



March 5, 2026

Bigfork School District  
Attn: Lacey Porrovecchio, District Clerk  
P.O. Box 188  
Bigfork, MT 59911

### **Audit Engagement Services**

We are pleased to confirm our understanding of the services we are to provide Bigfork School District for the year ended June 30, 2026, June 30, 2027, and June 30, 2028. We will audit the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements, of Bigfork School District as of and for the year ended June 30, 2026, June 30, 2027, and June 30, 2028. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Bigfork School District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Bigfork School District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis (MD&A)
- Schedule of Changes in the Total Other Post-Employment Benefits (OPEB) Liability and Related Ratios
- Budgetary Comparison Schedules
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Pension Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies Bigfork School District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In addition, we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- Schedule of Enrollment
- Schedule of Revenues and Expenditures – extracurricular fund

### **Audit Objectives**

The objective of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) and *Governmental Audit Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgement of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and aware agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

### **Affirmations**

- Our firm has the skill and the staffing to complete your audit within the required timeframe.
- Our firm is licensed with the State of Montana, on the roster of qualified auditors and members of the AICPA government audit quality control center.
- Our firm will comply with all appropriate state statutes in the performance of your audit.
- We have no ethics violations or disciplinary actions filed against us with either the State board of accountants or the AICPA.
- All professional staff are current in their continuing education requirements.
- Our firm is independent of your government.
- We carry \$2M in professional liability coverage.
- We will report to the board immediately upon discovery of any illegal acts or irregularities (Fraud).
- All working paper files are the property of Nexus CPA Group, PLLC. We keep all working paper files for at least three years as required by professional standards.

### **Our Audit Requirements**

- We believe in full transparency in the audit process. As such, all exit meetings (preliminary and final) must have at least one member of your board present.
- To provide consistency with our staff and audit schedule we will only sign 3-year audit contracts.
- If you are preparing the GASB #34 financial statements and footnotes we require a final copy before we start any audit work. To ensure a quality audit we need at least 45 days to complete the audit from the time a final copy of the financial statements and footnotes are prepared.

- Staffing continues to be our greatest struggle. As such, in order to meet your audit reporting deadline, your staff must prepare and submit the information needed to perform the audit by the agreed upon dates. Failure of your staff to meet those deadlines will result in any of the following: (1) your audit being late (2) additional audit fees (3) cancellation of the contract.
- If your government applies for the Certificate of Excellence through the GFOA we will gladly assist you by answering your technical questions in this endeavor. However, it is your responsibility to ensure your report complies with all the requirements of the Certificate of Excellence.

### **Auditors Responsibilities for the Audit of the Financial Statements**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Bigfork School District and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

#### **Audit Procedures – Internal Controls**

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*.

## **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Bigfork School District's compliance with provisions of applicable laws, regulations, contracts and agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Management Responsibilities**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America (GAAP), and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Governmental Audit Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements 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 of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your

responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements that we report.

You are also responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to use in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Engagement Service and Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

### **Other Services**

We will also assist with the services described in more detail in the "Non-Audit Advisory Services" engagement letter and contract. These services will be performed in accordance with accounting principles generally accepted in the United States of America, based on information provided by you. Please note that these non-audit services do not constitute an audit under *Government Auditing Standards* and, therefore, these services will not be conducted in accordance with *Government Auditing Standards*. However, we will perform them in accordance with applicable professional standards. We reserve the right, in our sole professional judgment, to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities related to the services outlined in the “Non-Audit Advisory Services” and any other non-audit services we provide. You will be required to acknowledge in the management representation letter our assistance with these services, confirm that you have reviewed and approved these services prior to issuance and have accepted full responsibility for them. Additionally, you agree to oversee the non-audit services by designating an individual—preferably from senior management—with suitable skill, knowledge, or experience; to evaluate the adequacy and results of those services; and to accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. You will provide us access to the internet and copy machines while we are on-site.

We will provide copies of our reports to Bigfork School District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Nexus CPA Group, PLLC and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Montana Department of Administration or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Nexus CPA Group, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Montana Department of Administration. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Our fee for these services is listed below:

<u>Fiscal Year</u>	<u>Non-Federal Audit</u>
June 30, 2026	\$ 18,500
June 30, 2027	\$ 19,500
June 30, 2028	\$ 20,500

If it is later determined that the audit must be conducted in accordance with the Single Audit Act Amendments of 1996 and the provisions of the Uniform Guidance, this engagement letter will need to be amended accordingly. In such a case, an additional fee will apply to cover the services necessary to comply with those standards, as outlined below:

<u>Fiscal Year</u>	<u>Federal Audit Fee</u>
June 30, 2026	\$5,000 per major program
June 30, 2027	\$5,000 per major program
June 30, 2028	\$5,000 per major program

If in the course of this engagement or the result of this engagement we are compelled by a court or regulatory authority to provide testimony or assist in any way in relation to any work performed for Bigfork School District, time or additional services it is understood that Bigfork School District will pay us our standard hourly fee plus related travel expenses for all time required.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

**This engagement does not include an audit of any component unit or related district as required by GASB #14, #39, or #61. Additionally, this engagement does not include preparation of the financial statements in accordance with GASB #34.**

Our standard hourly rates vary 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 each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment or any other reason, our engagement will be deemed to have been completed upon written notification or termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above 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.

**This engagement does not include non-attest services.** If non-attest services such as financial statement preparation are performed it is understood that these services do not constitute an audit under *Government Auditing Standards*. A separate engagement letter is prepared for these services.

## **Reporting**

We will issue a written report upon completion of our audit of Bigfork School District's financial statements. Our report will be addressed to management and the governing body of Bigfork School District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter

or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinion, we may decline to express opinions ro issue reports, or we may withdraw from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control on compliance, and, (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during the audit we become aware that Bigfork School District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U. S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to Bigfork School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this copy and return it to us.

We expect to begin our audit on approximately September 1, 2026 and to issue our report(s) no later than June 30, 2027, June 30, 2028, and June 30, 2029. Jonathan Mahrt, CPA is the managing member that has been assigned to your engagement. If you have any questions, please feel free to contact him directly.

Very truly yours,

Jonathan Mahrt, CPA, CFE

RESPONSE:

This letter correctly sets forth the understanding of Bigfork School District.

Governance Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**DEPARTMENT OF ADMINISTRATION  
STANDARD AUDIT CONTRACT**

This Contract is made this 5th day of March, 20 26, by and among

Nexus CPA Group, PLLC

**Certified Public Accountant  
("Contractor"),**

Bigfork School District

**Government Entity  
("Entity"),**

and the **Montana Department of Administration, Local Government Services Bureau**, ("State"), acting under the authority of Title 2, Chapter 7, Part 5 of the Montana Code Annotated. **The State's mailing address, phone number, and email address are P.O. Box 200547, Helena, MT 59620-0547; (406) 444-9101; and LGSPortalRegistration@mt.gov.**

1. **Effective Date:** This contract is not effective with respect to any party until it is approved and signed by the State, as required by Section 2-7-506(3), MCA. The Contractor may not begin any audit work until the State gives its approval. If the Contractor begins work before the State's approval of the contract and the State subsequently does not approve the contract, the Contractor is not entitled to receive any compensation for the work performed.

2. **Audit Period and Payment:** This contract covers the following audit period(s):

July 1, 20 25 to June 30, 20 28

A. The Entity shall pay the Contractor for the audit work on the basis of time and necessary out-of-pocket expenses, which will not exceed:

\$ <u>18,500</u>	for initial (or sole) audit covering	<u>07</u> / <u>01</u> / <u>25</u>	to	<u>06</u> / <u>30</u> / <u>26</u>
\$ <u>19,500</u>	for subsequent audit covering	<u>07</u> / <u>01</u> / <u>26</u>	to	<u>06</u> / <u>30</u> / <u>27</u>
\$ <u>20,500</u>	for subsequent audit covering	<u>07</u> / <u>01</u> / <u>27</u>	to	<u>06</u> / <u>30</u> / <u>28</u>
\$ <u>N/A</u>	for subsequent audit covering	<u>  </u> / <u>  </u> / <u>  </u>	to	<u>  </u> / <u>  </u> / <u>  </u>
\$ <u>N/A</u>	for subsequent audit covering	<u>  </u> / <u>  </u> / <u>  </u>	to	<u>  </u> / <u>  </u> / <u>  </u>

B. The entity shall pay the fees listed in Appendices A, B, C, D, and E, as applicable, which are attached hereto and incorporated by reference. Any change to the audit fees requires a contract amendment.

C. The contract payments do not include the cost of additional work that may be required if the Contractor discovers a defalcation or material irregularity. **Any change in the scope of the audit services to be provided under this contract requires an amendment.**

D. The Contractor may submit interim bills to the Entity each month, based upon the estimated percentage of contract completion. The Entity may retain ten percent (10%) of each of these estimates until the Contractor has delivered the final audit report, at which time the Entity shall release the amount retained.

3. **Peer Review:** The Contractor shall provide the Entity with a copy of its most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the contract period.

4. **Audit Scope:** The Contractor shall perform the following:

- A. The Contractor shall conduct the audit in accordance with (i) generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and (ii) the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The Contractor shall opine on the presentation of the Entity's financial statements in accordance with the Entity's applicable financial reporting framework prescribed at Section 2-7-504, MCA.

If the Contractor's opinion on the Entity's financial statements is other than unmodified, the Contractor shall fully discuss the reasons with the Entity in advance of issuing a report. If, for any reason, the Contractor is unable to complete the audit or is unable to form or has not formed an opinion, the Contractor may decline to express an opinion or decline to issue a report as a result of the engagement.

- B. The Contractor shall perform tests of internal control over financial reporting. Findings resulting from these tests shall be reported in accordance with Government Auditing Standards.
- C. The Contractor shall perform tests of the Entity's compliance with provisions of laws, regulations, contracts, and grant agreements. The Contractor shall use the local government compliance supplement prepared by the State, as required by Section 2-7-505(2), MCA, in conjunction with Government Auditing Standards to determine the compliance testing to be performed during the audit. Findings resulting from these tests shall be reported in accordance with Government Auditing Standards. If the Contractor becomes aware of fraud, waste or abuse, the Contractor shall report related findings in accordance with U. The Contractor shall perform tests, including but not limited to the following, to determine whether:

- (1) the Entity has complied with all appropriate statutes and regulations, as required by Section 2-7-502, MCA;
- (2) the Entity has complied with the provisions of each of its debt covenants and agreements;
- (3) the Entity (county, city or town) has retained money in a local charge for services fund contrary to the requirements of Sections 17-2-301 through 17-2-303, MCA, as required by Section 17-2-302, MCA. The Contractor shall report any findings of noncompliance with the provisions of these statutes, regardless of materiality; and
- (4) the Entity (county, or consolidated city/county government) has complied with state laws relating to receipts and disbursements of agency or custodial funds maintained by the Entity, as required by Section 2-7-505, MCA.

If required by the State, the Contractor shall provide documentation of testing performed to comply with (3) and (4), above.

- D. When applicable, the audit must meet all requirements of the Federal Single Audit Act of 1984, as amended, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). If these federal regulations are amended, the amended regulations will prevail.
- E. The audit scope with regard to federal financial assistance for each fiscal year covered by this contract must be as specified in Appendices A, B, C, D, and E. Any change to the audit scope with regard to federal financial assistance requires a contract amendment.

- F. Except as provided below, for purposes of determining the scope of the audit, the Entity is considered the financial reporting entity as defined in the Entity's applicable financial reporting framework prescribed at Section 2-7-504, MCA. This provision does not preclude the Entity from engaging a different audit firm for the audit of a segment, fund or component unit of the Entity. However, both the Entity and Contractor shall notify the State whenever the Entity elects to engage a different audit firm for the audit of a segment, fund or governmental component unit. Such additional audit must be contracted for on the State's Standard Audit Contract, and the audit firm shall be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the State.  
If this contract is for an audit of a segment, fund, or governmental component unit of the primary government, the Entity is considered to be the segment, fund or component unit.
- G. Any school district audit must also include auditing procedures sufficient to provide an opinion as to whether the following supplemental information is fairly stated in relation to the basic financial statements:
- (1) the school district's enrollment for the fiscal year or years being audited as reported to the Office of Public Instruction in the Fall and Spring "Student Count for ANB" reports; and
  - (2) when applicable, the extracurricular funds for pupil functions.
- H. If the Entity is a school district or associated cooperative, the Contractor shall contact the State Office of Public Instruction and the county superintendent of schools before or during the audit of the Entity. The Contractor shall determine whether those offices are aware of potential financial or legal compliance problems relating to the Entity that could affect the scope of the audit.
- I. The Contractor shall immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor shall also immediately notify the State Office of Public Instruction in writing. To notify the State, Contractors shall email [LGSPortalRegistration@mt.gov](mailto:LGSPortalRegistration@mt.gov) to the attention of the Local Government Services Bureau Chief. To notify the State Office of Public Instruction, Contractors shall email [OPIAuditReport@mt.gov](mailto:OPIAuditReport@mt.gov) to the attention of the OPI Auditor.
- J. The Contractor shall notify the Entity of all proposed audit adjustments and, if the Entity concurs, shall obtain written acceptance of these proposed adjustments. The State reserves the right to request documentation of these proposed and accepted audit adjustments.
5. **Entity's Responsibilities:** The Entity shall be responsible for:
- A. its basic financial statements, including note disclosures.
  - B. All supplementary information required by its applicable financial reporting framework prescribed at Section 2-7-504, MCA and by provisions of this contract.
  - C. establishing and maintaining effective internal control over financial reporting, including internal controls related to the prevention and detection of fraud.
  - D. ensuring that it complies with the laws, regulations, contracts and grant agreements applicable to its activities.
  - E. making all financial records and related information available to the Contractor.

- F. the schedule of expenditures of federal awards required for audits conducted under Uniform Guidance.
  - G. approving all proposed audit adjustments before posting, if the Entity concurs with the proposed adjustments.
  - H. adjusting the financial statements and accounting records to correct material misstatements and to agree with the audited financial statements; and
  - I. providing the Contractor, at the conclusion of the audit engagement, with a letter that confirms certain representations made during the audit, including an affirmation that the effects of any uncorrected misstatements aggregated by the auditor 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.
6. **Dates for Annual Financial Report or Trial Balance of Accounts:** The Entity shall prepare its annual financial report, or a trial balance of accounts no later than the dates specified in Appendices A, B, C, D, and E. If the Entity is unable to prepare its annual financial report or trial balance by the date specified in the Appendices, the Entity shall notify the Contractor and the State in writing prior to the specified dates.
7. **Beginning the Audit:** The Contractor shall begin the audit field work based on the schedule established in Appendices A, B, C, D, and E. Under Section 2-7-503(3)(a), MCA, all audits must commence within nine months from the close of the last fiscal year of the audit period.
8. **Completion of Audit:** The Contractor shall deliver the audit report to the Entity and the State, based on the schedule established in Appendices A, B, C, D, and E. **If the Contractor cannot deliver the audit report to the Entity and the State on the date specified in the Appendices, the Contractor shall notify the Entity and the State in writing of that fact, and the reason(s) for the delay.** Under Section 2-7-503(3)(a), MCA, all audits must be completed and the reports issued within one year from the close of the last fiscal year covered by the audit. If the audit is conducted in accordance with the provisions of Uniform Guidance, the Contractor shall complete the audit and issue the audit report within the deadline required by that federal regulation, **unless a longer period has been agreed to in advance by the federal cognizant or oversight agency for audit.** If the Entity has requested and received an extension of the due date of the Uniform Guidance from a federal agency, the Entity shall submit a copy of the approved extension to the State.
9. **Due Date Extension:** The State may grant an extension to the Entity for filing the audit report beyond the one- year due date provided for in paragraph 8, above. To do so, the Entity shall make a request to the State in writing and shall show good cause for the delinquency or demonstrate that the failure to meet the deadline provided for in paragraph 8, above, was the result of circumstances beyond the Entity's control. The State will determine good cause or circumstances beyond the Entity's control based on the facts of each case.
10. **Presentation of Audited Financial Statements:** The final audit report must contain basic financial statements and supplementary information consistent with the applicable financial reporting framework prescribed at Section 2-7-504, MCA. In addition, other supplementary information required by provisions within this contract and by Uniform Guidance must also be included, if applicable.
- A. The final audit report must also contain any supplementary or other information as agreed upon by the Entity and Contractor.
  - B. If the Entity's accounting records or other circumstances do not permit financial statements to comply with the applicable financial reporting framework prescribed at Section 2-7-504, MCA, the Contractor

shall notify the State of those conditions and describe the financial statements that will be presented. The applicable auditor's reports must be modified in accordance with professional standards to reflect a departure from the applicable financial reporting framework.

- C. If the audit is of a school district with separate elementary and high school district general funds, the general funds must be combined as a single major fund. All other funds must be separately considered for major fund criteria.
- D. If the audit is a biennial audit covering two years, the Contractor shall present complete financial statements as specified above for each year covered by the audit. However, note disclosures for both fiscal years may be in one set of notes, with separate fiscal year disclosures as necessary. The two years must be presented under one audit report cover and opined upon in one Independent Auditor's Report.

11. **Auditor's Reports:** All audit reports must contain the following auditor's reports, which must comply with applicable professional standards in effect for the fiscal year or years being audited:

- A. a report on the financial statements of the Entity.
- B. a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
- C. a reference to a report disclosing any deficiencies in internal control or instances of noncompliance with provisions of contracts or grant agreements or abuse that have a less than material effect on the financial statements but warrant the attention of management or those charged with governance. This report must be referred to in the report required in 11.B. above.
- D. a report on any supplementary or other information presented in the audit report. This report must be given in an "other matters" paragraph(s) of the auditor's report on the financial statements (11.A. above), and shall identify, if applicable:
  - (1) any Required Supplementary Information (RSI), as required by the Governmental Accounting Standards Board.
  - (2) any Supplementary Information (SI) included in the report to comply with provisions of laws, regulations, contracts, or grant agreements. For the following schedules, the Contractor shall report on whether the information is fairly stated, in all material respects, "in relation to" the financial statements as a whole, unless the condition of the financial records does not allow the auditor to render such an opinion:
    - a) schedule of school district "Student Count for ANB" required in paragraph 13.A.
    - b) schedule of school district extracurricular fund financial activities required in paragraph 13.B.
    - c) schedule of expenditures of federal awards required by Uniform Guidance and in paragraph 12.A.; and
    - d) any supplementary information for financial reporting frameworks required by ARM 2.4.401.
  - (3) any Other Information (OI) for financial reporting frameworks required by ARM 2.4.401.

(4) any Other Information (OI) that is included in the audit report, if deemed appropriate in accordance with professional standards.

- E. a report disclosing the action taken by the Entity to correct any deficiencies or implement any recommendations contained in the prior audit report. This report must be in a format that specifically identifies, by title or summary, each deficiency or recommendation contained in the prior audit report and the action taken by the Entity on each such deficiency or recommendation.
- F. the views of Entity officials and their planned corrective actions must also be included (for audit findings included by the Contractor in the reports referenced in 11.B. and 11.C. above), as required by Government Auditing Standards, if they are available at the time the Contractor submits the audit report to the State. If the views and planned corrective actions are not available at that time, the Contractor shall so indicate in the reports.

12. **Single Audits:** All audit reports for single audits completed in accordance with Uniform Guidance must contain the following:

- A. a schedule of expenditures of federal awards, prepared by the Entity, which must contain all elements required by Uniform Guidance.
- B. a report on the schedule of expenditures of federal awards. This report may be combined with other reports as provided by Uniform Guidance and professional standards. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.
- C. a report on compliance for each major program and a report on internal control over compliance in accordance with Uniform Guidance. These reports must refer to the separate schedule of findings and questioned costs described in paragraph 12.D. of the contract and must comply with applicable professional standards in effect for the fiscal year or years being audited.
- D. a schedule of findings and questioned costs which must include the information required by Uniform Guidance.
- E. an Entity-prepared document, separate from the Contractor's findings, that describes the Entity's corrective action plan in accordance with Uniform Guidance for each current-year audit finding, if that plan is available at the time the Contractor submits the audit report to the State. This document should be submitted on Entity letterhead and should include a corrective action plan for each finding, regardless of whether the finding is identified in accordance with Uniform Guidance or Government Auditing Standards.

13. **School Districts:** School district audit reports must include the following as supplementary information/schedules:

- A. a schedule of the school district's enrollment as reported to the Office of Public Instruction for the fiscal year or years being audited. The schedule must contain the enrollment both as reported in the Fall and Spring "Student Count for ANB" reports and as documented by the school district's enrollment records;  
  
and
- B. a detailed schedule of extracurricular fund financial activities.

14. **Local Governments Reporting on Non-GAAP Financial Reporting Framework:** Audit reports of local governments that report on a non-GAAP financial reporting framework as provided in ARM 2.4.401 must include any Supplementary Information and Other Information required in that administrative rule.
15. **Written Report to Entity:** The Contractor shall render a single, written report for the Entity audited, including the reports and schedules referenced in paragraphs 11 through 14 above.
16. **Exit Conference:** Before submitting the final audit report, the Contractor shall hold an exit review conference in which the audit results are discussed with those charged with governance and other appropriate Entity officials and employees. The Contractor shall ensure that all members of the governing body and key members of management are notified of this exit conference. The Contractor further agrees that before the exit conference, it will not discuss the audit findings with anyone other than the Entity or the State. Once the Contractor delivers the final audit report to the Entity, the report is deemed to be a public record.
17. **Report Distribution:** The Contractor and Entity shall file copies of the audit report as specified below:
- A. The Contractor shall provide the Entity with the number of copies of the audit report specified in Appendices A, B, C, D, and E. The cost of those copies is included in the total price for the engagement as set out in paragraph 2.A., above, and in the Appendices.
  - B. The Contractor shall submit one of the copies referred to in 17.A., above, to the attorney for the Entity.
  - C. Upon request by the Entity, the Contractor shall provide additional copies of the audit report at a price per copy agreed upon by the Entity and Contractor.
  - D. The Contractor shall provide the State with a text-searchable, unlocked, and unencrypted electronic copy of the audit report at no charge. The report must be submitted to the State at the same time when the Contractor delivers the final audit report to the Entity. Any report delivered separately to management or those charged with governance identifying findings and recommendations as described in 11.C. above must be submitted electronically at the same time the audit report is submitted. The Contractor shall advise the State, at the time of submitting the electronic report of, the date the exit conference was held with the Entity, the date the final report was delivered to the Entity, the date of the audit report, the actual number of hours the Contractor spent conducting the audit, the total audit fee billed the Entity, and whether the audit was conducted in accordance with the provisions of Uniform Guidance.
  - E. If the Entity is a school district or associated cooperative, the Contractor shall provide at no additional charge copies of the audit report to the Office of Public Instruction, the county superintendent of schools, and the county attorney.
  - F. If the Entity is a city or town fire department relief association disability and pension fund, the Contractor shall provide at no additional charge one copy of the audit report to the city or town clerk.
  - G. If the audit is a single audit conducted in accordance with the provisions of Uniform Guidance, the Entity shall provide copies of the reporting package defined in Uniform Guidance and the data collection form to the federal clearinghouse designated by OMB.
18. **Entity Response:** If not included in the audit report as provided in paragraphs 11.F. and 12.E., within 30 days after receiving the audit report, the Entity shall notify the State in writing as to what action it plans to take to correct any deficiencies or implement any recommendations identified or contained in the audit report as required by Section 2-7-515, MCA, and ARM 2.4.409. This notification must also address any findings and recommendations identified in any report to management or those charged with governance described in 11.C.

above. If the audit is a single audit conducted in accordance with Uniform Guidance, this corrective action plan must also meet the requirements of Uniform Guidance. If the Entity is a school district or special education cooperative, the Entity shall also send a copy of this notification to the Office of Public Instruction to the attention of the OI Auditor via email at [OPIAuditReport@mt.gov](mailto:OPIAuditReport@mt.gov).

19. **Entity's Attorney:** If requested by the State, the attorney for the Entity shall report to the State on the actions taken or the proceedings instituted or to be instituted relating to violations of law and nonperformance of duty as required by Section 2-7-515(4), MCA. The attorney shall report to the State within 30 days after receiving the request.
20. **Certification of Auditor Independence:** The Contractor certifies that, as required by generally accepted government auditing standards, it and its principals and employees are independent in all matters regarding this engagement. **This contract must not include non-audit services.** The Contractor shall neither arrange for nor accept other work with the Entity that could in any way impair the Contractor's compliance with professional independence standards. If required by the State, the Contractor shall provide documentation that independence has been maintained in both mind and appearance as required by professional auditing standards.
21. **Contractor and Subcontractors:** The Contractor shall not assign any rights, or subcontract or delegate any duties of the contract without the Entity's and State's prior written consent.

The Contractor is the prime contractor and is responsible, in total, for all work of any subcontractors. Any subcontractors performing audit work shall be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the State. The Contractor is responsible to the Entity and the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors or agents. There is no contractual relationship between any subcontractor and the State.

22. **State Participation in Conferences:** The State may participate in all entrance and exit conferences between the Entity and Contractor, as well as all major conferences held in conjunction with the audit of the Entity.
23. **Access to Records:** The Contractor shall give the State and, when required by law, the Montana Legislative Audit Division, access to the Contractor's work programs, supporting working papers, time records, and all other documents relating to the audit. Access to these documents must be provided at the State's offices in Helena, Montana. Access to working papers includes the right of the State to obtain copies of working papers, as is reasonable and necessary. The Contractor shall make the work programs and supporting working papers available to the State for use by the State or other public accounting firms as directed by the State in future audits of the Entity. The Contractor shall make the audit programs and supporting working papers available to the cognizant or oversight agency for audit or its designee, federal agencies providing direct or indirect funding, or the U.S. General Accounting Office, if requested. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary. The Contractor shall retain the audit report, work programs, and supporting working papers for a minimum of five years from the date of the audit report, unless the State notifies the Contractor to extend the retention period. If professional standards or other applicable laws, rules, or regulations require a longer retention period, the Contractor shall retain the above materials for that specified period.
24. **State Review of Report:** As provided by Section 2-7-522, MCA, the State shall review the Contractor's audit report. If the State determines that reporting requirements have not been met, it will notify the Entity and the Contractor of the significant issues of noncompliance. The Contractor shall correct the identified deficiencies within 60 days of notification.

25. **Independent Contractor:** The Contractor is an independent contractor and neither its principals nor its employees are employees of the State or Entity for any purposes.
26. **Workers' Compensation:** The Contractor certifies that it carries Workers' Compensation for its employees and that it has either elected Workers' Compensation or has an approved Independent Contractor's Exemption covering the Contractor while performing work under this contract. (Montana Code Annotated, Title 39, Chapter 71).
27. **Indemnity:** The Contractor shall defend and indemnify the State and Entity, their elected and appointed officials, agents, and employees from and against all claims, causes of action, damages, liabilities, court costs and attorney fees in favor of the Contractor's employees or third parties for bodily or personal injuries, death, or damage to property arising from the acts or omissions or alleged acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors under this contract. This defense and indemnify obligation do not apply to acts or omissions arising from the sole negligence of the State or Entity under this contract. This defense and indemnity obligation survives termination or expiration of this contract.

If the Contractor is 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 the Entity's intentional or knowing misrepresentation or provision to the Contractor of inaccurate or incomplete information in connection with this engagement, and not any failure on the Contractor's part to comply with professional standards, the Entity shall defend and indemnify the Contractor against such obligations.

28. **Insurance – Commercial General Liability:** The Contractor shall maintain for the duration of the contract, at its cost and expense, occurrence coverage insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the Contractor, and/or its agents, employees, representatives, assigns, or subcontractors. The Contractor's insurance coverage shall be primary insurance for the Contractor's negligence with respect to the State and Entity and their elected officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the State and Entity and their officers, officials, employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

**Insurance - Professional Liability:** The Contractor shall purchase and maintain occurrence coverage to cover such claims as may be caused by any act, omission, negligence of the Contractor or its officers, agents, representatives, assigns or subcontractors.

If occurrence coverage is unavailable or cost-prohibitive, the state will accept 'claims made' coverage provided the following conditions are met: 1) the commencement date of the contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years, and 2) the claims made policy must have a three-year tail for claims that are made (filed) after the cancellation or expiration date of the policy.

The State and Entity may require complete copies of certificates of insurance during the term of this contract.

29. **Compliance with Laws:**

- A. The Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, regulations, and executive orders including but not limited to, the Montana Human Rights Act, the Equal Pay Act of 1963, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973.

The Contractor is the employer for the purpose of providing healthcare benefits and paying any applicable penalties, fees and taxes under the Patient Protection and Affordable Care Act [P.L. 111-148, 124 Stat. 119]. Any subcontracting by the Contractor subjects subcontractors to the same provisions.

B. In accordance with 49-3-207, MCA, and Executive Order No. 04-2016 the Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and there will be no discrimination based on race, color, sex, pregnancy, childbirth or medical conditions related to pregnancy or childbirth, political or religious affiliation or ideas, culture, creed, social origin or condition, genetic information, sexual orientation, gender identity or expression, national origin, ancestry, age, disability, military service or veteran status, or marital status by the persons performing this contract.

30. **Work Accommodations:** The Entity shall provide the Contractor with reasonable space in which to conduct the audit and shall respond promptly to requests for information as well as for all necessary books and records. Support for clerical, equipment, and reproduction services shall be agreed upon by the Entity and the Contractor as specified in Appendices A, B, C, D, and E.

31. **Termination before Audit Commences:** Before the commencement of the audit, either the Contractor or the Entity, with the State's consent, or the State alone, may terminate this contract for cause if another party has breached a material term or condition of this contract or violated an applicable law or regulation. The non-breaching party shall provide the other party written notice of the breach and allow 20 days to remedy the breach.

The Contractor and the Entity may agree to terminate this contract without cause before the commencement of the audit. If such a termination occurs, the State shall consent to the termination upon written notification by the Contractor and the Entity of their agreement to terminate this contract.

The State, however, will not consent to the cancellation of an audit contract for the sole purpose of allowing the Contractor and Entity to then enter into a new contract that extends the number of fiscal years to be audited by the Contractor. Unless there are extenuating circumstances, the existing audit contract must be completed first. This provision does not prohibit the cancellation of a contract for the purpose of replacing an annual audit with a biennial audit.

32. **Termination after Audit Commences:** After the audit has commenced, but before the audit report has been issued, either the Contractor or the Entity, with the State's consent, or the State alone, may terminate this contract for cause if another party has breached a material term or condition of this contract or violated an applicable law or regulation. The non-breaching party shall provide the other party written notice of the breach and allow 20 days to remedy the breach. If the Contractor is the breaching party and fails to remedy the breach, the Contractor is not entitled to the fee set out in this contract. This is the Entity's and the State's sole remedy. If the Entity is the breaching party, the Entity shall pay the Contractor a pro rata portion of the fee set out in this contract, based on the percentage of work completed at the time of termination. This is the Contractor's sole remedy.

The Contractor and the Entity may agree to terminate this contract without cause after the audit has commenced but before the audit report has been issued. If such a termination occurs, the State shall consent to the termination upon written notification by the Contractor and the Entity of their agreement to terminate this contract.

33. **Contractor Compliance with CPE and Quality Control Review:** The Contractor certifies compliance with the continuing professional education requirements and the external quality control review requirements as

set out in Government Auditing Standards, as established by the Comptroller General of the United States. The State may require the Contractor to provide evidence that it has met the above requirements.

34. **Single Audit Act Certification:** If the audit is required to meet the requirements of the Single Audit Act of 1984, as amended, and Uniform Guidance, the Contractor certifies that neither it nor any of its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from performing audits by any Federal department or agency.
35. **Time is of the Essence:** Time is of the essence regarding all provisions of this contract.
36. **Governing Law and Venue:** This contract is governed by the laws of Montana. The parties agree that any litigation concerning this contract in which the State is named as a party must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana. Each party shall pay its own costs and attorney fees, except as otherwise allowed in this contract. The parties also agree that any litigation concerning this contract in which the State is not named as a party must be brought in the State of Montana Judicial District in the County in which the Entity is located. Each party shall pay its own costs and attorney fees, except as otherwise allowed in this contract.
37. **Notice:** All notices under this contract must be in writing and will be deemed given if delivered personally, by mail, certified, return receipt requested, or by e-mail. All notices will (a) if delivered personally, be deemed given upon delivery, (b) if delivered by mail, be deemed given upon receipt, or (c) if delivered by e-mail be deemed given upon receipt.
38. **Invalid Provision:** If any provision of this contract is held to be illegal or unenforceable and the parties' rights or obligations will not be materially and adversely affected, such provision will be (a) severed from the contract, (b) the contract will be interpreted as if such provision was never a part of the contract and (c) the remaining provisions will stay in effect.
39. **Authority:** Each party represents that the person signing this contract has the authority to bind that party.
40. **Entire Agreement and Amendment:** This contract and the attached Appendices contain the entire understanding and agreement of the parties. No modification or amendment of this contract is valid unless it is reduced to writing, signed by the parties, and made a part of this contract.

Contractor, Entity, and State have executed this Standard Audit Contract on the date first above written:

**Certified Public Accountant**

Nexus CPA Group, PLLC

Firm Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

Jonathan Mahrt

Date: \_\_\_\_\_

**Governmental Entity**

Bigfork School District

Entity Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

\_\_\_\_\_

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_

\_\_\_\_\_

APPENDIX A

Initial or Sole Audit under this Contract

**GOVERNMENTAL ENTITY (ENTITY):** Bigfork School District

Telephone: (406)837-7402 Address: P.O. Box 188  
(Street Address or P.O. Box)

Bigfork, MT 59911  
(City) (Zip Code)

Lacey Porrovecchio, District Clerk lporrovecchio@bigfork.k12.mt.us  
 Contact Person(s) and E-Mail Address(es)

**PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR) :** Nexus CPA Group, PLLC

Telephone: (406)756-6879 Address: P.O. Box 1957  
(Street Address or P.O. Box)

1740 US Hwy 93 S.  
 Kalispell MT, 59903  
(City) (State/Zip Code)

Jonathan Mahrt, CPA office@nexuscpa.net  
 Contact Person(s) and E-Mail Address(es)

1. Audit Periods and Dates of Engagement
  - A. This audit will cover the fiscal year(s) ending June 30, 2026 (and \_\_\_\_\_).
  - B. Date to commence audit work: September 1, 2026
  - C. Date to submit final audit report to Entity and State: June 30, 2027
2. Time and Price for Engagement:
  - A. Estimated Total Hours: 120
  - B. Price for audit personnel \$ N/A
  - Price for travel \$ N/A
  - Price for report preparation \$ N/A
  - Total price for the engagement \$ 18,500
3. The reporting entity contains the following discretely presented component units:  
N/A
4. Date Annual Financial Report or a trial balance will be available (if Contractor is assisting Entity prepare, please note that here: December 31, 2026)
5. Number of copies of audit report Contractor will provide to Entity:  
Three (3)
6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
Internet Services and photocopier

7. The audit scope with regard to federal assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of Uniform Guidance because the Entity expended a total amount of federal awards equal to or in excess of \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

-OR-

The audit will not be a single audit conducted in accordance with the provisions of Uniform Guidance and will not include audit coverage of any federal financial assistance in accordance with requirements of that federal regulation, because the Entity expended a total amount of federal awards of less than \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

**Certified Public Accountant**

**Nexus CPA Group, PLLC**

Firm Name

By: \_\_\_\_\_

Authorized Representative

**Printed Name:**

**Jonathan Mahrt**

Date: \_\_\_\_\_

**Governmental Entity**

**Bigfork School District**

Entity Name

By: \_\_\_\_\_

Authorized Representative

**Printed Name:**

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_

Approved

Date: \_\_\_\_\_

APPENDIX B

Subsequent Audit under this Contract

**GOVERNMENTAL ENTITY (ENTITY):** Bigfork School District

(406)837-7402 Telephone: Address: P.O. Box 188  
(Street Address or P.O. Box)

Bigfork, MT 59911  
(City) (Zip Code)

Lacey Porrovecchio, District Clerk lporrovecchio@bigfork.k12.mt.us  
 Contact Person(s) and E-Mail Address(es)

**PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR) :** Nexus CPA Group, PLLC

(406)756-6879 Telephone: Address: P.O. Box 1957  
(Street Address or P.O. Box)

1740 US Hwy 93 S.  
 Kalispell MT, 59903  
(City) (State/Zip Code)

Jonathan Mahrt, CPA office@nexuscpa.net  
 Contact Person(s) and E-Mail Address(es)

1. Audit Periods and Dates of Engagement
  - A. This audit will cover the fiscal year(s) ending June 30, 2027 (and \_\_\_\_\_).
  - B. Date to commence audit work: September 1, 2027
  - C. Date to submit final audit report to Entity and State: June 30, 2028
2. Time and Price for Engagement:
  - A. Estimated Total Hours: 120
  - B. Price for audit personnel \$ N/A
  - Price for travel \$ N/A
  - Price for report preparation \$ N/A
  - Total price for the engagement \$ 19,500
3. The reporting entity contains the following discretely presented component units:  
N/A
4. Date Annual Financial Report or a trial balance will be available (if Contractor is assisting Entity prepare, please note that here: December 31, 2027)
5. Number of copies of audit report Contractor will provide to Entity:  
Three (3)
6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
Internet Services and photocopier

7. The audit scope with regard to federal assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of Uniform Guidance because the Entity expended a total amount of federal awards equal to or in excess of \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

-OR-

The audit will not be a single audit conducted in accordance with the provisions of Uniform Guidance and will not include audit coverage of any federal financial assistance in accordance with requirements of that federal regulation, because the Entity expended a total amount of federal awards of less than \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

**Certified Public Accountant**

**Nexus CPA Group, PLLC**

Firm Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

**Jonathan Mahrt**

Date: \_\_\_\_\_

**Governmental Entity**

**Bigfork School District**

Entity Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved

Date: \_\_\_\_\_

APPENDIX C

Subsequent Audit under this Contract

**GOVERNMENTAL ENTITY (ENTITY):** Bigfork School District

Telephone: (406)837-7402 Address: P.O. Box 188  
(Street Address or P.O. Box)

Bigfork, MT 59911  
(City) (Zip Code)

Lacey Porrovecchio, District Clerk lporrovecchio@bigfork.k12.mt.us  
 Contact Person(s) and E-Mail Address(es)

**PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR) :** Nexus CPA Group, PLLC

Telephone: (406)756-6879 Address: P.O. Box 1957  
(Street Address or P.O. Box)

1740 US Hwy 93 S.  
 Kalispell MT, 59903  
(City) (State/Zip Code)

Jonathan Mahrt, CPA office@nexuscpa.net  
 Contact Person(s) and E-Mail Address(es)

1. Audit Periods and Dates of Engagement
  - A. This audit will cover the fiscal year(s) ending June 30, 2028 (and \_\_\_\_\_).
  - B. Date to commence audit work: September 1, 2028
  - C. Date to submit final audit report to Entity and State: June 30, 2029
2. Time and Price for Engagement:
  - A. Estimated Total Hours: 120
  - B. Price for audit personnel \$ N/A
  - Price for travel \$ N/A
  - Price for report preparation \$ N/A
  - Total price for the engagement \$ 20,500
3. The reporting entity contains the following discretely presented component units:  
N/A
4. Date Annual Financial Report or a trial balance will be available (if Contractor is assisting Entity prepare, please note that here: December 31, 2028
5. Number of copies of audit report Contractor will provide to Entity:  
Three (3)
6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
Internet Services and photocopier

7. The audit scope with regard to federal assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of Uniform Guidance because the Entity expended a total amount of federal awards equal to or in excess of \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ ) that is effective for the fiscal year(s) being audited.

-OR-

The audit will not be a single audit conducted in accordance with the provisions of Uniform Guidance and will not include audit coverage of any federal financial assistance in accordance with requirements of that federal regulation, because the Entity expended a total amount of federal awards of less than \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ ) that is effective for the fiscal year(s) being audited.

**Certified Public Accountant**

**Nexus CPA Group, PLLC**

Firm Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

**Jonathan Mahrt**

Date: \_\_\_\_\_

**Governmental Entity**

**Bigfork School District**

Entity Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved

Date: \_\_\_\_\_

APPENDIX D

Subsequent Audit under this Contract

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**GOVERNMENTAL ENTITY (ENTITY):** Bigfork School District

(406)837-7402 Telephone: Address: P.O. Box 188  
(Street Address or P.O. Box)

Bigfork, MT 59911  
(City) (Zip Code)

Lacey Porrovecchio, District Clerk lporrovecchio@bigfork.k12.mt.us  
Contact Person(s) and E-Mail Address(es)

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**PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR) :** Nexus CPA Group, PLLC

(406)756-6879 Telephone: Address: P.O. Box 1957  
(Street Address or P.O. Box)

1740 US Hwy 93 S.  
Kalispell, MT, 59903  
(City) (State/Zip Code)

Jonathan Mahrt, CPA office@nexuscpa.net  
Contact Person(s) and E-Mail Address(es)

---

1. Audit Periods and Dates of Engagement
    - A. This audit will cover the fiscal year(s) ending N/A, (and \_\_\_\_\_).
    - B. Date to commence audit work: N/A
    - C. Date to submit final audit report to Entity and State: N/A
  
  2. Time and Price for Engagement:
    - A. Estimated Total Hours: N/A
    - B. Price for audit personnel \$ N/A \_\_\_\_\_  
Price for travel \$ N/A \_\_\_\_\_  
Price for report preparation \$ N/A \_\_\_\_\_  
Total price for the engagement \$ N/A \_\_\_\_\_
  
  3. The reporting entity contains the following discretely presented component units:  
N/A
  
  4. Date Annual Financial Report or a trial balance will be available (if Contractor is assisting Entity prepare, please note that here: N/A)
  
  5. Number of copies of audit report Contractor will provide to Entity:  
N/A
  
  6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
N/A
-

7. The audit scope with regard to federal assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of Uniform Guidance because the Entity expended a total amount of federal awards equal to or in excess of \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

-OR-

The audit will not be a single audit conducted in accordance with the provisions of Uniform Guidance and will not include audit coverage of any federal financial assistance in accordance with requirements of that federal regulation, because the Entity expended a total amount of federal awards of less than \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

**Certified Public Accountant**

**Nexus CPA Group, PLLC**

Firm Name

By: \_\_\_\_\_

Authorized Representative

**Printed Name:**

**Jonathan Mahrt**

Date: \_\_\_\_\_

**Governmental Entity**

**Bigfork School District**

Entity Name

By: \_\_\_\_\_

Authorized Representative

**Printed Name:**

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_

Approved

Date: \_\_\_\_\_

APPENDIX E

Subsequent Audit under this Contract

**GOVERNMENTAL ENTITY (ENTITY):** Bigfork School District

(406)837-7402 Telephone: Address: P.O. Box 188  
(Street Address or P.O. Box)  
Bigfork, MT 59911  
(City) (Zip Code)

Lacey Porrovecchio, District Clerk lporrovecchio@bigfork.k12.mt.us  
Contact Person(s) and E-Mail Address(es)

**PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR) :** Nexus CPA Group, PLLC

(406)756-6879 Telephone: Address: P.O. Box 1957  
(Street Address or P.O. Box)  
1740 US Hwy 93 S.  
Kalispell, MT, 59903  
(City) (State/Zip Code)

Jonathan Mahrt, CPA office@nexuscpa.net  
Contact Person(s) and E-Mail Address(es)

1. Audit Periods and Dates of Engagement
  - A. This audit will cover the fiscal year(s) ending N/A, (and                     ).
  - B. Date to commence audit work: N/A
  - C. Date to submit final audit report to Entity and State: N/A
2. Time and Price for Engagement:
  - A. Estimated Total Hours: N/A
  - B. Price for audit personnel \$ N/A  
Price for travel \$ N/A  
Price for report preparation \$ N/A  
Total price for the engagement \$ N/A
3. The reporting entity contains the following discretely presented component units:  
N/A
4. Date Annual Financial Report or a trial balance will be available (if Contractor is assisting Entity prepare, please note that here: N/A)
5. Number of copies of audit report Contractor will provide to Entity:  
N/A
6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
N/A

7. The audit scope with regard to federal assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of Uniform Guidance because the Entity expended a total amount of federal awards equal to or in excess of \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

-OR-

The audit will not be a single audit conducted in accordance with the provisions of Uniform Guidance and will not include audit coverage of any federal financial assistance in accordance with requirements of that federal regulation, because the Entity expended a total amount of federal awards of less than \$1,000,000 during the fiscal year(s), or such other dollar amount (\$ \_\_\_\_\_) that is effective for the fiscal year(s) being audited.

**Certified Public Accountant**

**Nexus CPA Group, PLLC**

Firm Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

**Jonathan Mahrt**

Date: \_\_\_\_\_

**Governmental Entity**

**Bigfork School District**

Entity Name

By: \_\_\_\_\_  
Authorized Representative

**Printed Name:**

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved

Date: \_\_\_\_\_

Nexus CPA Group  
406.756.6879  
office@nexuscpa.net



1740 U.S. Hwy 93 South  
P.O. Box 1957  
Kalispell, MT 59903

March 5, 2026

Bigfork School District  
Attn: Lacey Porrovecchio, District Clerk  
P.O. Box 188  
Bigfork, MT 59911

### **Non-Audit Advisory Services**

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Bigfork School District for the year ending June 30, 2026, June 30, 2027, and June 30, 2028.

Nexus CPA Group, PLLC is not an employee or part of the management of the District. Therefore, Nexus CPA Group, PLLC will only assist the District's management. This is further evidenced by the District designating Lacey Porrovecchio as the District employee with the skills, knowledge and experience (SKE) to oversee these procedures. The District will establish and monitor the performance of the below described services to ensure that they meet the government's objectives. As such, management of the government accepts full responsibility for any decisions made.

### **Responsibilities**

Following a review of your request for Non-Audit Advisory Services identified below, and our review of Lacey Porrovecchio SKE, we will mutually decide on services and personnel we can provide. We can then mutually establish the time and place for the services to be performed. While performing those services we may assist, advise, and train you and your staff about accounting principles and their application and may assist in the preparation of your financial statements, but the responsibility of the financial statements including all proposed adjustments remains with you. This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for reviewing the entries and adjusting the financial statements to correct any misstatements. Because the services attached do not constitute an examination, we will not express an opinion. In addition, we have no obligation to perform any procedures beyond those listed in this letter. Nexus CPA Group, PLLC refuses to take any action that could be construed as making management decisions or performing management functions. These are the responsibilities of the District's management. The purpose of this engagement is NOT to discover fraud or theft. However, if in the normal course of our work we identify fraud or theft we will notify the District immediately.

**Fees**

Our fees for these services are described in the schedule below. The following list may include services that either will not be applicable to your entity or you may choose to perform them yourself. The fees are only for the Non-Audit Advisory Services and do not include travel expenses related with these services. Our invoices for these fees will be rendered when the work is complete or monthly if the work spans several months. In accordance with the AICPA rules on independence, the fees for all Non-Audit Advisory Services must be paid before we can begin work on the audit. If we elect to terminate our services for any reason, our engagement will be deemed to have been completed even if we have not completed the work. You will be obligated to compensate us for all time expended at our standard hourly rates and to reimburse us for all travel costs through the date of termination. If in the course of this engagement or the result of this engagement we are compelled by a court to provide testimony, time or additional services it is understood the District will compensate us at our standard hourly rate plus related travel expenses for all time required.

**Services (may not need all services)**

From the information provided by the District, we will assist the District in performing the services described below. **It is understood that the District may not need all the services listed below.**

<u>Service</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Footnotes	NC	NC	NC
Data Collection Form	\$ 1,250	\$ 1,250	\$ 1,250
Preparation of SEFA	\$ 4,500	\$ 4,700	\$ 5,000
Preparation of GASB 34 Financials	\$ 5,000	\$ 5,300	\$ 5,500
Notes/Adjustments for Pensions GASB 68	\$ 1,250	\$ 1,250	\$ 1,250
Consulting per hour	\$ 350/ hour	\$ 350/hour	\$ 350/hour

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign where indicated below and return this letter to us.

Jonathan Mahrt, CPA is the managing member that has been assigned to your engagement. If you have any questions, please feel free to contact him directly.

Should you have any questions, please feel free to contact us.

\_\_\_\_\_  
Nexus CPA Group, PLLC

\_\_\_\_\_  
Date

\_\_\_\_\_  
Bigfork School District

\_\_\_\_\_  
Date