

AUDIT FIRM INFORMATION SHEET
AUDIT SERVICE CONTRACTS FOR THE
CITY OF CONRAD, MONTANA

Description:	Audit services for the City of Conrad for the fiscal year ending June 30, 2026.
Legal Identity (Corporation, Partnership, Individual, etc.):	Strom & Associates, P.C.
Address:	2728 Colonial Drive Suite 203-E Helena, MT 59601-4922
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Contact Person	Paul Strom, CPA Cell – 406-670-8481 Office – 406-252-2765 E-mail – audit@stromcpa.net
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Table of Contents

Table of Contents	1
Introduction Letter	2
Audit Scope and Objectives	3 – 4
Management Responsabilités	5 – 6
Non-Audit Services	7
Personnel	8 – 9
Audit Approach	10 – 11
Additional Data	12
Listing of Audit Clients	13
Audit Administration, Fees, and Other	14
Cost Information/ Acceptance Form	15
System Review Report (Peer Review Letter)	Attached
Montana Department of Administration's Standard Audit Contract	Attached



STROM & ASSOCIATES, P.C.

Certified Public Accountants

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July 27, 2026

Mayor and City Council
City of Conrad
413 S. Main Street
Conrad, Montana 59425

Mayor and City Council:

We are pleased to offer this proposal for audit and non-audit services for City of Conrad (City) for the fiscal year ending June 30, 2026. The firm of Strom and Associates P.C. is a local firm. Our practice is limited to governmental auditing, accounting, and technical assistance. Our services are oriented toward School Districts, Cities, Counties, Cities, and Not-for-Profit Entities. The firm has been on the Department of Administration's Audit Roster since 1995 in excellent standing. The firm provides auditing, accounting, and consulting services to our governmental and not-for-profit clientele. Our firm currently employs eleven professional staff, four holding CPA licenses in Montana. We also employ additional staff members for assistance.

We have extensive knowledge of U.S. *Generally Accepted Auditing Standards (GAAS)*; the standards for financial audits contained in *Government Auditing Standards*; the Single Audit Act Amendments of 1996; the provisions of Office of Management and Budget's (OMB) *Audit Requirements for Federal Awards*, U.S. *Generally Accepted Accounting Principles (GAAP)* as prescribed by the Governmental Accounting Standards Board; and Montana County, City/City and School District budgets.

We appreciate the opportunity to be of service to the City and believe the attachments summarize the significant terms of our proposal. If you have any questions, please let us know. If you agree with the terms of our proposal, please sign the enclosed acceptance form and return it to us. We have also attached the Montana Department of Administration's Standard Audit contract.

We hope you find our proposal satisfactory. If you have any questions, please call Tom Hayes (Shareholder) at (406) 502-2020 or mobile (406) 475-0490 or Paul Strom (Shareholder) at (406) 252-2765 or mobile (406) 670-8481. This offer is valid for forty-five (45) days from the date of this offer letter.

Sincerely,

Tom Hayes

Strom & Associates P.C. representative

Audit Scope and Objective

Audit Services

Our audit will be conducted with the objective of expressing opinions on the City's financial statements. The audit does not include an audit of any component units of the City.

We will audit the City's basic financial statements, which consist of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the City, as of and for the years ending June 30, 2026. We anticipate these audits to be conducted between February and May of each subsequent year, with the final audit report being issued on or before June 30 of each subsequent year (e.g., June 30, 2026 to be issued by no later than June 30, 2027).

Accounting standards generally accepted in the United States of America (US GAAP) provide for certain required supplementary information (RSI), such as Management's Discussion and Analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 the City's RSI in accordance with *auditing standards generally accepted in the United States of America (US GAAS)*. 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 *US GAAP* and will be subjected to certain limited procedures, but will not be audited:

- MD&A
- Budgetary Comparison Schedules - General Fund and Major Special Revenue Funds
- Schedule of Funding for Other Postemployment Benefits other than Pensions
- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Contributions to Montana Retirement System

We have also been engaged to report on supplementary information other than RSI that accompanies the City's basic 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 *US GAAS*, and 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 Expenditures of Federal Awards (SEFA)

The objectives 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 GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 GAAS

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 the judgment of a reasonable user made based on the financial statements.. The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
 - If during our audit we become aware that City 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 *US GAAS* and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, 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.

Reporting

We will issue written reports upon completion of our Audit. Our reports will be addressed to the governing body of City. 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 our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) 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 entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Management Responsibilities

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) 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, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) 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, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) 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 the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management 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. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported

audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of the audit report.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (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 schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (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 us 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 Scope and 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.

Non-Audit Services

Objective and scope of the Non-Audit Services

Current standards indicate the auditor is to separate audit services from non-audit services and ensure their independence has not been compromised with the audit services provided.

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of City of Conrad in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

The 2011 and 2018 *Yellow Books* differentiate between non-audit services and routine audit services. Non-audit services are defined as professional services other than audits and routine activities performed by the auditor which are typically insignificant in terms of time incurred or resources expended in producing the audit report. The above listed services are considered non-audit services.

Responsibilities of Management

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, and any other non-audit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Procedures - General

Notes to the Financial Statements –Reporting Assistance

We will obtain a copy of the prior year's audit report, the local government services annual financial report form which includes applicable notes and applicable GASB disclosure examples. We will request additional information from you based on obtaining information during the audit to update or expand the disclosures for the financial statements. Once complete we will provide a checklist of items that should be included in the report and have you complete the form as part of the process of taking responsibility for the information presented in the notes to the financial statements.

PERSONNEL

AUDITOR-IN-CHARGE

Tom Hayes, CPA, JohnPaul Poelman, CPA, and/ or Paul Strom, CPA may be assigned to the audit and non-audit services as needed to complete the work in a cost efficient and timely manner. Tom and JohnPaul are located in our Helena office and may be reached at 406-475-0490. Paul is located in our Billings office and may be reached at 406-252-2765.

PAUL STROM, CPA

Paul is a 1988 graduate of University of Montana, Missoula, Montana and holds Montana CPA #2932. Paul has over two years auditing with Touche, Ross, and Company, CPA's in Saipan and the Mariana Island area, and has two years as a school business manager. He is extremely knowledgeable about government entities, governmental accounting and accounting software systems. Paul Strom and Associates has been providing audit services to governmental and not-for-profit entities in Montana and Wyoming since 1990. Paul's biggest asset is his desire to provide quality governmental auditing to our clients.

TOM HAYES, CPA, CGMA

Tom is a 1988 graduate of the Montana College of Mineral Science and Technology, Butte, Montana and holds Montana CPA license #4552. Tom has been auditing and providing accounting assistance to local governments since 1990. Tom was employed by the State of Montana for 18 years; four as a municipal auditor with the Local Government Services Bureau with the Department of Commerce, six months as a fiscal officer with the Office of Public Instruction, and nearly 14 years as an audit quality control reviewer with the Department of Commerce/Administration. Since August 2008, Tom has been auditing local governments in the State of Montana as an Audit Manager for a private firm. In August 2013, Tom joined Strom & Associates P.C. and is a shareholder.

JOHNPAUL POELMAN, CPA, MPAC

JohnPaul is a 2007 graduate of Montana State University, Bozeman, Montana and holds Montana CPA license #5935. JohnPaul graduated with a Master's degree in professional accountancy and obtained his CPA license while auditing and providing financial assistance to non-profit and governmental entities in Alaska. JohnPaul then came back to his home state of Montana and has provided auditing and financial assistance services to local governments in the State of Montana since 2010. JohnPaul has been with Strom & Associates P.C. since September of 2014 and is a shareholder.

JOHANN JUDKINS, CPA

Johann is a 1988 graduate of the University of Wisconsin-Madison in Madison, Wisconsin and holds Colorado CPA license #12193. Johann has more than 35 years of experience in auditing and accounting and has worked with several accounting firms, including Strom & Associates P.C., Deloitte, and Coopers & Lybrand. Johann has worked with Strom & Associates since 2017 and in 2024 became a shareholder.

CAROLYN SCHAAK

Carolyn Schaak is a 1985 graduate of Montana State University - Billings. Her experience in the hotel and convention business brings much insight into cash receipts and enterprise revenues. Carolyn has been with our firm since 2007. Since joining our firm, Carolyn has developed experience in governmental and not-for-profit accounting and auditing and is auditor-in-charge for our firm's audit clients.

LEE MARTIN

Lee is a 2013 graduate of Carroll College and a 2015 graduate of the University of Montana School of Business. Lee joined **Strom & Associates P.C.** in June 2019 after three years of experience with Wipfli LLP in Helena.

JOSEPH HURLBERT

Joseph is a 2024 graduate of Franciscan University Steubenville with a degree in economics. Joseph joined Strom & Associates in June of 2024 in Helena Montana.

AUDIT APPROACH

Audit Procedures – General

We will evaluate the appropriateness of the 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 GAAS 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 or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come 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. We will include such matters in the reports required for a Single Audit. 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, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

During our planning part of the audit, if we identify significant risk(s) of material misstatement we will bring those to your attention at the entrance conference.

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 Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, 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. 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. 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*.

As required by the Uniform Guidance, we will perform tests of controls over compliance 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 major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

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*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Conrad's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures 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*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of City of Conrad's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on City of Conrad's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

ADDITIONAL DATA

CONTINUING EDUCATION

All professional staff comply with the Yellow Book which states that each auditor who performs work in accordance with *Government Auditing Standards*, including planning, directing, performing audit procedures, or reporting on a Yellow Book audit, should complete every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. In addition, auditors who do any amount of planning, directing, or reporting on *Yellow Book* audits and auditors who are not involved in those activities but charge at least 20% of their time annually to *Yellow Book* audits should also obtain at least another 56 hours (for a total of 80 hours) of CPE that enhance their professional proficiency to perform audits. In other words, everyone working on our *Yellow Book* engagement has met at least the 24-hour requirement.

PEER REVIEW

In February of 2024, Strom & Associates P.C. received a rating of *pass* in its peer review of its system of quality control. Firm's may receive a rating of *pass*, *pass with deficiencies*, or *fail*. We have attached our peer review report for your review.

FIRMS LISTING OF AUDIT CLIENTS

Counties				
Golden Valley	Jefferson	Mineral	Sweet Grass	
Cities and Citys				
Belt	Choteau	Fairview	Joliet	Thompson Falls
Boulder	Circle	Fort Benton	Ronan	Valier
Bridger	Conrad	Hamilton		White Sulphur Springs
Cascade	Cut Bank	Harlem	Roundup	
Chester	East Helena	Harlowton	Scobey	
Chinook	Fairfield	Hysham	Sunburst	
			Superior	
School Districts				
Arrowhead	Columbus	Geyser	Montana City Elementary	Sheridan
Ashland	Conrad	Glasgow	Nashua	Sidney
Augusta	Custer	Grass Range	Noxon	Stanford
Belt School	Cut Bank	Greenfield	Park City	Sunburst
Big Sandy	Denton	Harlowton	Plentywood	Terry
Blue Creek	Dillon	Harrison	Power	Twin Bridges
Boulder Elementary	Dutton Brady	Hays-Lodge Pole	Rapelje	Valier
Box Elder	East Glacier Park	Hobson	Rau	White Sulphur Springs
Broadus	East Helena	Jefferson High	Reed Point	Winifred
Canyon Creek SD	Fairfield	LewisCity	Roberts	Winnett
Chester-Joplin-Inverness	Fairview	Lincoln	Roy	
Choteau	Fort Benton	Lolo	Savage	
Clancy	Froid	Manhattan	Scobey	
Colstrip	Geraldine	Monforton	Shelby	
Special Purpose Governments				
Big Sky Special Needs Special Education Cooperative	Buffalo Rapids Irrigation District #1			
Cabinet Mountain Special Education Cooperative	Buffalo Rapids Irrigation District #2			
Central Montana Learning Resource Center	Huntley Project Irrigation District			
Eastern Yellowstone Special Education Cooperative				
Gallatin Madison Cooperative	Blaine County Airport Commission			
Northcentral Resource Learning Center				
Prickly Pear Special Education Cooperative	St. Regis Resort Area District			
Stillwater/Sweet Grass Special Education Cooperative	Park City Water & Sewer			

AUDIT ADMINISTRATION, FEES, AND OTHER

We understand that your employees will assist with all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We also understand you have prepared your annual financial report as required by the Montana Single Audit Act. We also understand you will send to us any documents requested prior to our on-site visit. These may include but is not limited to: Annual Financial Report Form; Budget Form; year-end bank statements; listing of outstanding warrants; Minutes of the governing body; access to your accounting software; and any other document listed on our list of information needed on the audit preparation schedule.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If for whatever reason your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

We will provide copies of our reports to City of Conrad; 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 Strom & Associates P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available to the oversight grantor agency 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 Strom & Associates P.C. 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 oversight agency. If we are aware that a federal and/or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fees and estimated hours for these services are listed in the attached "Cost Information" document. Hours based on each individual section of the audit are determined once the audit risk assessment begins, which is after we have received audit documentation including the minutes to read.

The 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. Our standard fee for other services is included in the attached "Cost Information." Further, the fees do not include any non-audit services.

COST INFORMATION/ ACCEPTANCE FORM

Acceptance of Audit and Non-audit Services

Audit and non-audit services for City of Conrad for the fiscal years ending June 30, 2026

We have read the audit and non-audit proposal submitted to us by Strom & Associates P.C. dated July 27, 2026 and are awarding you the contract. We agree to the fees as noted below:

Estimated budgeted hours			
Type of Service	FY 2026	Staff Member	FY 2026
Audit Services	\$ 30,100	Admin support	20
Non-Audit Services		Review	70
Notes to the Financial Statements	1,000	Auditor in Charge	240
SEFA (Schedule of Expenditures of Federal Awards)	1,000		
Total*	\$ 32,100	Total	330

* Black Mountain Software Accounting Software Fees will be passed on to you.

In addition, the City understands the City is responsible for the preparation and fair presentation of the City's financial statements in accordance with accounting principles generally accepted in the United States of America which includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the City's financial statements and that they are free from material misstatement whether due to fraud or error.

Non-Audit Estimated Fees

- Our fees for non-audit services not specified in the proposal are **\$175** per hour.

The City understands that for any non-audit services the City agrees to designate a City employee to oversee the work and to evaluate the adequacy and results of the non-audit services. The designated person will provide our firm with a brief résumé of the employee's skills, knowledge, and experience. The City also agrees to take responsibility for the non-audit services, including the responsibility for decisions made. In addition, the City understands that, if an independence concern arises, we will discuss the matter with management to arrive at procedures to be performed to avoid the independence issue or the firm will have to excuse themselves from said service, as required by professional standards.

Authorized Representative

Title

Date

Please mail to:
STROM & ASSOCIATES P.C.
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103