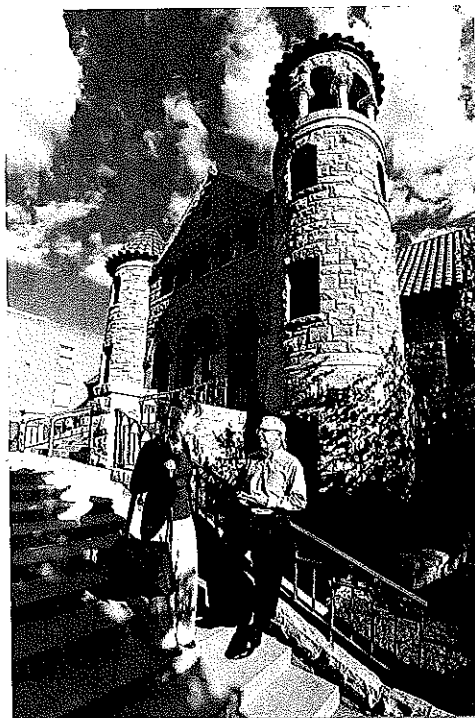
- Anderson ZurMuehlen is independent with respect to the operations of the District as defined by the American Institute of Certified Public Accountants' Professional Standards.
- Anderson ZurMuehlen is currently registered as a corporation of Certified Public Accountants under MCA 37-50-332. We are also registered on the "Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Government Entities" maintained by the Local Government Services Bureau of the Department of Administration.
- The CPAs involved in auditing hold current Montana certificates as Certified Public Accountants and hold current permits to practice public accounting in accordance with MCA 37-50-314.
- Anderson ZurMuehlen staff are members of the State of Montana's Society of Certified Public Accountants and the American Institute of Certified Public Accountants and adhere to the State and AICPA professional standards of audit practices and conduct. The firm has no record of substandard work. This can be verified with the Montana State Board of Public Accountants.
- In order to maintain the highest professional standards, Anderson ZurMuehlen emphasizes continuing professional education to keep all professionals up-to-date on recent accounting and auditing developments. Our firm exceeds the Government Auditing Standards' educational requirements issued by the GAO. Our auditing staff attend GFOA annual conferences, the AICPA annual government conference, the annual Governmental Accounting and Auditing Update each year and continues to keep informed of recent accounting issues.

Quality Matters

Anderson ZurMuehlen is confident in the quality of our work, evidenced by our enrollment in the AICPA's Peer Review Program and participation in the AICPA's Government Audit Quality Control Center. None of the engagement team members or the firm have been the subject of any complaint or disciplinary action by any oversight body.

Quality Control Review Report

Anderson ZurMuehlen is enrolled in the AICPA Peer Review Program. You can find our latest external quality review report on page 36.





technical criteria—comprehensiveness of audit work plan

Risk-Based Audit Approach

Our approach to the audit of the District will be risk-based, whereby we identify areas of greatest audit risk through our preliminary planning process and focus our audit efforts in these areas. Based on our experience with other similar districts and governments, we believe the most common areas of risk relate to:

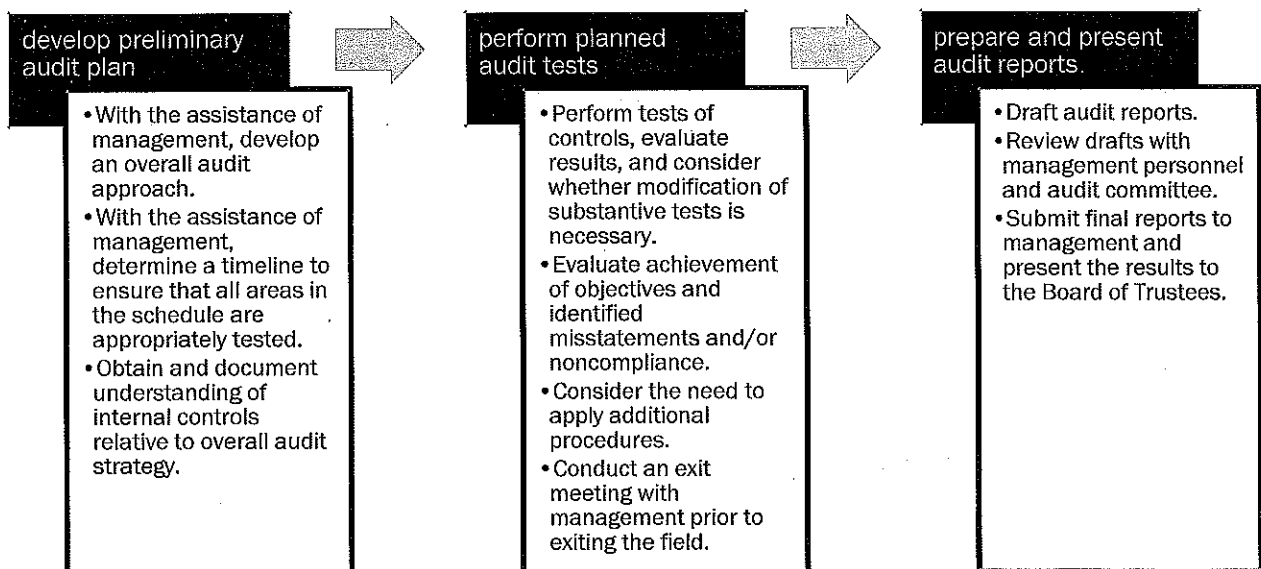
- Single audit requirements applicable to major programs, in particular those funded by ARRA
- State compliance applicable to attendance, extracurricular funds, and other areas
- Classification and propriety of expenditures, including fraud
- Compliance with bond covenants
- Presentation and disclosure in the financial statements
- Accounting and disclosure of post-employment benefits
- Classification of fund balance in accordance with GASB 54

During our planning phase, we will discuss these and other potential risk areas (including fraud risks) with management and others in the District, in developing our audit program.

Audit Manuals and Programs

Our firm uses internal controls checklists and programs tailored for audits of governmental entities developed by Practitioners Publishing Company (PPC). We tailor the methodologies and concepts suggested by PPC to the District, and customize their standard programs to be uniquely geared to specific areas. We also utilize paperless audit software provided by CCH. The paperless system, coupled with our wireless communications, gives our engagement team on-line access to working papers, audit manuals and research tools from any location, at any time.

The following describes our overall approach to the engagement:



This approach is designed to provide efficient coverage by (1) emphasizing risk in the audit planning phase, (2) ensuring that all high risk areas receive appropriate attention, and (3) keeping management informed of the audit progress throughout the engagement.

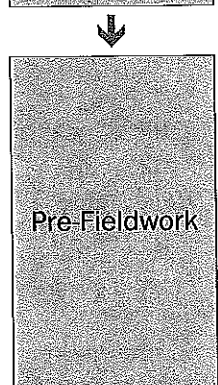


technical criteria—segmentation and scheduling

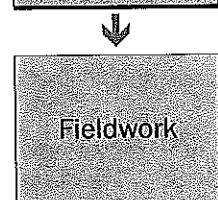
Our work schedule consists of four major segments. We will finalize dates after discussion and consultation with management.



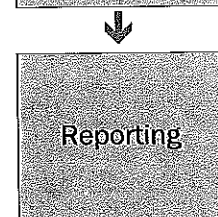
We will start this phase once we are appointed as your auditors. This phase consists of a meeting with management, finalization of the audit risk assessment, and preliminary scheduling of fieldwork dates.



A comprehensive list of all documents and schedules required for the audit is attached in Appendix C. We anticipate that all requested information will be provided to us by the agreed-upon timeline in the audit plan. Pre-fieldwork will include documenting and updating internal control processes, walk-through procedures on internal controls, testing major fund determination, reading minutes and reviewing budget variance reports and trial balances and risk assessment documentation. We will also complete the single audit major program determination and internal control over compliance documentation. If the District personnel agree to interim work, compliance testing can be performed ahead of fieldwork.



Fieldwork will take place beginning September 3, 2012, with progress reports to management during the course of fieldwork.



We will present a draft of the audit reports to the Audit Committee, district business staff and the Superintendent on or about October 31, 2012. All findings will be discussed at the exit conference. We will formally present the final audit report at the first regularly scheduled meeting of the Board of Trustees after conclusion of the audit.

Audit Sampling Methodology

We plan to use audit sampling for selected tests of controls and transactions. Our determination of whether to sample, as well as sample sizes in each of these areas, is based on our overall audit strategy and our assessment of risk, as described above. We may utilize statistical attributes-type sampling for tests of controls, statistical dollar-unit type sampling for certain substantive sampling and non-statistical sampling for other substantive tests and certain compliance testing. Our attributes sample sizes are typically based on a planned assessed level of control risk of moderate, a 10% risk of assessing control risk too low, and no anticipated errors.

Non-statistical sampling for substantive tests is based on our assessment of materiality and detection risk.



technical criteria—segmentation and scheduling

Approach to Consideration of Internal Controls

Our approach to consideration of the District's internal controls is based on an integrated risk assessment philosophy. Our approach to internal controls is as follows:

- Evaluate control environment factors
- Evaluate accounting systems factors (transaction initiation, recording, valuation and classification, including information systems)
- Evaluate control procedures
- Identify potential for fraud, misstatements and noncompliance
- Document understanding of internal controls
- Prepare and document risk assessment

Our procedures to obtain this understanding will be based on our current assessment of general environmental and risk factors, inquiries and walk-throughs with the District's personnel and review of records and documents.

Use of Technology

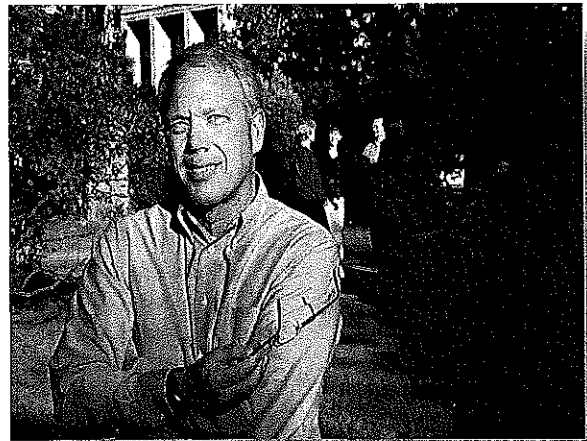
Our firm has championed the use of information technology in all areas of practice. Each of our auditors has a laptop computer for use on all audit engagements. We utilize automated workpaper software and Microsoft Office products for various audit memoranda and analysis. We also employ data-mining techniques using IDEA® data extraction software. Our auditors have remote access to our network-based research libraries, email, client files, and the Internet. It is our practice to maximize the use of IT in the audit function because of the significant efficiencies gained.

Because our paperless audit system is web-based, our engagement team can collaborate on the assignment from any location in the world. Manager and partner reviews can be performed without the need for on-site presence.

Maintaining Effective Communications

A positive working relationship with you is vital to a successful engagement. Our approach to maintaining this relationship includes:

- Personnel who are technically qualified, possess good interpersonal skills, and maintain a positive client service attitude
- Flexibility in our engagement schedule and in our requests for assistance from your staff
- Recognizing established lines of authority at the District and ensuring that communications are directed to the proper levels
- Providing explanations and instructions when requesting assistance
- Avoiding insignificant audit comments and explaining the relative significance of matters that are required to be reported
- Discussing sensitive issues at the earliest possible time and maintaining open communication so that such issues can be resolved well in advance of issuing the audit report





Technical experiences

The professionals at Anderson ZurMuehlen understand the operational issues that public school districts face. Our firm shareholders have over 35 years of experience auditing governmental entities, including school districts, and have a deep understanding of their operations, regulations and requirements. We have extensive experience preparing and auditing Comprehensive Annual Financial Reports that have won the Certificate of Excellence in Financial Reporting from the GFOA and have participated in the program as past reviewers. The individuals listed below may be contacted regarding services performed.

Bozeman School District No. 7
Steve Johnson, Assistant Superintendent for
Business Operations
404 W. Main, Room 127
Bozeman, Montana 59715
406.522.6042
*Single Audit Services, GFOA Certificate
of Excellence in Financial Reporting

Great Falls School District
Brian Patrick
Executive Director of Business Services
1100 4th Street South
Great Falls, Montana 59405
406-268-6050
*Single Audit Services, preparation of
financial statements

Missoula County Public Schools
Alex Apostle, Superintendent
215 South 6th West
Missoula, Montana 59801
406.728.2400
*Single Audit Services, preparation of
financial statements

City of Missoula
Brentt Ramharter, Finance Director
435 Ryman Street
Missoula, Montana 59802
406.552.6108
*Single Audit Services, GFOA Certificate of
Excellence in Financial Reporting, and
preparation of financial statements

Yellowstone County
Mr. Scott Turner, Finance Director
Courthouse 4th Floor, 217 N 27th St
Billings, Montana 59101
406.256.2718
*Single Audit Services

Flathead County
Mr. Mike Pence, County Administrator
800 South Main
Kalispell, Montana 59901
406.758.5503
*Single Audit Services, preparation of
financial statements

Other Audit Entities:

Arrowhead School District
City of Choteau
Cardwell School District
Yellowstone City-County Health Department
 dba RiverStone Health
Flathead Municipal Airport Authority
Lewis and Clark County
Gallatin County, Montana
Missoula Redevelopment Agency
Missoula Parking Commission
Missoula Airport Authority



engagement team

Stefeni Freese, Shareholder, will serve as the engagement partner. She will be responsible for the overall supervision of the services provided and will review the workpapers and report before the final report is issued. Stefeni has over 25 years of experience and serves as the engagement or concurring technical partner on all of the firm's major government audits.



Paul Sepp, Shareholder, will serve as the independent quality control reviewer. As part of our quality control procedures, the workpapers and financial statements are reviewed again by an experienced reviewer. This individual is assigned based on his or her qualifications as a quality control reviewer and experience in audits of school districts. Paul has over 35 years of experience with government and nonprofit organizations and served as the partner in charge of the audits of Missoula County, Flathead and Missoula County Airport Authority and Missoula Urban Transportation District.

Lyndsey Geering, Supervisor, will be responsible for developing the scope of the work plan and for directing the day-to-day activities of the audit engagement team. Lyndsey will assist and supervise the performance of the audit procedures and review all the work as it is being performed.

Brea Ackerman and **Josh Hale**, Seniors, and **Mara Hoskins** Staff Consultant will assist in the completion of the audit testing. Other seniors and staff are available to round out the team as needed.

Dedicated, Experienced Resources

All engagement team members have obtained the required continuing education under *Government Auditing Standards* and are licensed to practice in the State of Montana. Resumes for the engagement team members are available for review starting on page 9.

Based on their experience on other school district audits, this engagement team is very familiar with your operations, policies, procedures, billing system, and funding sources. This staffing mix provides the Billings Public Schools with a solid team of professionals, minimizing your staff involvement during the audit process, and leverages our professional fee schedule.



engagement team

Stefeni S. Freese, CPA

- Shareholder since 2002
- Joined Anderson ZurMuehlen in 2001



Education

- Bachelor of Science in Accounting, Montana State University – 1989
- Continuing education courses through Montana Society of Certified Public Accountants (MSCPA), American Institute of Certified Public Accountants (AICPA) Government Finance Officers Association, Audit Watch and Anderson ZurMuehlen sponsored courses.

Selected Government Courses over the last three years include the following:

- Yellow Book Update
- Governmental Audit Accounting and Financial Reporting
- Quality Control Document Review
- AICPA Government Accounting and Auditing Conference
- GAAFR Conference

Experience

- Twenty-five years of audit and accounting experience related to performance and supervision of audits, evaluation of internal controls, preparation and analysis of financial statements and developing and implementing accounting system solutions.
- Local government and non-profit auditing experience, including Single Audits.
- Preparing and auditing government financial statements that have been awarded the Certificate of Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). Served as reviewer of Comprehensive Annual Financial Reports for this award program of the GFOA.
- Serves as Director of the Anderson ZurMuehlen Local Governments Service Team and teaches annual Anderson ZurMuehlen Yellow Book Government update classes.
- Client groups served include governmental entities, non-profit organizations, individuals and small businesses.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Member, Montana Association of School Business Officials
- Member, Peer Review Committee of the MSCPA
- Report Reviewer, State of Montana Board of Public Accountants Professional Monitoring Program
- Treasurer, Cody Dieruf Benefit Foundation
- Board Member, Boys and Girls Clubs of Yellowstone County

PHONE: 406.245-5136

FAX: 406.245-6056

E-MAIL: sfreese@azworld.com



engagement team

Paul Sepp, CPA, CBA, CISA, CGFM

- Shareholder since 2005
- Joined Anderson ZurMuehlen in 2005
- Technical Director for Attest Services



Education

- Master of Science in Business Administration, University of Denver – 1972
- Bachelor of Science, University of Illinois – 1970
- Continuing education courses through Montana Society of Certified Public Accountants (MSCPA), American Institute of Certified Public Accountants (AICPA) and Anderson ZurMuehlen sponsored courses.

Experience

- Over 39 years in assurance services, with concentration in governments, non-profits, construction contractors and employee benefit plans.
- Preparation and supervision of tax-related services to individuals, corporations and exempt organizations.
- Consulting experience includes forensic accounting, litigation support, business valuations and information systems assurance services.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Past Board Member, MSCPA
- Past Chairman, MSCPA Not-for-Profit and Government Audit Quality Control Committees
- Chairman, MSCPA Ethics Committee
- Member, Institute of Business Appraisers
- Member, Information Systems Audit & Control Association
- Member, National Association of Forensic Economics
- Member, Missoula Sunrise Rotary
- Member and past Chairman, University of Montana Foundation Excellence Fund Steering Committee
- Member, Missoula Alliance Church

PHONE: 406.721.7800

FAX: 406.721.4155

E-MAIL: psepp@azworld.com



engagement team

Lyndsey Geering

- Supervisor
- Joined Anderson ZurMuehlen in 2011



Education

- Bachelor of Science in Business Administration-Accounting Option, Montana State University - 2006
- Continuing education courses through Montana Society of Certified Public Accountants (MSCPA), American Institute of Certified Public Accountants (AICPA), and Anderson ZurMuehlen sponsored continuing education courses.

Experience

- Audit and accounting experience related to financial statement compilations, audits and reviews.
- Bookkeeping and tax service experience provided to individuals and businesses.
- Specific areas of expertise include financial statement and compliance audits for non-profits and local governments, A-133 audits, tests of internal controls during the auditing process, GASB 34 and GASB 54 implementation, tax preparation for individuals, corporations, and trusts.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Member, Billings Chapter of MSCPA
- Member, College of Technology Accounting Advisory Committee
- United Way Volunteer

Clients Served since joining Anderson ZurMuehlen

- Rehabilitation Enterprises of North Eastern Wyoming
- Yellowstone County
- RiverStone Health
- Big Sky Economic Development Authority
- Montana Wyoming Tribal Council

PHONE: 406.245.5136

FAX: 406.245.6056

E-MAIL: lgeering@azworld.com



engagement team

Brea N. Ackerman, CPA

- Senior
- Joined Anderson ZurMuehlen in 2005



Education

- Master of Accountancy, Montana State University – 2007
- Bachelor of Science in Business, Management Option, Montana State University – 2001
- Continuing education courses through Montana Society of Certified Public Accountants (MSCPA), American Institute of Certified Public Accountants (AICPA) and Anderson ZurMuehlen sponsored courses.

Experience

- Auditing experience includes audit examinations and financial statement preparation.
- Tax experience includes preparation of returns for individuals, corporations, partnerships and non-profit organizations.
- Accounting experience includes payroll and quarterly reports preparation and bookkeeping using QuickBooks®.
- Client groups served include financial institutions, trusts (employee benefit plans), manufacturing, retail, non-profit and governmental organizations.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Vice President, Bozeman Chapter of CPAs
- Advisory Board Member, Museum of the Rockies Club320
- Volunteer, Children's Museum of Bozeman
- Volunteer, Special Olympics
- Volunteer, Relay for Life

PHONE: 406.556.6160

FAX: 406.586.8719

E-MAIL: backerman@azworld.com



engagement team

Josh Hale

- Staff
- Joined Anderson ZurMuehlen in 2011



Education

- Bachelor of Science in Business Administration with a minor in Economics, Wichita State University - 1996
- Additional credits (24 hours) in accounting at Montana State University-Billings - 2000
- Continuing education courses through AICPA, MSCPA, Billings Chapter of Montana Society of Certified Public Accountants and Anderson ZurMuehlen sponsored courses.

Experience

- Audit and accounting experience related to financial statement compilations, audits, reviews, and tax return preparation.
- Previous public accounting experience with Olness & Associates in audits of governmental entities, including schools, cities, and counties.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Member, Billings Chapter of MSCPA
- Treasurer, Parents Let's Unite for Kids (PLUK)

Clients Served Since Joining Anderson ZurMuehlen:

Arrowhead School District
Billings YMCA
Girl Scouts of Montana and Wyoming
MT-WY Tribal Leaders Council
Peacemaker Ministries
Rocky Mountain College
Yellowstone City-County Health Department
Yellowstone County

PHONE: 406.245.5136

FAX: 406.245.6056

E-MAIL: jhale@azworld.com



engagement team

Mara Hoskins

- Staff
- Joined Anderson ZurMuehlen in 2011



Education

- Bachelor of Science in Accountancy, Westminster College - 2009
- Continuing education courses through Billings Chapter of Montana Society of Certified Public Accountants and Anderson ZurMuehlen sponsored courses.

Experience

- Audit and accounting experience related to financial statement compilations, audits, reviews, and tax return preparation.

Awards, Activities, and Affiliations

- Member, AICPA
- Member, MSCPA
- Member, Billings Chapter of MSCPA

Clients Served Since Joining Anderson ZurMuehlen:

Alberta Bair Theater Corporation
Alternatives, Inc.
Yellowstone City-County Health Department
Girl Scouts of Montana and Wyoming
Montana State University-Billings
OP & WE Edwards Foundation, Inc.

PHONE: 406.245.5136
FAX: 406.245.6056
E-MAIL: mhoskins@azworld.com



firm overview and additional services

The Basics

- Established 1957
- Headquartered in Helena, Montana; offices in Billings, Bozeman, Butte, Great Falls, Helena, and Missoula, Montana
- Over 240 employees, 45 of which are shareholders
- Over 40 consultants who are "Yellow Book" qualified and have governmental audit experience
- Anderson ZurMuehlen's Billings office is located at 402 North Broadway, 4th Floor and will be responsible for the audit
- Member, American Institute of Certified Public Accountants (AICPA); AICPA Private Companies Practice Section; AICPA Large Firm Network; Eide Bailly Practicewise Network; MSI Legal and Accounting Network Worldwide
- Shareholders serve in a wide variety of local, state, and national professional associations; many employees heavily involved in community service organizations
- Most recent Peer Review Report (year ending May 31, 2011) was "unqualified"
- Our mission, vision, and core values (view at www.azworld.com) are more than impressive words; they're who we are

Independence Standards

Independence is something we take very seriously at Anderson ZurMuehlen. Each new attest client must be subjected to a rigorous independence investigation before they are accepted. In addition, a questionnaire is sent out annually to all Anderson ZurMuehlen staff regarding any relationships they may have with attest clients. The responses to these questionnaires are summarized by our Assurance Quality Control shareholder. It is his responsibility to determine if we have any conflicts of interest that may call our independence into question. His report is submitted to the President of our firm, and any issues are resolved either through our resignation from the engagement or other appropriate means.

Attest Services

Our attest services include audits, reviews, compilations, and examinations of specific accounts, items and transaction elements. We also assist organizations in designing and implementing internal control systems and provide monthly, quarterly, and annual accounting services. Our engagement teams routinely look beyond compliance and present practical and constructive recommendations to help our clients achieve their business objectives.

Our attest services are governed by a quality control document (QCD) to ensure consistency and provide the necessary checks and balances, and to ensure quality service to our clients. Our extensive use of technology maximizes efficiency and communication, while minimizing our footprint in the client's business. This technology includes a paperless work environment, data extraction software and benchmarking software.

Valuation and Litigation Consulting Services

As businesses plan for the future, valuation services are essential to certain key decisions. Our specialists have many years of experience, enabling them to provide valuation reports that make sense and will stand up against the toughest of challenges. Our consultants are also uniquely qualified to help owners understand how value can be created and maximized in their businesses.

Our litigation specialists know that every case is unique and understand both currently accepted and emerging methods of calculating damages, as well as the relevant economic factors. The key issues and facts of each case are thoroughly analyzed, computations are carefully prepared, and exhibits that juries and judges can easily understand are created. Our consultants have decades of experience in litigation, including testimony at over 100 trials.



firm overview and additional services

Accounting Services

We provide the following accounting services:

- Temporary and full-service contract bookkeeping and accounting
- Financial statement preparation
- Budgeting
- Controller services
- Development of procedures manuals
- Accounting system design and controls
- Customized management reports
- Monthly, quarterly and annual payroll reports

Our Accounting Services department provides specialized support for clients using QuickBooks®. The support offered by our Certified ProAdvisors includes new installations, setting up new databases and advising on existing ones, general consulting, training classes at the beginning, intermediate, and advanced levels, and presentation of an annual conference for QuickBooks® users.

Employee Benefit Services

Benefits are a major expense for most organizations. Through our sister company, Employee Benefit Resources, Inc. (EBR) we review and design retirement/profit sharing plans to meet employer goals. Qualified plans are the largest tax shelters available. We provide administration services and staff orientation for qualified plans, including 401(k), profit sharing, money purchase pension and ESOPs. Our staff has the technical knowledge and experience required to ensure compliance with the complex regulations governing these plans. We also review and design nonqualified deferred compensation arrangements.

Technology Services

Our Technology Services department provides hardware analysis and selection, software evaluation, information systems development, implementation and project management, and custom report generation to a wide variety of clients.

Clients across the nation look to us for implementation and ongoing support for their specialized software packages. These packages include Microsoft Dynamics GP (formerly Microsoft Business Solutions Great Plains) and Microsoft Dynamics SL (formerly Microsoft Business Solutions Solomon). To ensure our knowledge of each system is comprehensive and to provide the highest level of support for our clients, we consciously limit the number of software solutions we support.





professional fees

Fees

Anderson ZurMuehlen understands your need to balance cost considerations with the highest professional standards for quality work. Our philosophy is to provide comprehensive services to meet your needs and exceed your expectations at the lowest possible cost to you.

The following fee proposal includes fees for a one-year engagement ending June 30, 2012 and a three-year engagement ending June 30, 2014 for audit services.

Our fee estimate is based on the presumption that all accounts will be reconciled by your staff prior to the beginning of the audit and that bookkeeping services will not be necessary. We will provide you with a comprehensive list of documents and schedules needed for the audit. In the unlikely event that accounts are not reconciled or requested schedules are not received in a timely manner, the fee may be subject to a change order to reflect additional time required by us.

Our fee estimate is also based on having no more than six (6) major programs to test in the single audit. If further programs require testing, we will bill an additional \$2,500 per major program.

Based on the foregoing comments, the following fee schedule is proposed for the audit of the District.

One-year engagement for Audit Services	
Year ending June 30, 2012	\$58,000

Three-year engagement for Audit Services	
Year ending June 30, 2012	\$58,000
Year ending June 30, 2013	\$59,000
Year ending June 30, 2014	\$60,000
TOTAL	\$177,000

We have little doubt that you may receive fee quotations from other bidders that are less than ours. We ask you to consider the quality of services in relation to cost as you evaluate the proposals.

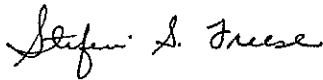
This fee includes responses to routine questions and audit-related consultations throughout the year. Issues requiring a significant amount of research are typically billed at our standard hourly rates. Should this arise, we will discuss the scope of the work prior to incurring additional costs.

Changes in Scope of Work or Fees

In addition to items noted above, situations may arise that are outside the normal scope of our engagement. Issues requiring a significant amount of additional time and/or research will be separately billed at our standard hourly rates. Should this arise, we will promptly discuss the scope of the work prior to incurring additional costs.



Appendix A – Vendor Authorization

Vendor Name	Anderson ZurMuehlen & Co. P.C
Vendor Address	402 North Broadway, 4 th Floor
City	<u>Billings</u> <u>State</u> <u>Montana</u> <u>Zip</u> <u>59104</u>
Vendor Phone Number	406.245.5136
Vendor Fax Number	406.245.6056
Internet Address	www.azworld.com
Tax ID #	81-0385940
Authorized Signature	
Email Address	sfreese@azworld.com



Appendix B – Firm Signature

DEPARTMENT OF ADMINISTRATION

Public Accountant

Standard Audit Engagement Proposal

To Firm/Practitioner:

Once completed and returned, this audit engagement proposal becomes the primary basis for the evaluation and selection of the firm or practitioner to perform the audit engagement of:

School District No. 2 and B
Yellowstone County, Billings Montana
For the years ended June 30, 2013, June 30, 2014
and June 30, 2015

The audit engagement will be covered by the rules established by the Department of Commerce and by the term and conditions contained in the Department's Standard Audit Contract.

May 22, 2012

Date of Proposal

Anderson ZurMuehlen & Co., P.C.

Name of Firm/Practitioner

Stephen L. Freese

Signature of Firm/Practitioner Representative



Appendix C –List of Items Needed for Audit and Timeline

Billings Public School District Roles, Responsibilities, and Outcomes for the 2012 Audit

This document defines the roles, responsibilities, and outcomes that you can look forward to while working with Anderson ZurMuehlen. We believe that a clear, defined process is crucial to providing you with the best service possible. Your cooperation with our personnel will ensure that your audit is conducted in a smooth, timely manner. If you have any questions about the timeline, documents we have requested, or other matters, please do not hesitate to contact us.

TIMELINE OF KEY AUDIT TASKS AND DELIVERABLES	
Date:	Key Audit Tasks and Deliverables:
Week of September 3, 2012	Audit planning performed by Anderson ZurMuehlen. Billings Public School District provides documents requested for planning.
Weeks of September 3, September 30, 2012	Audit fieldwork performed at Billings Public School District office. The District provides documents requested for fieldwork on September 3rd.
October 26, 2012	Drafts of audited financial statements completed and distributed to Billings School District personnel for review.
To be decided	Presentation of final audit report to Board of Trustees

Please remember that our fees are based on time incurred by our professionals assigned to your audit. The fee estimate in our engagement letter is based on anticipated cooperation from your personnel, readiness of information requested, adherence to timelines, and the assumption that unexpected circumstances will not be encountered during the audit. We will keep you informed of our progress during the course of the audit. If we encounter unanticipated problems, we will communicate these matters to you, and as necessary, adjust our fees accordingly.

The confidentiality and security of your information is paramount to us. We will not share any information with other parties without your express written permission. We discourage electronic transmission of sensitive information; please call us before emailing documents containing confidential information.

When possible, please provide the requested documents in electronic format. These items can be saved to a disk or portable USB drive and mailed to us. If the item requested is only available in paper format or if the amount of effort to provide an item in electronic format is inconvenient for you, we will gladly accept printed copies. Please forward all requested documents to:

Stefeni S. Freese, Shareholder, Anderson ZurMuehlen & Co., P.C., 402 North Broadway, 4th Floor,
Billings, MT 59104 Tel: 406.245.5136 Fax: 406.245.6056 email: sfreese@azworld.com



DOCUMENTS REQUEST LIST					
	No.	Requested item	Responsible Person	Target Date	Date Received
Documents needed for planning (in advance of fieldwork)					
	1	A copy of the budget and any budget amendments adopted for the period under audit and certified taxable values.		9/03/12	
	2	A list of members of the Board of Trustees and a list of employees.		9/03/12	
	3	A list of attorneys used during the period.		9/03/12	
	4	List of comments on the CAFR from the GFOA.		9/03/12	
	5	Copies of any long-term debt or lease agreements with outstanding balances as of June 30, 2012.		9/03/12	
	6	June 20, 2012 trial balance for each fund.		9/03/12	
	7	Budget vs Actual revenue and expenditure report for each fund.		9/03/12	
	8	June 30, 2012 and June 30, 2011 comparative trial balance.		9/03/12	
	9	Fund financial statements. Major fund determination worksheet.		9/03/12	
	10	Schedule of expenditures of federal awards for the year-ended June 30, 2012		9/03/12(or August if interim work is agreed on)	
	11	Copies of federal grant contracts entered into during the year.		9/03/12	
	12	Minutes of the Trustees' meetings		9/03/12	
	13	Financials statements as prepared by Olness and Associates.		9/03/12	



DOCUMENTS REQUEST LIST					
	No.	Requested item	Responsible Person	Target Date	Date Received
Documents needed for fieldwork					
	1	Cash and investment reconciliation reports for June 30, 2012 and supporting statements.		9/17/12	
	2	A copy of the County Treasurer's reports available for our use.		9/17/12	
	3	Copies of schedule showing the reconciliation of property taxes receivable and related deferred revenues to County Treasurer's report. Schedule of unearned revenue.		9/17/12	
	4	Retirement fund revenue worksheet prepared by Superintendent of Schools.		9/17/12	
	5	Year-to-Date Payment Advice for June from OPI/MAEFAIRS.		9/17/12	
	6	State Reimbursement Payment report for Pupil Transportation.		9/17/12	
	7	Accounts payable listing as of June 30, 2012 and Accounts receivable/Due From listing as of June 30, 2012.		9/17/12	
	8	Reconciliation of payroll reports to the general ledger.		9/17/12	

**DOCUMENTS REQUEST LIST (CONTINUED)**

	No.	Requested Item	Responsible Person	Target Date	Date Received
	9	June 30, 2012 encumbrance listing.		9/17/12	
	10	Compensated absences payable reconciliation to the general ledger and detailed printout of compensated absences worksheet.		9/17/12	
	11	Special termination benefits payable reconciliation to the general ledger and detailed worksheets. Copy of actuary report on OPEB Liability.		9/17/12	
	12	PERS and TRS recap reports.		9/17/12	
	13	A copy of the fixed asset inventory records and applicable depreciation schedules reconciled to the general ledger.		9/17/12	
	14	Inventory summary worksheets.		9/17/12	
	15	Worksheets reconciling long-term debt to the general ledger.		9/17/12	
	16	Extracurricular year-end summary of receipts & disbursements by activity fund. List of extracurricular custodians by school.		9/17/12	
	17	Any worksheets available summarizing Medical and Dental Claims for the year.		9/17/12	
	18	Worksheet on management's estimate of incurred but unreported liability in the self-insurance fund. Or report from third party administrator.		9/17/12	
	19	GASB 34 adjustments (or reconciliations) and government-wide statements.		9/17/12	
	20	MD & A, Introductory Section, Organizational Chart, etc. for CAFR		10/5/12 or later, but might not be in 10/26/12 draft if later	
	21	Statistical Section of CAFR		10/5/12 or later, but might not be in 10/26/12 draft if later	



BILLINGS SCHOOL DISTRICT
AUDIT BUDGET AND WORK PLAN
JUNE 30, 2012

KEY DATES	AUDIT AREA	TOTAL BUDGET	Mara Staff	Josh Senior	Brea Senior	Lyndsey Supervisor	Stefeni Partner	Paul Partner	Admin
DEFINE AND PLAN THE SERVICE									
2 months before FW:									
	Engagement Letter	2.0				1.0	1.0		
	Summary work program	1.0					1.0		
	Client participation list ("PBC")	3.0				3.0			
	Review prior auditor's workpapers	4.0				4.0			
	Client entrance conference	4.0				2.0	2.0		
Pre-Fieldwork:									
	Risk assessment and planning procedures	24.0				24.0			
	Confirmation control	1.0				1.0			
	Attorney's Letters/OPI/Superintendent of Schools	2.0				2.0			
	Review of Minutes	8.0				8.0			
	Working trial balance (and run leads)	8.0				8.0			
	Major Fund Determination	5.0	4.0			1.0			
	Materiality Determination	2.0				2.0			
	Single Audit Planning	24.0				2.0			
	Analytical Procedures (preliminary)	8.0				8.0			
	Fraud /Brainstorming meeting	5.0	1.0	1.0	1.0	1.0	1.0		
	Internal Control Memos and checklists-Financial Statements	18.0	6.0	6.0		6.0			
	Test of Controls - Claims	6.0	6.0						
	Test of Controls - Payroll	6.0	6.0						
	Test of Controls - Revenues/Cash receipts	4.0		4.0					
	IT controls worksheet and other controls documentation	4.0		4.0					
		139.0	23.0	15.0	23.0	73.0	5.0	-	-
PERFORM THE SERVICE									
	CASH	8.0	8.0						
	INVESTMENTS	8.0	8.0						
	TAXES RECEIVABLE/DEFERRED REVENUE	8.0		8.0					
	INVENTORY	4.0	4.0						
	DUE FROM OTHERS	6.0		6.0					
	CAPITAL ASSETS AND DEPRECIATION/CAPITAL OUT	10.0	10.0						
	DUE FROM OTHER FUNDS	4.0	4.0						
	ACCOUNTS PAYABLE/ENCUMBRANCES	12.0	12.0						
	ACCRUED LIABILITIES/UNEARNED REVENUE	6.0		6.0					
	OTHER POST EMPLOYMENT BENEFIT LIABILITY	6.0		6.0					
	LONG-TERM DEBT	8.0		8.0					
	FUND BALANCE / NET ASSETS	10.0				10.0			
	REVENUES	16.0		16.0					
	EXPENDITURES, PAYROLL	12.0	12.0						
	SELF-INSURANCE	6.0		6.0					
	STATE COMPLIANCE	24.0		24.0					
	ANB AND EXTRACURRICULAR TESTING	24.0		24.0					
	SINGLE AUDIT-TEST INTERNAL CONTROLS	40.0	15.0		25.0				
	SINGLE AUDIT-TEST COMPLIANCE	40.0	15.0		25.0				
	Journal entry testing	8.0	8.0						
	General Audit Program and Completion Steps	10.0				10.0			
	Internal Control Related Matter & Management								
	Point Development Wksht	7.0	1.0	1.0	1.0	4.0			
	Summary of Significant Audit Findings or Issues	2.0				2.0			
	Analytical Procedures (final)	1.0				1.0			
	Cash flows worksheet & other backup	4.0				4.0			
	Disclosure checklist	6.0				6.0			
	Summary of Adjustments Passed	1.0				1.0			
	Commitments, contingencies, subsequent events	2.0				2.0			
	Tie out Financial Statements/GFOA checklist	88.0		14.0		26.0	28.0		20.0
	Audit Committee Communications	1.0				1.0			
	Finalize/ Signed Representation letter	1.0				1.0			
	REVIEW/SUPERVISION	55.0			4.0	24.0	21.0	6.0	
	TRAVEL	8.0			8.0				
		438.0	97.0	119.0	55.0	92.0	49.0	6.0	20.0
DELIVER THE SERVICE									
	Exit Conferences with client	4.0				2.0	2.0		
	Presentation to Board	2.0				1.0	1.0		
		6.0	-	-	-	3.0	3.0	-	-
TOTAL STAFF HOURS									
		583.0	120.0	134.0	78.0	168.0	57.0	6.0	20.0



PART A - RESUME

1. Name of Firm/Practitioner: Anderson ZurMuehlen & Co., P.C.
2. Office Location: 402 North Broadway, 4th Floor, PO Box 20435
Billings, Montana 59104

3. Year Firm/Practitioner Established 1957

4. Personnel:

	Total	Number:		Other
		CPA	LPA	
a. Partner/Owner	<u>36</u>	<u>35</u>		<u>1</u>
b. Manager	<u>13</u>	<u>10</u>		<u>3</u>
c. Supervisors	<u>12</u>	<u>6</u>		<u>6</u>
d. Seniors	<u>11</u>	<u>7</u>		<u>4</u>
e. Assistants	<u>20</u>	<u>3</u>		<u>17</u>
Total Full-Time Professional Staff	<u>92</u>	<u>61</u>		<u>31</u>

5. Type/Name of Services Provided by the Firm:

Approximate Percentage

a. Auditing	<u>26%</u>
b. Tax	<u>34%</u>
c. Write-up	<u>9%</u>
d. Management Services	<u>19%</u>
e. Other (Explain if material)	<u>12%</u>
Total	100%

6. Type/Nature of Auditing Experience:

Approximate Percentage

a. Local Government	<u>25%</u>
b. Government - Other	<u>2%</u>
c. Financial Institutions	<u>18%</u>
d. Non-Profit Organizations	<u>33%</u>
e. Manufacturing and Industrial	<u>12%</u>
f. Retail Enterprises	<u>8%</u>
g. Other: Construction, Education, Real Estate, Insurance, etc.	<u>2%</u>
Total	100%



PART A – RESUME (Continued)

7. Specific Government/Private Auditing Experience:
(List those recent engagements which might illustrate your ability to undertake this engagement.)

Client Name	Date & Duration
<u>Bozeman School District No. 7</u>	<u>June 30, 2002 – 2012</u>
<u>Gallatin County, Montana</u>	<u>June 30, 2004 – 2012</u>
<u>Yellowstone County, Montana</u>	<u>June 30, 2002 – 2012</u>
<u>Missoula County Public Schools</u>	<u>June 30, 2009 – 2012</u>
<u>Great Falls School District</u>	<u>June 30, 1980 – 2012</u>

8. Is any member of your firm involved contractually with the entity encompassed by the proposed engagement: Yes _____ No X

If yes, in what capacity? _____

9. In your opinion, would acceptance of this engagement result in a compromise of your independence under the Code of Professional Ethics insofar as the relationship between your clients and the entity is concerned? Yes _____ No X

If yes, you should explain on a separate sheet the nature and extent to which you believe a compromise would result.



PART B – PERSONNEL COMMITMENT

1. Number, level of personnel and percent of time which would be committed to this engagement:

Level	CPA, LPA, Etc.	Number	% of Proposed Time Budget
a. Partner/Owner	CPA	2	7.8%
b. Manager	CPA	0	0.0%
c. Supervisor	CPA	1	30.7%
d. Senior	CPA	2	46.9%
e. Assistant-Staff	CPA	1	14.6%
f. Other – Consultants, Subcontractors, etc.	n/a	n/a	n/a
Total		6	100%

2. Personnel: Provide the names and background of personnel who would be committed to this assignment. Complete the following for all partners, managers, supervisors and seniors who would be committed to participate in this engagement. Use additional sheets if necessary.

A. Position: Shareholder

a. Name: Stefeni S. Freese, CPA

b. Current Position with Firm: Service Director-Local Government Service Sector

c. Number of Years' Experience: with firm 11
auditing 24

d. Type of experience which could be particularly relevant to this engagement:

Director of the Local Government Service Sector for Anderson ZurMuehlen. Teaches annual government update courses for firm. Past member of the Special Review Committee that awards the Certificate of Achievement

In Excellence in financial reporting. Member of Professional Monitoring Committee for State

Board of Public Accountants, reviews financial statements for licensing. Peer reviewer.

Twenty plus years of government and school district audit experience.

Preparation of several CAFR's that have been awarded the Certificate of Excellence.



PART B – PERSONNEL COMMITMENT (Continued)

- B. Position: Shareholder
- a. Name: Paul Sepp, CPA
- b. Current Position with Firm: Shareholder, Firm Technical Director for Attest Services
- c. Number of Years' Experience: with firm 7
auditing 40
- d. Type of experience which could be particularly relevant to this engagement:
Partner in charge of various local governments including cities, school districts, and special districts. Technical reviewer of the firm's local government engagements. Certified Government Financial Manager (CGFM). Past chair, MSCPA Local Government Audit Quality Control Committee.
Clients include Missoula County Public Schools, City of Missoula, Missoula Parking Commission, Missoula Redevelopment Agency, and Flathead Municipal Airport Authority. Experience with the GFOA Certificate program for City of Missoula and Missoula County.
- C. Position: Supervisor
- a. Name: Lyndsey Geering, CPA
- b. Current Position with Firm: Supervisor
- c. Number of Years' Experience: with firm 1
auditing 5
- d. Type of experience which could be particularly relevant to this engagement:
In-charge auditor for the Roundup, Lockwood, Shepard, Polson and St. Ignatius school districts.
Supervisor on the Yellowstone County and RiverStone Health audit.
- D. Position: Senior
- a. Name: Josh Hale, CPA
- b. Current Position with Firm: Senior
- c. Number of Years' Experience: with firm 2
auditing 8
- d. Type of experience which could be particularly relevant to this engagement:
Bridger, Fromberg, Miles City, Lamotte and Anderson School Districts
McCone, Custer, Park, Roosevelt, Rosebud and Petroleum Counties



PART B – PERSONNEL COMMITMENT (Continued)

- E. Position: Senior
- a. Name: Brea Ackerman, CPA
- b. Current Position with Firm: Senior
- c. Number of Years' Experience: with firm 5
auditing 5
- d. Type of experience which could be particularly relevant to this engagement:
Bozeman School District auditor for 4 years.
Gallatin County, Livingston School District, Cardwell School District auditor.
- F. Position: Staff Consultant
- a. Name: Mara Hoskins
- b. Current Position with Firm: Staff
- c. Number of Years' Experience: with firm 1
auditing 7
- d. Type of experience which could be particularly relevant to this engagement:
Yellowstone County, RiverStone Health, Girl Scouts of Montana and Wyoming audits.



PART C – USE OF CONSULTANTS

1. Provide the name(s) of all consultants, experts or subcontractors which would be engaged by the firm for this engagement. Describe the consultant's expertise and application to the engagement.

A. 1. Name: None
2. Area of Expertise: _____
3. Proposed Fee: _____
4. Application to this engagement: _____

B. 1. Name: _____
2. Area of Expertise: _____
3. Proposed Fee: _____
4. Application to this engagement: _____

C. 1. Name: _____
2. Area of Expertise: _____
3. Proposed Fee: _____
4. Application to this engagement: _____



PART D – TIME AND PRICE PROPOSAL – FY 2011-12

1. Proposed Dates for Engagement:

	Date
A. Conduct Entrance Conference	<u>June, 2012</u>
B. Commence Audit Work	<u>September 7, 2012</u>
C. Complete Audit Work	<u>September , 2012</u>
D. Review Draft with Governing Body	<u>October 26 , 2012</u>
E. Conduct Exit Conference	<u>October 26, 2012</u>
F. Submit Final Report to Governing Body	<u>November or December Board meeting</u>

2. Proposed Time and Price for Engagement:

A. Personnel Level

	Hours	X	Rate Per Hour =	Total
a. Partner/Owner	<u>63</u>	\$	<u>200</u>	<u>\$12,600</u>
b. Manager	<u>-</u>		<u>-</u>	<u>-</u>
c. Supervisor	<u>168</u>		<u>140</u>	<u>\$23,520</u>
d. Senior	<u>212</u>		<u>100</u>	<u>\$21,200</u>
e. Assistant	<u>120</u>		<u>85</u>	<u>\$10,200</u>
f. Clerical	<u>20</u>		<u>60</u>	<u>\$1,200</u>
g. Discount				<u>(\$10,720)</u>

Proposed Hours 583

Total Proposed Price for Audit Personnel \$ 58,000

B. Proposed Price for Travel -

C. Proposed Price for Typing, Clerical and Reproducing -

3. Total Price Proposed for this Engagement \$ 58,000



PART D – TIME AND PRICE PROPOSAL – FY 2012-13

1. Proposed Dates for Engagement:

	Date
A. Conduct Entrance Conference	<u>June, 2013</u>
B. Commence Audit Work	<u>September, 2013</u>
C. Complete Audit Work	<u>Three weeks from start</u>
D. Review Draft with Governing Body	<u>October, 2013</u>
E. Conduct Exit Conference	<u>October 31, 2013</u>
F. Submit Final Report to Governing Body	<u>November or December Board meeting</u>

2. Proposed Time and Price for Engagement:

A. Personnel Level

	Hours	X	Rate Per Hour =	Total
a. Partner/Owner	<u>63</u>	\$	<u>205</u>	<u>\$12,915</u>
b. Manager	<u>-</u>		<u>-</u>	<u>-</u>
c. Supervisor	<u>160</u>		<u>145</u>	<u>\$23,200</u>
d. Senior	<u>200</u>		<u>105</u>	<u>\$21,000</u>
e. Assistant	<u>120</u>		<u>90</u>	<u>\$10,800</u>
f. Clerical	<u>20</u>		<u>60</u>	<u>\$1,200</u>
g. Discount				<u>(\$10,115)</u>

Proposed Hours 563

Total Proposed Price for Audit Personnel \$ 59,000

B. Proposed Price for Travel -

C. Proposed Price for Typing, Clerical and Reproducing -

3. Total Price Proposed for this Engagement \$ 59,000



PART D -- TIME AND PRICE PROPOSAL -- FY 2013-14

1. Proposed Dates for Engagement:

	Date
A. Conduct Entrance Conference	<u>June, 2014</u>
B. Commence Audit Work	<u>September, 2014</u>
C. Complete Audit Work	<u>Three Weeks from Start</u>
D. Review Draft with Governing Body	<u>October, 2014</u>
E. Conduct Exit Conference	<u>Mid October, 2014</u>
F. Submit Final Report to Governing Body	<u>November or December Board meeting</u>

2. Proposed Time and Price for Engagement:

A. Personnel Level

	Hours	X	Rate Per Hour =	Total
a. Partner/Owner	<u>63</u>	\$	<u>210</u>	<u>\$13,230</u>
b. Manager	<u>--</u>		<u>--</u>	<u>--</u>
c. Supervisor	<u>160</u>		<u>150</u>	<u>\$24,000</u>
d. Senior	<u>200</u>		<u>110</u>	<u>\$22,000</u>
e. Assistant	<u>120</u>		<u>95</u>	<u>\$11,400</u>
f. Clerical	<u>20</u>		<u>60</u>	<u>\$1,200</u>
g. Discount				<u>(\$11,830)</u>

Proposed Hours 563

Total Proposed Price for Audit Personnel

\$ 60,000

B. Proposed Price for Travel

--

C. Proposed Price for Typing, Clerical and Reproducing

--

3. Total Price Proposed for this Engagement

\$ 60,000



PART E- GENERAL

(To be used for additional information as may be required)

Has your firm prepared financial statements in compliance with national "Certificate of Excellence" program reporting formats?

Yes X No

If yes, list government agencies:

Bozeman School District	City of Bozeman
Lewis and Clark County	City of Helena
City of Missoula	

Percent of time allocated for the following purposes:

Financial Compliance/Reporting	<u>70%</u>
Internal Control	<u>15%</u>
Compliance with applicable statutes	<u>15%</u>
	<u>100%</u>
TOTAL	<u> </u>



PART F —AUDIT SERVICES

Date: May 22, 2012

CPA Firm name and address: Anderson ZurMuehlen & Co., P.C.
402 North Broadway, 4th Floor
P.O. Box 20435
Billings, MT 59104-0435

Phone number 406-245-5136

Authorized Signature and title

Shareholder

Three Year Total (Year 2012, 2013, 2014)
Maximum fee \$ 177,000
(Based upon mutual agreement of both parties)

For consulting services throughout the year:
(Classification of personnel providing consulting services and hourly rate beyond the base bid)

Classification: Shareholder	\$210
Classification: Supervisor	\$150
Classification: Senior	\$110



peer review

**BRADY
MARTZ**

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

System Review Report

June 30, 2011

To the Partners of
Anderson ZurMuehlen & Co., P.C.
and the Peer Review Committee of the Montana Society
of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Anderson ZurMuehlen & Co., P.C. (the firm) in effect for the year ended May 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.


As required by the standards, engagements selected for review included audits performed under Government Audit Standards, OMB Circular A-133 and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Anderson ZurMuehlen & Co., P.C. in effect for the year ended May 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Anderson ZurMuehlen & Co., P.C. has received a peer review rating of *pass*.

Brady Martz

Brady Martz and Associates, P.C.

BRADY, MARTZ & ASSOCIATES, P.C.
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Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7493
www.bradymartz.com

McGladrey and Pullen, LLP
McGLADREY ALLIANCE  McGladrey