

Proposal For Professional Audit Services



*Proposal for Professional Audit Services
Prepared for*

Billings School District No. 2
For the Years Ending June 30, 2012, 2013 and 2014

Prepared by:

GALUSHA, HIGGINS & GALUSHA, PC

A Professional Corporation of Certified Public Accountants & Advisors

Proposal For Professional Audit Services

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A Professional Corporation of
Certified Public Accountants and Advisors

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LETTER OF TRANSMITTAL

May 17, 2012

Patricia Hubbard, Director of Business Services
Billings Public Schools
415 North 30th Street, Room 210
Billings, MT 59101

Dear Patricia:

Thank you for inviting Galusha, Higgins & Galusha, PC to submit a proposal for audit services for Billings School District No. 2 for the fiscal years ending June 30, 2012, 2013 and 2014.

Galusha, Higgins & Galusha, PC is a certified public accounting firm licensed by the state of Montana that meets the professional standards, including independence, established by the American Institute of Certified Public Accountants, and is qualified to perform the audit services proposed herein.

Our response to your request for proposal is enclosed. Please direct any inquiries to Kimberly E. Dare at 406-248-1681.

We would be honored to have Billings School District No. 2 as a client and look forward to working with you in the future.

Best regards,
GALUSHA, HIGGINS & GALUSHA, PC

By: Kimberly E. Dare, CPA, CFE

Proposal For Professional Audit Services

PROFESSIONAL SERVICES

We are pleased to confirm our understanding of the services we are to provide for Billings School District No. 2 for the years ended June 30, 2012, 2013 and 2014. We will audit the basic financial statements of Billings School District No. 2 as of June 30, 2012, 2013 and 2014 and for the years then ended. In addition, we will audit the District's compliance over major federal award programs for the periods ended June 30, 2012, 2013 and 2014. Also, the following additional information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audits of the financial statements:

- Budgetary Comparison Schedules
- Combining Financial Statements
- Schedule of Changes in Fiduciary Net Assets - Extracurricular
- Schedule of Reported Enrollment
- Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements and for which we will disclaim an opinion.

- Introductory Section
- Statistical Section
- Management's Discussion and Analysis
- Schedule of Funding Progress and Employer Contributions

Audit of the Financial Statements

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards of the Comptroller General of the United States of America, and will include tests of the accounting records of Billings School District No. 2 and other procedures we consider necessary to enable us to express an unqualified opinion that the basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to express opinions on each opinion unit. If any of our opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, we will not issue a report as a result of this engagement.

Our procedures will include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with customers, creditors, and financial institutions. Also, we will request written representations from your attorneys as part of the engagement, and they may bill you for responding to that inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Proposal For Professional Audit Services

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, not absolute, assurance about whether the financial statements of each opinion unit are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. Our engagement cannot, therefore, be relied upon to disclose errors, fraud, or other illegal acts that may exist. The District's management is responsible for establishing and maintaining a sound system of internal control, which is the best means of preventing or detecting errors, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements and abuse. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

A financial statement audit includes obtaining an understanding of the District and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. Our engagement cannot, therefore, be relied upon to disclose significant deficiencies or material weaknesses that may exist. However, we will communicate to those charged with governance any material weaknesses or significant deficiencies that come to our attention.

In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of Billings School District No. 2's major federal award program(s) compliance will be made in accordance with the requirements of the Single Audit Act, as amended; and the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and will include tests of accounting records, a determination of major programs in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. If our opinion on compliance for any major program is other than unqualified, we will fully discuss the reasons with you in advance.

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Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Circular A-133.

Also, as required by Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the District's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

We understand that you are responsible for making all financial records and related information required for our audit available to us and that you are responsible for the accuracy and completeness of that information. This management responsibility includes (a) establishing and maintaining adequate records and related internal control policies and procedures, (b) selecting and applying accounting principles, (c) safeguarding assets, (d) identifying all federal awards expended during the period, and (e) identifying and ensuring that the District complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

We may advise you about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. Management is also responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the management representation letter that the effects of any uncorrected misstatements, resulting from errors or fraud, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Proposal For Professional Audit Services

You agree that management is responsible for (a) the design and implementation of programs and controls to prevent and detect fraud, (b) informing us about any fraud or suspected fraud affecting the District involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements or major federal award programs, and (c) informing us about any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, analysts, regulators, short sellers, or others.

In addition, as required by Circular A-133, it is management's responsibility to prepare the schedule of expenditures of federal awards in accordance with Circular A-133 requirements, follow up and take corrective action on reported audit findings from prior periods and to prepare a summary schedule of prior audit findings, and follow up on current year audit findings and prepare a corrective action plan for such findings. Management is also responsible for submitting the reporting package and data collection form to the appropriate parties. Management will also make the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance. You agree that you will confirm your understanding of your responsibilities as defined in this letter to us in your management representation letter.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of fax or emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of fax or email transmissions.

Proposal For Professional Audit Services

Fees and Timing

The timing and price proposals for a three year audit contract are attached as Part D.

Kimberly E. Dare is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Galusha, Higgins & Galusha, PC's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation. Interest is charged on amounts not paid within 30 days of original invoice at a rate of 10.00% per annum. The attached fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Whenever possible, we will attempt to use Billings School District No. 2's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Other Matters

Our acceptance of this engagement is subject to our satisfactorily completing communication with and review of the working papers of your previous auditors. We will notify you promptly if we become aware of anything during that communication or review which results in our not being able to continue this engagement.

The audit documentation for this engagement is the property of Galusha, Higgins & Galusha, PC and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies, the U.S. Government Accountability Office, the State of Montana, Department of Administration, Local Government Services Audit Bureau or the Montana Office of Public Instruction pursuant to authority given to it by law or regulation or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Galusha, Higgins & Galusha, PC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or workpapers for a period of at least five years from the date of our report.

We will prepare Billings School District No. 2's Data Collection Form which you will be required to file. You acknowledge that you have final responsibility for this form and, therefore, you should review it carefully before you sign and file it.

With respect to any nonattest services we perform, (the preparation of the Data Collection Form), Billings School District No. 2's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

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Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to the Board of Trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the District's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultation with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In the event we are requested or authorized by Billings School District No. 2 or are required by government regulation, subpoena, court order, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Billings School District No. 2 will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent that such obligation is or may be a direct or indirect result of your intentional or knowing misrepresentation or provision to us of inaccurate or incomplete information in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us, defend us, and hold us harmless as against such obligations.

Any claim arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be asserted within one year from the date any such cause of action accrues, or within three years from the completion of the engagement, whichever is earlier, notwithstanding any statutory provision to the contrary.

In the event of a claim brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement letter.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended, and to reimburse us for all of our out-of-pocket costs, through the date of termination.

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You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this engagement shall be administered within the county of Yellowstone, Montana, by Montana Mediation Association, according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to Montana law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing this letter and returning it to us. If you have any questions, please let us know.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,
Galusha, Higgins & Galusha, PC


By: Kimberly E. Dare, CPA, CFE

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ACCEPTANCE

This letter correctly sets forth our understanding.

Billings School District No. 2

Approved by: _____

Title: _____

Date: _____

Proposal For Professional Audit Services

FIRM PROFILE

Galusha, Higgins & Galusha, PC (GH&G) was founded by Hugh Galusha in Helena, Montana in 1919 and has grown to be one of the largest and most highly respected firms in the inter-mountain west. It is a regional firm of certified public accountants with offices in Billings, Bozeman, Helena, Havre and Missoula, Montana and Idaho Falls, Idaho. We employ approximately 150 full-time professional staff firm-wide with a wide range of skills and backgrounds. We strongly believe in the concept of utilizing all resources of the firm to provide the finest level of service to our clients. We routinely provide clients service in the areas of audit, tax, certified fraud audits or consultations, management advisory, certified valuations, litigation support and cost segregation studies.

GH&G is an established high quality firm and is recognized as one of the top 100 accounting firms in the nation and the largest privately owned accounting firm in Montana.

It is not our common practice to charge for brief inquiries and short phone calls. However, if an inquiry is such that significant time is involved in either research or producing a response, we will charge our standard hourly rates. It is our intention to address client questions or problems within a 24 hour period. Sometimes issues may be of such a technical nature that additional time is required to fully explore the literature. In that case we will keep the client informed of an expected response time. We are always mindful of statutory deadlines and client needs.

Your audit will be conducted by the Billings office of Galusha, Higgins & Galusha, PC, which opened in 1974. In Billings, we have extensive audit experience auditing both local governmental and not-for-profit organizations. The high quality of our client service and our engagement team separate us from the competition. Kimberly E. Dare, the audit partner, will supervise the engagement while Amy Iverson, manager, and Matt Hjelm, senior auditor, will in-charge the engagement. Susan Rose, retired audit partner, will be responsible for a second review of the report as required by firm policy to ensure a quality product. The team leaders have extensive audit experience as you can see from the attached list of current local office clients. These factors give us the ability to provide more value very early in our relationship with you.

We recognize that engaging an accounting firm is an important investment for your District and believe that your investment in Galusha, Higgins & Galusha, PC will add value to Billings School District No. 2. These individuals will be available, individually and collectively, to insure your questions and concerns are addressed in a timely fashion.

Proposal For Professional Audit Services

AUDIT APPROACH

It is our philosophy that timely and effective communication is the key to successful auditing. It is our practice to maintain ongoing communication with all interested parties throughout the audit process. For Billings School District No. 2, that means the partner in-charge and senior auditor work in tandem to plan and structure the audit to insure both quality and efficiency. This approach enables us to identify and take action on areas of concern and performance from the very first day of audit planning, and helps us to conduct efficient and effective audits.

Our general approach is to plan the audit after receiving the Trustees Financial Summary or a preliminary trial balance. Based on our review of the accounts and audit risk assessment, we design the audit and request certain account analyses from the client.

In the preliminary stages of an engagement, we identify the audit areas that are critical to the quality of the audit for emphasis throughout the audit engagement. Our earliest procedures are designed to identify and evaluate the established internal controls for subsequent risk assessment and testing. These areas typically include:

1. Internal controls over purchasing
2. Computer related controls
3. Cash controls
4. Compliance with the requirements of grants and contracts
5. Payroll system controls
6. Monitoring of revenues
7. Recording accrued revenues, expenses and encumbrances
8. Assessment of fraud risk.

Second, we contact the predecessor auditor to determine if there were any problems or disagreements with the District and to review their work papers.

Third, the assessment of overall audit risk and fraud risk, in conjunction with the calculated materiality limit, provides the engagement team with parameters within which to design the audit procedures for specific account balances and classes of transactions. Audit risk at the account balance or class of transactions level consists of inherent, control and detection risks. Inherent risk is the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement. Based on knowledge obtained during preplanning, especially in relation to internal control, the engagement team assesses whether, in the absence of suitably designed controls, material errors or fraud could occur. For purposes of designing audit tests, the engagement team also assesses control risk. Control risk is the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the District's internal control. Due to the test nature and limitations of an audit, the auditor, in obtaining reasonable assurance, is taking an unavoidable risk that some material misstatements may remain undetected. This is referred to as the audit detection risk, the risk that the auditor may fail to detect material misstatements in the financial statements. When designing audit procedures, the auditor seeks to limit audit detection risk. The level of detection risk acceptable for a particular audit is a function of the auditor's assessment of overall audit risk and fraud risk at the financial statement level.

Next, we analytically evaluate the District's operating reports to identify specific areas that differ significantly from historical trends or budgets. These areas are reviewed in depth.

Proposal For Professional Audit Services

Our discussions with key personnel will identify additional areas of concern. Each of these areas is considered for additional testing.

We review prior audit findings and determine how they have been addressed by the District.

In addition, we identify the audit procedures required by generally accepted auditing standards and applicable audit guides to insure that all the basic requirements have been addressed.

A list of anticipated items needed to conduct the audit is included as Part G – Client Participation List. By providing the District with a detail list of the schedules or other items needed during fieldwork, it allows District personnel to prepare for the audit when it is convenient to their schedule. It also minimizes the disruption to your staff during our fieldwork and allows us to increase our efficiency.

Galusha, Higgins & Galusha, PC believes in producing only quality audits. Quality audits require the active involvement of all the members of the audit team. For Billings School District No. 2 that means that in addition to you, the client, the partner in-charge, senior auditor and audit staff work as a team to plan and structure the audit to insure both quality and efficiency.

During the field work phase of the audit, the partner in-charge, manager and senior auditor will actively supervise the audit staff, continuously review their work and perform field work audit procedures.

As the audit is concluded, the partner in-charge will again review the audit planning, field work and report to insure the highest quality product. Any remaining issues will be resolved by the audit team. The quality reviewer will provide a final review of the report.

Finally, drafts of the reports, financial statements and footnotes are submitted for final feedback from key personnel. When all remaining issues have been addressed, the final report is submitted for board approval. In addition to the audited financial statements, we will issue a management letter which will address compliance recommendations and areas where internal controls may be strengthened or efficiencies gained for the District.

Throughout the audit process we make ourselves available for communication with the Board of Trustees and management. After the audit has been completed, we invite representatives of the Board of Trustees and administration to take advantage of our knowledge of the District to assist in a wide variety of areas including budget analysis, interpretation of accounting issues or long range financial planning. It is not our practice to charge for brief inquiries.

We intend to utilize the following personnel to conduct the audits of Billings School District No. 2 for the years ended June 30, 2012, 2013 and 2014. These individuals have extensive audit experience.

Partner In-charge:	Kimberly E. Dare
Manager:	Amy Iverson
Senior Auditor:	Matt Hjelm
Staff Auditor:	Thomas O'Toole
Staff Auditor:	Tyler Kaftan
Quality Reviewer:	Susan Rose

Resumes for the above employees are attached.

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To the extent possible, we use the same staff on engagements from year to year. Over the past three years, we have experienced staff turnover of less than 10% per year, which compared to our industry is very good.

All members of the audit staff receive continuing professional education regularly to maintain their skill level and exposure to advanced and developing audit and accounting issues and exceed state licensing requirements. To that end, all members of our audit staff participated in continuing education this spring to update our audit skills, and specifically to address implementation of the new auditing standards. Not only do we strive to maintain high quality staff, we are also dedicated to increasing the skills of our client personnel. Our Firm has traditionally invited appropriate client personnel to participate in continuing professional education provided by the firm at no cost to the client, except transportation and lodging.

Proposal For Professional Audit Services

OTHER

Assertions and Agreements

Galusha, Higgins & Galusha, PC hereby acknowledges, asserts and/or agrees to the following:

Galusha, Higgins & Galusha, PC is currently listed on the Department of Administration's roster of independent auditors authorized to conduct local government audits.

The partner assigned to this engagement holds a current Montana certificate as a certified public accountant and a current annual permit to practice public accounting.

Galusha, Higgins & Galusha, PC meets the requirements set forth in the Standard Audit Contract of the Montana Department of Administration, Local Government Services Bureau.

Galusha, Higgins & Galusha, PC does not have a record of substandard work, which can be determined by communicating with the state licensing authority.

The audit will be conducted in accordance with:

- Auditing Standards generally accepted in the United States of America
- Government Auditing Standards issued by the Comptroller General of the United States
- Single Audit Act, OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the OMB's Compliance Supplement
- Applicable state and Federal laws and regulations
- State of Montana Department of Administration audit contact

The audit shall include:

- An examination of financial reports and District records of all funds and account groups.
- An evaluation of and report concerning internal control procedures at the central business office and at selected sites throughout the District where receipts are collected.
- An evaluation of financial operations and procedures resulting in the issuance of a management letter identifying areas that need improvement for operational effectiveness and efficiency.
- Any other financial or compliance audit reports or forms required by state or federal agencies.

Galusha, Higgins & Galusha, PC certifies that its proposal will remain in effect for 45 days after the proposal due date.

The submission of this proposal indicates Galusha, Higgins & Galusha, PC's intention to adhere to the provisions described in the proposal.

Proposal For Professional Audit Services

Additional Services and Fees

We are always willing to provide additional services to our clients, as long as they do not impair our independence. We have a large and varied staff within our firm to address client questions or concerns regarding accounting, technical or IRS issues. It is not our common practice to charge for brief inquiries and short phone calls. However, if an inquiry is such that significant time is involved in either research or producing a response, we will charge our standard hourly rates. It is our intention to address client questions or problems within a 24 hour period. Sometimes issues may be of such a technical nature that additional time is required to fully explore the literature. In that case we will keep the client informed of an expected response time. We are always mindful of statutory deadlines and client needs. Hourly rates vary depending on the experience of the professional involved and range from \$85 to \$225 per hour. It is the responsibility of the supervising partner to insure that the client receives the high quality service our reputation was built on at the lowest possible fee.

Our fee for additional copies of the audit report over and above the agreed upon number of copies is \$10 per copy. It is our policy to provide the client with a PDF version of the audit report.

Proposal For Professional Audit Services

AUDIT EXPERIENCE

Galusha, Higgins & Galusha, PC has extensive experience with audits conducted in accordance with government auditing standards and the Single Audit Act. A partial list of our governmental and school district audit experience follows.

Governmental Entities

- Big Timber School District No. 1
- Billings School District No. 2 (1981 to 1983, 1993 to 1998)
- Helena School District No. 1
- Lame Deer School District No. 6
- Little Big Horn College
- Livingston School District Nos. 4 & 1
- Lockwood School District No. 26
- Lockwood Rural Fire District
- Lockwood Area/Yellowstone County Water and Sewer District
- Missoula Area Education Cooperative
- Polson School District No. 23
- Roundup School District Nos. 55 & 55H
- Shepherd School District No. 37
- St. Ignatius School District No. 28
- Sweet Grass County High School
- Yellowstone Academy School District No. 58

Proposal For Professional Audit Services

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:

Billings School District No. 2
Yellowstone County, Billings, Montana
For the years ended June 30, 2012, June 30, 2013 and June 30, 2014

The audit engagement will be governed by rules established by the Department of Administration and by the terms and conditions contained in the Department's Standard Audit Contract.

5/17/12

Date of Proposal

Galusha, Higgins & Galusha, PC

Name of Firm/Practitioner

Kimberly E. Dade

Signature of Firm/Practitioner Representative

Proposal For Professional Audit Services

PART A- RESUME

1. Name of Firm, Practitioner: Galusha, Higgins & Galusha, PC
2. Office Location: Billings, Montana
3. Year Firm/Practitioner Established: 1919
4. Personnel:

	Billings Office		
	Total	CPA	Other
a. Partner	4	4	0
b. Manager	5	5	0
c. Supervisors	2	2	0
d. Senior	1	1	0
e. Assistants/Specialists	8	3	5
f. Clerical	3	0	3
	<hr/>	<hr/>	<hr/>
Total Professional Staff	23	15	8

5. Type/Name of Services Provided by Firm: Approximate Percentage (Billings Office)

a. Auditing	30%
b. Tax	51%
c. Write-Up	5%
d. Management Services	11%
e. Other (Explain if material)	3%
	<hr/>
Total	100%

6. Type/Nature of Auditing Experience: Approximate Percentage (Billings Office)

a. Local Government	41%
b. Government - Other	0%
c. Financial Institutions	0%
d. Non-Profit Organizations	33%
e. Manufacturing and Industrial	20%
f. Other	6%
	<hr/>
Total	100%

Proposal For Professional Audit Services

PART A – RESUME - CONTINUED

7. Specific Governmental/Private Auditing Experience:

(List three recent engagements that might illustrate your ability to undertake this engagement).

Client Name

Date & Operator

Polson Public School District

6/30/11- Pam Owen

Livingston Public School

6/30/11 - Sarah Sandberg

Lockwood Public Schools

6/30/11- Laurie Noonkester

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.

Proposal For Professional Audit Services

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	Percent of Proposed Time Budget
a. Partner	CPA	1	18%
b. Manager	CPA	1	14%
c. Senior	CPA	1	33%
d. Staff	CPA Candidates	2	29%
e. Assistant		1	3%
f. Quality Reviewer	CPA	1	3%
g. Other - Consultants, Subcontractors, etc.			
Total		7	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 the engagement. Use additional sheets if necessary.

A. Position: Shareholder

- 1) Name: Kimberly E. Dare, CPA, CFE
- 2) Current Position with Firm – Shareholder/Account Administrator
- 3) Number of Years Experience: 11 Years with the firm, 13 years auditing
- 4) Type of experience that could be particularly relevant to this engagement: Kimberly is the Audit Partner in the Billings office. She oversees the conduct of all audits conducted by the office, including over 10 school district audits annually. Kimberly is also a member of the firm's audit committee.

B. Position: Manager

- 1) Name: Amy Iverson, CPA
- 2) Current Position with Firm: Manager
- 3) Number of Years Experience: 7 years with the firm, 7 years auditing.
- 4) Type of experience which would be particularly relevant to this engagement: Amy in-charges school district and not-for-profit audit engagements. Amy has also served on the firm's audit committee.

C. Position: Senior

- 1) Name: Matt Hjelm, CPA
- 2) Current Position with Firm: Senior
- 3) Number of Years Experience: 6 months with the firm, 4 years auditing.
- 4) Type of experience which would be particularly relevant to this engagement: Matt in-charges school district and not-for-profit audit engagements. Matt is also a member of the firm's audit committee.

Proposal For Professional Audit Services

PART B – PERSONNEL COMMITMENT – CONTINUED

D. Position: Quality Reviewer

- 5) Name: Susan Rose, CPA
- 6) Current Position with Firm: Retired Shareholder/Quality Reviewer
- 7) Number of Years' Experience: 24 years with the firm, 24 years auditing.
- 8) Type of experience which would be particularly relevant to this engagement: Susan Rose is the retired Audit Partner in the Billings office. She oversees the quality review of almost all audits conducted by the office, including over 10 school district audits annually. Susan has also served on the firm's audit committee.

Proposal For Professional Audit Services

PART C – USE OF CONSULTANTS

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.

Not Applicable, no consultants, experts or subcontractors will be used

- A. 1. Name:
 - 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:

Proposal For Professional Audit Services

PART D – TIME AND PRICE PROPOSAL – FY 2011 – 2012

1. <u>Proposed Dates for Engagement:</u>	<u>Date</u>
A. Conduct Entrance Conference	August 20, 2012
B. Commence Audit Field Work	August 27, 2012
C. Complete Audit Work	September 7, 2012
D. Review Draft with Governing Body	October 24, 2012
E. Conduct Exit Conference	September 7, 2012
F. Submit Final Report to Governing Body	November 31, 2012

2. Proposed Time and Price for Engagement

A. <u>Personnel Level:</u>	<u>Man Hours</u>	<u>X</u>	<u>Rate Per Hour Total</u>
a. Partner	85	180	\$ 15,300
b. Manager	65	135	8,775
c. Senior	160	110	17,600
d. Staff	140	95	13,300
e. Assistant	15	60	900
f. Quality Reviewer	15	165	2,475
g. ----			
Proposed Man Hours	<u>480</u>		
Proposed Price for Audit Personnel			\$ 58,350
B. Proposed Price for Travel			-
C. Proposed Price for Typing, Clerical and Reproducing			<u>650</u>
3. Total Price Proposed for this Engagement			<u>\$ 59,000</u>

Proposal For Professional Audit Services

PART D – TIME AND PRICE PROPOSAL – FY 2012 – 2013

1. <u>Proposed Dates for Engagement:</u>	<u>Date</u>
A. Conduct Entrance Conference	August 19, 2013
B. Commence Audit Field Work	August 26, 2013
C. Complete Audit Work	September 6, 2013
D. Review Draft with Governing Body	October 23, 2013
E. Conduct Exit Conference	September 6, 2013
F. Submit Final Report to Governing Body	November 31, 2013

2. Proposed Time and Price for Engagement

A. <u>Personnel Level:</u>	<u>Man Hours</u>	<u>X</u>	<u>Rate Per Hour Total</u>
a. Partner	85	189	\$ 16,065
b. Manager	65	140	9,100
c. Senior	160	116	18,560
d. Staff	140	100	14,000
e. Assistant	15	63	945
f. Quality Reviewer	15	172	2,580
g. ----			
Proposed Man Hours	<u>480</u>		

Proposed Price for Audit Personnel \$ 61,250

B. Proposed Price for Travel -

C. Proposed Price for Typing, Clerical and Reproducing 750

3. Total Price Proposed for this Engagement \$ 62,000

Proposal For Professional Audit Services

PART D – TIME AND PRICE PROPOSAL – FY 2013 – 2014

1. <u>Proposed Dates for Engagement:</u>	<u>Date</u>
A. Conduct Entrance Conference	August 18, 2014
B. Commence Audit Field Work	August 25, 2014
C. Complete Audit Work	September 5, 2014
D. Review Draft with Governing Body	October 22, 2014
E. Conduct Exit Conference	September 5, 2014
F. Submit Final Report to Governing Body	November 31, 2014

2. Proposed Time and Price for Engagement

<u>A. Personnel Level:</u>	<u>Man Hours</u>	<u>X</u>	<u>Rate Per Hour Total</u>
a. Partner	85	198	\$ 16,830
b. Manager	65	147	9,555
c. Senior	160	121	19,360
d. Staff	140	105	14,700
e. Assistant	15	66	990
f. Quality Reviewer	15	181	2,715
g. ----			
Proposed Man Hours	<u>480</u>		

Proposed Price for Audit Personnel \$ 64,150

B. Proposed Price for Travel -

C. Proposed Price for Typing, Clerical and Reproducing 850

3. Total Price Proposed for this Engagement \$ 65,000

Proposal For Professional Audit Services

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 governmental agencies:

Helena School District No. 1

Percent of time allocated for the following purposes:

Financial Compliance/Reporting	<u> 50% </u>
Internal Control	<u> 10% </u>
Compliance with applicable statutes	<u> 40% </u>
TOTAL	<u> 100% </u>

Proposal For Professional Audit Services

PART F – AUDIT SERVICES

Date: May 17, 2012

CPA Firm name and address:

Galusha, Higgins & Galusha, PC

P.O. Box 2532

Billings, MT 59103

Phone number: 406-248-1681

Authorized signature and title: Kimberly E. Dare, Shareholder

Three Year Total (Year 2012, 2013, 2014):

Maximum fee \$186,000 (Based upon a 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	Partner	\$ 175 - 235
Classification	Manager	\$ 135
Classification	Senior	\$ 110

Proposal For Professional Audit Services

PART G – CLIENT PREPARATION LIST

Planning

To be provided 2 weeks prior to the commencing of fieldwork

Confirmations

- A list of all cash and investment accounts, noting any new or closed accounts
- Request that County Treasurer send a copy of the June report directly to us
- Copy of all note, bond or capital lease documents

Board and Committee minutes

- All meeting minutes from January of the prior audit year to date of fieldwork

A-133 Requirements

- Schedule of Federal Awards to include Grant Title, Grant ID#, CFDA #, project reporter, award amount, beginning cash balance July 1st, cash receipts, cash expenditures, amounts returned to grantor, ending cash balance at June 30th, amounts due to grantor, accrued expenses, due from grantor, deferred revenue.

General

- A copy of the Trustees Financial Summary for elementary and high school
- A copy of the originally adopted budget and any amendments for the year
- List of Board members
- A list of all attorneys consulted during the year
- A list of any pending or threatened litigation
- Copy of any policy and procedure and employee handbooks

Fieldwork

Cash

- County Treasurer's June and July reports
- June and July bank statements for all cash accounts
- Reconciliations of ending cash balance by fund to the County Treasurer's cash balances
- Reconciliation for each bank account at June 30
- Outstanding warrant list for claims and payroll

Receivables/Due From

- Schedules of Taxes Receivable from County Treasurer at June 30
- Calculation of uncollectible taxes
- Schedule of Due from other Governments
- Schedule of Due from/Due to other funds
- Schedule of other receivables

Inventories

- Detail inventory by location

Proposal For Professional Audit Services

Part G – Client Preparation List Continued

Fixed Assets

- Detail listing of Property, Plant and Equipment and related Accumulated Depreciation including beginning balance, additions, deletions and ending balance.
- Detail listing of additions and disposals
- Detail depreciation calculation schedule and allocation by function

Other Assets

- Schedule of prepaid expenses
- Schedule of Deferred charges

Loans Payable

- Roll forward schedule of all debt – roll forward schedule should include beginning balance - payments + additions = ending balance.
- Roll forward schedule of all capital leases – roll forward should include beginning balance - payment + additions = ending balance.
- Copy of all note, bond or capital lease documents.

Accounts Payable

- The check register for all general and payroll checks from July 1st through date of fieldwork
- Accounts payable detail by vendor and invoice

Deferred Revenue

- Schedule of Deferred Revenue

Accruals

- Detail schedule of Compensated Absences by individual which include pay rate at June 30th and for sick leave, bonus earned, 25% of sick leave total sick leave liability. Vacation – hours earned, total vacation leave liability. Total vacation and sick leave by individual, payroll taxes related to liability, total compensated absence liability by individual.

Fund Balance/Net Assets

- Detail schedule of fund balance by fund which ties to prior year audited balances, changes in fund balances and ending balances
- Detail list of encumbrances by fund and function and including P.O. Numbers

Proposal For Professional Audit Services

Part G – Client Preparation List Continued

Expenses

- Warrant number ranges for the year for A/P
- Warrant number ranges for the year for Payroll
- Once we select our sample for expenditure testing we will need the following for each warrant selected:
 - Invoice
 - Requisition
 - Purchase order
 - Receiving documents
 - Request for payment
 - G/L posting
 - County Treasurers reports and bank statements to trace disbursements

Salaries

- Reconciliation of wages on Trustees Financial Summary to the SUTA reports.
- Schedule of employee and employer contributions to TRS and PERS by month.
- Once we select our sample for payroll testing we will need the following for each warrant selected:
 - The personnel file for each employee selected in our sample
 - The payroll register for the pay periods containing any selected warrant
 - The timesheets for all hourly employees selected
 - For direct deposits, a copy of the EFT for each direct deposit containing a selected warrant.

A-133 Requirements

- Grant documents and award letters
- Once we have determined the Federal program to be tested, we will want for each one:
 - G/L printout of amounts charged to the grant,
 - Copies of funding requests and expenditure reports
- We will make a selection of disbursements to test and will want the requisition, purchase order, receiving document and request for payment for our selections

Extracurricular

- Detail of activity in each extracurricular account
- Workpaper which shows beginning balance, receipts, disbursements, transfers and ending balance for each activity in each extracurricular account and a summary schedule for the district

Miscellaneous Items

- October and February enrollment reports
- District enrollment records and reconciling worksheets which tie to the enrollment reports
- Copies of all operating leases
- Actuarial report for self-insurance fund
- Schedule of IBNR in self-insurance fund
- Actuarial report for OPEB

Proposal For Professional Audit Services

RESUME - KIMBERLY E. DARE, CPA, CFE

Position: Shareholder, Billings, MT Office
Galusha, Higgins & Galusha, PC
Certified Public Accountants

Professional Experience: Serves on firm's audit committee. Devotes approximately 98% of time to audit/accounting engagements.

Specific Areas of Expertise

Financial statement and compliance audits
A-133 audits
Certified Fraud Examiner
Test internal controls during the auditing process
Housing Authority Auditing
Tribal Housing Authority Auditing
Tax preparation

Galusha Higgins & Galusha, PC - October 2001 to Present

Shareholder responsible for audits of not-for profits, governmental units and school districts and fraud audits. Prepare compilations and reviews for clients, as well as bookkeeping and tax services. Perform management advisory services, including the set-up of new computer accounting systems.

Joseph Eve & Company September - 1999 to October 2001

Audit governmental units, housing authorities, tribal housing authorities, school districts, not-for profits and Indian tribes and casinos. Prepare compilation and reviews for clients, as well as bookkeeping and tax services. Perform management advisory services, including the set-up of new computer accounting systems.

Education: Montana State University – Billings
Bachelor of Science in Business Administration-Accounting Option

Licenses: State of Montana Certificate #4625

Professional Societies: American Institute of CPAs
Montana Society of CPAs
Billings Chapter of CPAs
Association of Certified Fraud Examiners

Professional Audit Experience: For the past thirteen (13) years, I have concentrated on audits of not-for-profits and local governments. I also am a Certified Fraud Examiner and perform fraud audits.

Boards and Community Service: Past Treasurer – Soroptimist International of Billings
United Way volunteer
Office of Public Instruction GASB-34 Implementation Committee



Proposal For Professional Audit Services

RESUME - AMY IVERSON, CPA

Position: Manager, Billings, MT Office
Galusha, Higgins & Galusha PC
Certified Public Accountants



Professional Experience: Served on firm's audit committee. Devotes approximately 70% of time to audit/accounting engagements.

Specific Areas of Expertise
Financial statement and compliance audits
A-133 audits
Test internal controls during the auditing process
GASB 34 Implementation
Tax preparation

Galusha, Higgins & Galusha PC - October 2004 To Present

Manager responsible for audits of not-for profits, governmental units and school districts. Prepare compilations and reviews for clients, as well as bookkeeping and tax services. Perform management advisory services.

Education: Montana State University – Billings
Bachelor of Science in Business Administration-Accounting Option

Licenses: State of Montana Certificate #5758

Professional Societies: American Institute of CPAs
Montana Society of CPAs

Professional Audit Experience: For the past seven (7) years, I have concentrated on audits of not-for-profits and local governments.

Boards and Community Service United Way volunteer
American Cancer Society Administrative Committee Member

Proposal For Professional Audit Services

RESUME – MATT HJELM, CPA

Position: Senior Associate, Billing, MT Office
Galusha, Higgins & Galusha PC
Certified Public Accountants

Serves on firm's audit committee. Devotes approximately 98% of time to audit/accounting engagements.



Professional Experience: **Galusha, Higgins & Galusha, PC, Billings MT - 2011 to present**
In-Charge responsible for audits of not-for-profits, governmental units and school district audits. Prepare compilations and reviews for clients, as well as bookkeeping and tax services. Perform management advisory services..

Joseph Eve, Billings MT -2009 to 2011

Prepared individual, partnership, corporate, trust and estate tax returns. Acted as Senior Accountant/Assistant Controller for large Indian tribe on outsourcing engagement. Duties included maintain/overseeing reconciliations, AR, AP, monthly fund financial statements, compliance with OMB Circular A-87. Worked on audits of governmental entities, primarily in the areas of Indian tribes.

Anderson ZurMuehlen, Butte MT - 2008 to 2009

Prepared individual, partnership, corporate and estate tax returns. Worked on audits of non-public entities, primarily in the areas of financial institutions and construction companies.

Education: Montana State University, Bozeman MT 2007
M.A., Professional Accountancy

Montana State University, Bozeman MT 2006
B.S., Business, Accounting Option

Licenses: Licensed CPA in State of Montana #5851

Professional Societies: American Institute of Certified Public Accountants
Montana Society of Certified Public Accountants

Proposal For Professional Audit Services

RESUME – TOM O'TOOLE

Position: Staff Accountant, Billings, MT Office
Galusha, Higgins & Galusha PC
Certified Public Accountants



Professional Experience: Devotes approximately 75% of time to audit/accounting engagements.

Specific Areas of Expertise

Financial statement and compliance audits

A-133 audits

Test internal controls during the auditing process

Tax preparation- Individual, Corporate, Trust and Estate

Galusha, Higgins & Galusha PC – July 2010 To Present

Staff Accountant; responsible for audits of not-for profits, governmental units and school districts.
Prepare compilations and reviews for clients, as well as bookkeeping and tax services.

Education: Gonzaga University – Spokane, WA
Bachelor of Science in Business Administration – Accounting Concentration
Masters of Business Administration – Accounting Concentration

Professional Audit Experience: For the past year, I have concentrated on audits of not-for-profits and local governments.

Boards and Community Service United Way volunteer

Proposal For Professional Audit Services

RESUME - TYLER KAFTAN

Position: Staff Accountant, Billings, MT Office
Galusha, Higgins & Galusha PC
Certified Public Accountants



Professional Experience: Devotes approximately 70% of time to audit/accounting engagements.

Specific Areas of Expertise

Financial statement and compliance audits

A-133 audits

Test internal controls during the auditing process

Tax preparation- Individual, Corporate, Trust and Estate, Not-for-Profits

Galusha, Higgins & Galusha PC – September 2011- To Present

Staff Accountant; responsible for audits of not-for profits, governmental units and school districts.
Prepare compilations and reviews for clients, as well as bookkeeping and tax services.

Education: MSU - Billings
Bachelor of Science in Business Administration – Accounting Concentration

Professional Audit Experience: For the past year, I have concentrated on audits of not-for-profits and local governments.

Boards and Community Service United Way volunteer
HRDC Volunteer

Proposal For Professional Audit Services

Resume – Susan Rose, CPA

Position: Retired - Shareholder in Billings, MT Office
Galusha, Higgins & Galusha PC
Certified Public Accountants



Experience: 24 years as an auditor/accountant with Galusha, Higgins & Galusha PC in Billings, MT.

- Admitted as a shareholder July 1, 2001.
- Diversified experience in audits and taxation. Emphasis of experience is with governmental, not-for-profit and corporate audits and general taxation.
- Quality reviewer of governmental, not-for-profit and corporate audit engagements. Served on firm's audit committee.
- Devotes approximately 95% of time to audit/accounting engagements.

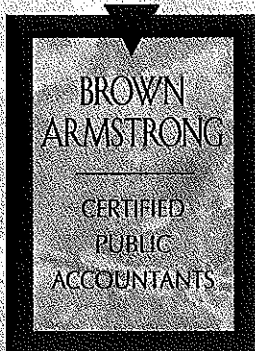
Education: Elmira College - 1983 / Bachelor of Science in Accounting
Alma College - 1968 / Bachelor of Arts in French with Secondary Education Endorsement

Licenses: State of Montana Certificate #2346

Professional Societies: American Institute of CPAs
Montana Society of CPAs
Billings Chapter of CPAs
Montana Association for Female Executives
Montana Association of School Business Officials (MASBO)

BOARDS AND COMMUNITY SERVICE: Billings Studio Theatre Ensemble
Montana Association for Female Executives – Treasurer
Montana Society of CPA's Government Auditing, Accounting and Financial Reporting Committee
MSU-B Foundation Wine Festival Special Events Committee
Office of Public Instruction GASB-34 Implementation Committee
Rimrock Opera Company Board of Directors
United Way Fund Distribution Volunteer

PROFESSIONAL AUDIT EXPERIENCE: I have concentrated my practice in the audit area over the past 24 years. During that time, I have participated in over 700 audits of not-for-profits and local governments, as well as numerous audits of other entities.



BROWN ARMSTRONG

Certified Public Accountants

SYSTEM REVIEW REPORT

August 26, 2011

To the Shareholders of
Galusha, Higgins & Galusha
and the Peer Review Committee of the Montana Society of CPAs

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL Info@bacpas.com

560 CENTRAL AVENUE

SHAFER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

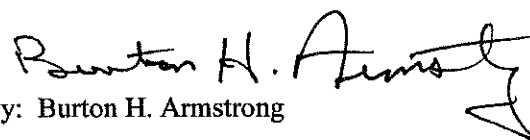
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

We have reviewed the system of quality control for the accounting and auditing practice of Galusha, Higgins & Galusha (the firm) in effect for the year ended June 30, 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 engagements performed under *Government Auditing Standards*, audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Galusha, Higgins & Galusha in effect for the year ended June 30, 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*. Galusha, Higgins & Galusha has received a peer review rating of *pass*.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION


By: Burton H. Armstrong



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Peer Review Program

American Institute of Certified Public Accountants
Administered by the
Montana Society of CPAs

November 10, 2011

William F. Honzel, CPA
Galusha, Higgins & Galusha, P.C.
910 N Last Chance Gulch Ste A
Helena, MT 59601

Dear Mr. Honzel:

It is my pleasure to notify you that on November 10, 2011 the Montana Peer Review Executive Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is December 31, 2014. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Carol Lopuch
Peer Review Coordinator
carol@mscpa.org
800 272 0307

cc: Burton Armstrong, CPA

Firm Number: 10023496

Review Number 324198

Letter ID643662

P.O. Box 138, Helena, MT 59624-0138 (406) 442-7301 • www.mscpa.org