

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
HEINFELD, MEECH & CO., P.C.**

THIS PROFESSIONAL SERVICES AGREEMENT (this "Agreement") is entered into as of April 7, 2016, between the Town of Fountain Hills, an Arizona municipal corporation (the "Town"), and Heinfeld, Meech & Co., P.C., an Arizona professional corporation (the "Consultant").

RECITALS

A. The Town issued a Request for Proposals, Financial Auditing Services (the "RFP"), a copy of which is on file in the Town Clerk's Office and incorporated herein by reference, seeking proposals from vendors for financial auditing services (the "Services").

B. The Consultant responded to the RFP by submitting a proposal (the "Proposal"), attached hereto as Exhibit A and incorporated herein by reference, and the Town desires to enter into an Agreement with the Consultant for the Services.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing introduction and recitals, which are incorporated herein by reference, the following mutual covenants and conditions, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Town and the Consultant hereby agree as follows:

1. Term of Agreement. This Agreement shall be effective as of the date first set forth above and shall remain in full force and effect until April 6, 2019 (the "Initial Term"), unless terminated as otherwise provided in this Agreement. After the expiration of the Initial Term, this Agreement may be renewed for up to two successive one-year terms (each, a "Renewal Term") if (i) it is deemed in the best interests of the Town, subject to availability and appropriation of funds for renewal in each subsequent year, (ii) at least 30 days prior to the end of the then-current term of this Agreement, the Consultant requests, in writing, to extend this Agreement for an additional one-year term and (iii) the Town approves the additional one-year term in writing (including any price adjustments approved as part of this Agreement), as evidenced by the Town Manager's signature thereon, which approval may be withheld by the Town for any reason. The Consultant's failure to seek a renewal of this Agreement shall cause this Agreement to terminate at the end of the then-current term of this Agreement; provided, however, that the Town may, at its discretion and with the agreement of the Consultant, elect to waive this requirement and renew this Agreement. The Initial Term and any Renewal Term(s) are collectively referred to herein as the "Term." Upon renewal, the terms and conditions of this Agreement shall remain in full force and effect.

2. Scope of Work. Consultant shall provide the Services as set forth in the Scope of Work, attached hereto as Exhibit B and incorporated herein by reference, in accordance with the Engagement Letter, attached hereto as Exhibit C and incorporated herein by reference.

3. Compensation. The Town shall pay Consultant the following amounts for the Services at the rates set forth in the Fee Proposal, attached hereto as Exhibit D and incorporated herein by reference:

- A. For year one of the Initial Term, an amount not to exceed \$34,500.00.
- B. For year two of the Initial Term, an amount not to exceed \$39,350.00.
- C. For year three of the Initial Term, an amount not to exceed \$36,875.00.
- D. For the First Renewal Term, an amount not to exceed \$38,200.00.
- E. For the Second Renewal Term, an amount not to exceed \$43,500.00

The maximum aggregate amount for the Term of this Agreement shall not exceed \$192,425.00.

4. Payments. The Town shall pay the Consultant monthly, based upon work performed and completed to date, and upon submission and approval of invoices. All invoices shall document and itemize all work completed to date. Each invoice statement shall include a record of time expended and work performed in sufficient detail to justify payment. The contract number must be referenced on all invoices.

5. Documents. All documents, including any intellectual property rights thereto, prepared and submitted to the Town pursuant to this Agreement shall be the property of the Town.

6. Consultant Personnel. Consultant shall provide adequate, experienced personnel, capable of and devoted to the successful performance of the Services under this Agreement. Consultant agrees to assign specific individuals to key positions. Consultant agrees that, upon commencement of the Services to be performed under this Agreement, key personnel shall not be removed or replaced without prior written notice to the Town. If key personnel are not available to perform the Services for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the Services than initially anticipated, Consultant shall immediately notify the Town of same and shall, subject to the concurrence of the Town, replace such personnel with personnel possessing substantially equal ability and qualifications.

7. Inspection; Acceptance. All work shall be subject to inspection and acceptance by the Town at reasonable times during Consultant's performance. The Consultant shall provide and maintain a self-inspection system that is acceptable to the Town.

8. Licenses; Materials. Consultant shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the Consultant. The Town has no obligation to provide Consultant, its employees or subcontractors

any business registrations or licenses required to perform the specific services set forth in this Agreement. The Town has no obligation to provide tools, equipment or material to Consultant.

9. Performance Warranty. Consultant warrants that the Services rendered will conform to the requirements of this Agreement and to the highest professional standards in the field.

10. Indemnification. To the fullest extent permitted by law, the Consultant shall indemnify, defend and hold harmless the Town and each council member, officer, employee or agent thereof (the Town and any such person being herein called an “Indemnified Party”), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys’ fees, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever (“Claims”), insofar as such Claims (or actions in respect thereof) relate to, arise out of, or are caused by or based upon the negligent acts, intentional misconduct, errors, mistakes or omissions, in connection with the work or services of the Consultant, its officers, employees, agents, or any tier of subcontractor in the performance of this Agreement. The amount and type of insurance coverage requirements set forth below will in no way be construed as limiting the scope of the indemnity in this Section.

11. Insurance.

11.1 General.

A. Insurer Qualifications. Without limiting any obligations or liabilities of Consultant, Consultant shall purchase and maintain, at its own expense, hereinafter stipulated minimum insurance with insurance companies authorized to do business in the State of Arizona pursuant to ARIZ. REV. STAT. § 20-206, as amended, with an AM Best, Inc. rating of A- or above with policies and forms satisfactory to the Town. Failure to maintain insurance as specified herein may result in termination of this Agreement at the Town’s option.

B. No Representation of Coverage Adequacy. By requiring insurance herein, the Town does not represent that coverage and limits will be adequate to protect Consultant. The Town reserves the right to review any and all of the insurance policies and/or endorsements cited in this Agreement but has no obligation to do so. Failure to demand such evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Consultant from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

C. Additional Insured. All insurance coverage, except Workers’ Compensation insurance and Professional Liability insurance, if applicable, shall name, to the fullest extent permitted by law for claims arising out of the performance of this Agreement, the Town, its agents, representatives, officers, directors, officials and employees as Additional Insured as specified under the respective coverage sections of this Agreement.

D. Coverage Term. All insurance required herein shall be maintained in full force and effect until all work or services required to be performed under the terms of this Agreement are satisfactorily performed, completed and formally accepted by the Town, unless specified otherwise in this Agreement.

E. Primary Insurance. Consultant's insurance shall be primary insurance with respect to performance of this Agreement and in the protection of the Town as an Additional Insured.

F. Claims Made. In the event any insurance policies required by this Agreement are written on a "claims made" basis, coverage shall extend, either by keeping coverage in force or purchasing an extended reporting option, for three years past completion and acceptance of the services. Such continuing coverage shall be evidenced by submission of annual Certificates of Insurance citing applicable coverage is in force and contains the provisions as required herein for the three-year period.

G. Waiver. All policies, except for Professional Liability, including Workers' Compensation insurance, shall contain a waiver of rights of recovery (subrogation) against the Town, its agents, representatives, officials, officers and employees for any claims arising out of the work or services of Consultant. Consultant shall arrange to have such subrogation waivers incorporated into each policy via formal written endorsement thereto.

H. Policy Deductibles and/or Self-Insured Retentions. The policies set forth in these requirements may provide coverage that contains deductibles or self-insured retention amounts. Such deductibles or self-insured retention shall not be applicable with respect to the policy limits provided to the Town. Consultant shall be solely responsible for any such deductible or self-insured retention amount.

I. Use of Subcontractors. If any work under this Agreement is subcontracted in any way, Consultant shall execute written agreements with its subcontractors containing the indemnification provisions set forth in this Section and insurance requirements set forth herein protecting the Town and Consultant. Consultant shall be responsible for executing any agreements with its subcontractors and obtaining certificates of insurance verifying the insurance requirements.

J. Evidence of Insurance. Prior to commencing any work or services under this Agreement, Consultant will provide the Town with suitable evidence of insurance in the form of certificates of insurance and a copy of the declaration page(s) of the insurance policies as required by this Agreement, issued by Consultant's insurance insurer(s) as evidence that policies are placed with acceptable insurers as specified herein and provide the required coverages, conditions and limits of coverage specified in this Agreement and that such coverage and provisions are in full force and effect. Confidential information such as the policy premium may be redacted from the declaration page(s) of each insurance policy, provided that such redactions do not alter any of the information required by this Agreement. The Town shall reasonably rely upon

the certificates of insurance and declaration page(s) of the insurance policies as evidence of coverage but such acceptance and reliance shall not waive or alter in any way the insurance requirements or obligations of this Agreement. If any of the policies required by this Agreement expire during the life of this Agreement, it shall be Consultant's responsibility to forward renewal certificates and declaration page(s) to the Town 30 days prior to the expiration date. All certificates of insurance and declarations required by this Agreement shall be identified by referencing the RFP number and title or this Agreement. A \$25.00 administrative fee shall be assessed for all certificates or declarations received without the appropriate RFP number and title or a reference to this Agreement, as applicable. Additionally, certificates of insurance and declaration page(s) of the insurance policies submitted without referencing the appropriate RFP number and title or a reference to this Agreement, as applicable, will be subject to rejection and may be returned or discarded. Certificates of insurance and declaration page(s) shall specifically include the following provisions:

(1) The Town, its agents, representatives, officers, directors, officials and employees are Additional Insureds as follows:

(a) Commercial General Liability – Under Insurance Services Office, Inc., (“ISO”) Form CG 20 10 03 97 or equivalent.

(b) Auto Liability – Under ISO Form CA 20 48 or equivalent.

(c) Excess Liability – Follow Form to underlying insurance.

(2) Consultant's insurance shall be primary insurance with respect to performance of this Agreement.

(3) All policies, except for Professional Liability, including Workers' Compensation, waive rights of recovery (subrogation) against Town, its agents, representatives, officers, officials and employees for any claims arising out of work or services performed by Consultant under this Agreement.

(4) ACORD certificate of insurance form 25 (2014/01) is preferred. If ACORD certificate of insurance form 25 (2001/08) is used, the phrases in the cancellation provision “endeavor to” and “but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives” shall be deleted. Certificate forms other than ACORD form shall have similar restrictive language deleted.

11.2 Required Insurance Coverage.

A. Commercial General Liability. Consultant shall maintain “occurrence” form Commercial General Liability insurance with an unimpaired limit of not less than \$1,000,000 for each occurrence, \$2,000,000 Products and Completed

Operations Annual Aggregate and a \$2,000,000 General Aggregate Limit. The policy shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury. Coverage under the policy will be at least as broad as ISO policy form CG 00 010 93 or equivalent thereof, including but not limited to, separation of insured's clause. To the fullest extent allowed by law, for claims arising out of the performance of this Agreement, the Town, its agents, representatives, officers, officials and employees shall be cited as an Additional Insured under ISO, Commercial General Liability Additional Insured Endorsement form CG 20 10 03 97, or equivalent, which shall read "Who is an Insured (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you." If any Excess insurance is utilized to fulfill the requirements of this subsection, such Excess insurance shall be "follow form" equal or broader in coverage scope than underlying insurance.

B. Vehicle Liability. Consultant shall maintain Business Automobile Liability insurance with a limit of \$1,000,000 each occurrence on Consultant's owned, hired and non-owned vehicles assigned to or used in the performance of the Consultant's work or services under this Agreement. Coverage will be at least as broad as ISO coverage code "1" "any auto" policy form CA 00 01 12 93 or equivalent thereof. To the fullest extent allowed by law, for claims arising out of the performance of this Agreement, the Town, its agents, representatives, officers, directors, officials and employees shall be cited as an Additional Insured under ISO Business Auto policy Designated Insured Endorsement form CA 20 48 or equivalent. If any Excess insurance is utilized to fulfill the requirements of this subsection, such Excess insurance shall be "follow form" equal or broader in coverage scope than underlying insurance.

C. Professional Liability. If this Agreement is the subject of any professional services or work, or if the Consultant engages in any professional services or work adjunct or residual to performing the work under this Agreement, the Consultant shall maintain Professional Liability insurance covering negligent errors and omissions arising out of the Services performed by the Consultant, or anyone employed by the Consultant, or anyone for whose negligent acts, mistakes, errors and omissions the Consultant is legally liable, with an unimpaired liability insurance limit of \$2,000,000 each claim and \$2,000,000 annual aggregate.

D. Workers' Compensation Insurance. Consultant shall maintain Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over Consultant's employees engaged in the performance of work or services under this Agreement and shall also maintain Employers Liability Insurance of not less than \$500,000 for each accident, \$500,000 disease for each employee and \$1,000,000 disease policy limit.

11.3 Cancellation and Expiration Notice. Insurance required herein shall not expire, be canceled, or be materially changed without 30 days' prior written notice to the Town.

12. Termination; Cancellation.

12.1 For Town's Convenience. This Agreement is for the convenience of the Town and, as such, may be terminated without cause after receipt by Consultant of written notice by the Town. Upon termination for convenience, Consultant shall be paid for all undisputed services performed to the termination date.

12.2 For Cause. If either party fails to perform any obligation pursuant to this Agreement and such party fails to cure its nonperformance within 30 days after notice of nonperformance is given by the non-defaulting party, such party will be in default. In the event of such default, the non-defaulting party may terminate this Agreement immediately for cause and will have all remedies that are available to it at law or in equity including, without limitation, the remedy of specific performance. If the nature of the defaulting party's nonperformance is such that it cannot reasonably be cured within 30 days, then the defaulting party will have such additional periods of time as may be reasonably necessary under the circumstances, provided the defaulting party immediately (A) provides written notice to the non-defaulting party and (B) commences to cure its nonperformance and thereafter diligently continues to completion the cure of its nonperformance. In no event shall any such cure period exceed 90 days. In the event of such termination for cause, payment shall be made by the Town to the Consultant for the undisputed portion of its fee due as of the termination date.

12.3 Due to Work Stoppage. This Agreement may be terminated by the Town upon 30 days' written notice to Consultant in the event that the Services are permanently abandoned. In the event of such termination due to work stoppage, payment shall be made by the Town to the Consultant for the undisputed portion of its fee due as of the termination date.

12.4 Conflict of Interest. This Agreement is subject to the provisions of ARIZ. REV. STAT. § 38-511. The Town may cancel this Agreement without penalty or further obligations by the Town or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Town or any of its departments or agencies is, at any time while this Agreement or any extension of this Agreement is in effect, an employee of any other party to this Agreement in any capacity or a consultant to any other party of this Agreement with respect to the subject matter of this Agreement.

12.5 Gratuities. The Town may, by written notice to the Consultant, cancel this Agreement if it is found by the Town that gratuities, in the form of economic opportunity, future employment, entertainment, gifts or otherwise, were offered or given by the Consultant or any agent or representative of the Consultant to any officer, agent or employee of the Town for the purpose of securing this Agreement. In the event this Agreement is canceled by the Town pursuant to this provision, the Town shall be entitled, in addition to any other rights and remedies, to recover and withhold from the Consultant an amount equal to 150% of the gratuity.

12.6 Agreement Subject to Appropriation. The Town is obligated only to pay its obligations set forth in this Agreement as may lawfully be made from funds appropriated and budgeted for that purpose during the Town's then current fiscal year. The Town's obligations under this Agreement are current expenses subject to the "budget law" and the unfettered

legislative discretion of the Town concerning budgeted purposes and appropriation of funds. Should the Town elect not to appropriate and budget funds to pay its Agreement obligations, this Agreement shall be deemed terminated at the end of the then-current fiscal year term for which such funds were appropriated and budgeted for such purpose and the Town shall be relieved of any subsequent obligation under this Agreement. The parties agree that the Town has no obligation or duty of good faith to budget or appropriate the payment of the Town's obligations set forth in this Agreement in any budget in any fiscal year other than the fiscal year in which this Agreement is executed and delivered. The Town shall be the sole judge and authority in determining the availability of funds for its obligations under this Agreement. The Town shall keep Consultant informed as to the availability of funds for this Agreement. The obligation of the Town to make any payment pursuant to this Agreement is not a general obligation or indebtedness of the Town. Consultant hereby waives any and all rights to bring any claim against the Town from or relating in any way to the Town's termination of this Agreement pursuant to this section.

13. Miscellaneous.

13.1 Independent Contractor. It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Consultant acknowledges and agrees that the Services provided under this Agreement are being provided as an independent contractor, not as an employee or agent of the Town. Consultant, its employees and subcontractors are not entitled to workers' compensation benefits from the Town. The Town does not have the authority to supervise or control the actual work of Consultant, its employees or subcontractors. The Consultant, and not the Town, shall determine the time of its performance of the services provided under this Agreement so long as Consultant meets the requirements of its agreed Scope of Work as set forth in Section 2 above. Consultant is neither prohibited from entering into other contracts nor prohibited from practicing its profession elsewhere. Town and Consultant do not intend to nor will they combine business operations under this Agreement.

13.2 Applicable Law; Venue. This Agreement shall be governed by the laws of the State of Arizona and suit pertaining to this Agreement may be brought only in courts in the Maricopa County, Arizona.

13.3 Laws and Regulations. Consultant shall keep fully informed and shall at all times during the performance of its duties under this Agreement ensure that it and any person for whom the Consultant is responsible abides by, and remains in compliance with, all rules, regulations, ordinances, statutes or laws affecting the Services, including, but not limited to, the following: (A) existing and future Town and County ordinances and regulations, (B) existing and future State and Federal laws and (C) existing and future Occupational Safety and Health Administration standards.

13.4 Amendments. This Agreement may be modified only by a written amendment signed by persons duly authorized to enter into contracts on behalf of the Town and the Consultant.

13.5 Provisions Required by Law. Each and every provision of law and any clause required by law to be in this Agreement will be read and enforced as though it were included herein and, if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, this Agreement will promptly be physically amended to make such insertion or correction.

13.6 Severability. The provisions of this Agreement are severable to the extent that any provision or application held to be invalid by a Court of competent jurisdiction shall not affect any other provision or application of this Agreement which may remain in effect without the invalid provision or application.

13.7 Relationship of the Parties. It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Consultant is advised that taxes or Social Security payments will not be withheld from any Town payments issued hereunder and Consultant agrees to be fully and solely responsible for the payment of such taxes or any other tax applicable to this Agreement.

13.8 Entire Agreement; Interpretation; Parol Evidence. This Agreement represents the entire agreement of the parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this Agreement are hereby revoked and superseded by this Agreement. No representations, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this Agreement. This Agreement shall be construed and interpreted according to its plain meaning, and no presumption shall be deemed to apply in favor of, or against the party drafting this Agreement. The parties acknowledge and agree that each has had the opportunity to seek and utilize legal counsel in the drafting of, review of, and entry into this Agreement.

13.9 Assignment; Delegation. No right or interest in this Agreement shall be assigned or delegated by Consultant without prior, written permission of the Town signed by the Town Manager and no delegation of any duty of Consultant shall be made without prior, written permission of the Town signed by the Town Manager. Any attempted assignment or delegation by Consultant in violation of this provision shall be a breach of this Agreement by Consultant.

13.10 Subcontracts. No subcontract shall be entered into by the Consultant with any other party to furnish any of the material or services specified herein without the prior written approval of the Town. The Consultant is responsible for performance under this Agreement whether or not subcontractors are used. Failure to pay subcontractors in a timely manner pursuant to any subcontract shall be a material breach of this Agreement by Consultant.

13.11 Rights and Remedies. No provision in this Agreement shall be construed, expressly or by implication, as waiver by the Town of any existing or future right and/or remedy available by law in the event of any claim of default or breach of this Agreement. The failure of the Town to insist upon the strict performance of any term or condition of this Agreement or to exercise or delay the exercise of any right or remedy provided in this Agreement, or by law, or

the Town's acceptance of and payment for services, shall not release the Consultant from any responsibilities or obligations imposed by this Agreement or by law, and shall not be deemed a waiver of any right of the Town to insist upon the strict performance of this Agreement.

13.12 Attorneys' Fees. In the event either party brings any action for any relief, declaratory or otherwise, arising out of this Agreement or on account of any breach or default hereof, the prevailing party shall be entitled to receive from the other party reasonable attorneys' fees and reasonable costs and expenses, determined by the court sitting without a jury, which shall be deemed to have accrued on the commencement of such action and shall be enforced whether or not such action is prosecuted through judgment.

13.13 Liens. All materials or services shall be free of all liens and, if the Town requests, a formal release of all liens shall be delivered to the Town.

13.14 Offset.

A. Offset for Damages. In addition to all other remedies at law or equity, the Town may offset from any money due to the Consultant any amounts Consultant owes to the Town for damages resulting from breach or deficiencies in performance or breach of any obligation under this Agreement.

B. Offset for Delinquent Fees or Taxes. The Town may offset from any money due to the Consultant any amounts Consultant owes to the Town for delinquent fees, transaction privilege taxes and property taxes, including any interest or penalties.

13.15 Notices and Requests. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (A) delivered to the party at the address set forth below, (B) deposited in the U.S. Mail, registered or certified, return receipt requested, to the address set forth below or (C) given to a recognized and reputable overnight delivery service, to the address set forth below:

If to the Town: Town of Fountain Hills
16705 East Avenue of the Fountains
Fountain Hills, Arizona 85268
Attn: Grady E. Miller, Town Manager

With copy to: GUST ROSENFELD P.L.C.
One East Washington Street, Suite 1600
Phoenix, Arizona 85004-2553
Attn: Andrew J. McGuire, Esq.

If to Consultant: Heinfeld, Meech & Co., P.C.
3033 North Central Avenue, Suite 300
Phoenix, Arizona 85012
Attn: Jennifer Shields

or at such other address, and to the attention of such other person or officer, as any party may designate in writing by notice duly given pursuant to this subsection. Notices shall be deemed received (A) when delivered to the party, (B) three business days after being placed in the U.S. Mail, properly addressed, with sufficient postage or (C) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day. If a copy of a notice is also given to a party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a party shall mean and refer to the date on which the party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

13.16 Confidentiality of Records. The Consultant shall establish and maintain procedures and controls that are acceptable to the Town for the purpose of ensuring that information contained in its records or obtained from the Town or from others in carrying out its obligations under this Agreement shall not be used or disclosed by it, its agents, officers, or employees, except as required to perform Consultant's duties under this Agreement. Persons requesting such information should be referred to the Town. Consultant also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of Consultant as needed for the performance of duties under this Agreement.

13.17 Records and Audit Rights. To ensure that the Consultant and its subcontractors are complying with the warranty under subsection 13.18 below, Consultant's and its subcontractors' books, records, correspondence, accounting procedures and practices, and any other supporting evidence relating to this Agreement, including the papers of any Consultant and its subcontractors' employees who perform any work or services pursuant to this Agreement (all of the foregoing hereinafter referred to as "Records"), shall be open to inspection and subject to audit and/or reproduction during normal working hours by the Town, to the extent necessary to adequately permit (A) evaluation and verification of any invoices, payments or claims based on Consultant's and its subcontractors' actual costs (including direct and indirect costs and overhead allocations) incurred, or units expended directly in the performance of work under this Agreement and (B) evaluation of the Consultant's and its subcontractors' compliance with the Arizona employer sanctions laws referenced in subsection 13.18 below. To the extent necessary for the Town to audit Records as set forth in this subsection, Consultant and its subcontractors hereby waive any rights to keep such Records confidential. For the purpose of evaluating or verifying such actual or claimed costs or units expended, the Town shall have access to said Records, even if located at its subcontractors' facilities, from the effective date of this Agreement for the duration of the work and until three years after the date of final payment by the Town to Consultant pursuant to this Agreement. Consultant and its subcontractors shall provide the Town with adequate and appropriate workspace so that the Town can conduct audits in compliance with the provisions of this subsection. The Town shall give Consultant or its subcontractors reasonable advance notice of intended audits. Consultant shall require its subcontractors to comply with the provisions of this subsection by insertion of the requirements hereof in any subcontract pursuant to this Agreement.

13.18 E-verify Requirements. To the extent applicable under ARIZ. REV. STAT. § 41-4401, the Consultant and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-

verify requirements under ARIZ. REV. STAT. § 23-214(A). Consultant's or its subcontractor's failure to comply with such warranty shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the Town.

13.19 Conflicting Terms. In the event of any inconsistency, conflict or ambiguity among the terms of this Agreement, the Scope of Work, the Fee Proposal, the RFP and the Consultant's Proposal, the documents shall govern in the order listed herein.

13.20 Non-Exclusive Contract. This Agreement is entered into with the understanding and agreement that it is for the sole convenience of the Town. The Town reserves the right to obtain like goods and services from another source when necessary.

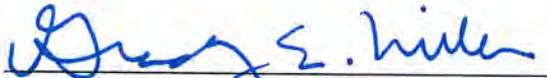
13.21 Cooperative Purchasing. Specific eligible political subdivisions and nonprofit educational or public health institutions ("Eligible Procurement Unit(s)") are permitted to utilize procurement agreements developed by the Town, at their discretion and with the agreement of the awarded Consultant. Consultant may, at its sole discretion, accept orders from Eligible Procurement Unit(s) for the purchase of the Materials and/or Services at the prices and under the terms and conditions of this Agreement, in such quantities and configurations as may be agreed upon between the parties. All cooperative procurements under this Agreement shall be transacted solely between the requesting Eligible Procurement Unit and Consultant. Payment for such purchases will be the sole responsibility of the Eligible Procurement Unit. The exercise of any rights, responsibilities or remedies by the Eligible Procurement Unit shall be the exclusive obligation of such unit. The Town assumes no responsibility for payment, performance or any liability or obligation associated with any cooperative procurement under this Agreement. The Town shall not be responsible for any disputes arising out of transactions made by others.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first set forth above.

"Town"

TOWN OF FOUNTAIN HILLS,
an Arizona municipal corporation


Grady E. Miller, Town Manager

ATTEST:


Bevelyn J. Bender, Town Clerk

(ACKNOWLEDGMENT)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On April 14th, 2016, before me personally appeared Grady E. Miller, the Town Manager of the TOWN OF FOUNTAIN HILLS, an Arizona municipal corporation, whose identity was proven to me on the basis of satisfactory evidence to be the person who he claims to be, and acknowledged that he signed the above document, on behalf of the Town of Fountain Hills.




Notary Public

(Affix notary seal here)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

EXHIBIT A
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
HEINFELD, MEECH & CO., P.C.

[Consultant's Proposal]

See following pages.

Town of Fountain Hills

Proposal for Financial Auditing Services Due: February 18, 2016



*Imagine what
we can do together*



HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

3033 N. Central Ave., Suite 300
Phoenix, AZ 85012
(602) 277-9449

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February 18, 2016

Town of Fountain Hills
16705 East Avenue of the Americas
Fountain Hills, Arizona 85268

Thank you for the opportunity to present our qualifications for financial auditing services to the Town of Fountain Hills (Town). As a firm specializing in the governmental and non-profit industries, this engagement will be similar to the 3,735 financial statement audits we have performed since 1986. Our firm is the governmental industry leader in Arizona, currently providing assurance services to 190 local governments in the State. The following attributes demonstrate the most important reasons that our firm should be selected as the Town's independent auditor.

- ✓ **National Experts Based in Arizona.** Heinfeld, Meech & Co., P.C. is a recognized national leader in the governmental accounting industry. We are an Arizona-based firm and we have extensive resources within the state to assist the Town with this engagement. Our Arizona partners and managers are actively involved in both local and national organizations, including the AICPA, ASCPA, Government Finance Officers Association, and Association of Government Accountants.
- ✓ **Dedicated to Being Your Year-Round Resource.** Our firm has been dedicated to assisting governmental agencies with improving operations for 30 years. This commitment has also led us to develop a series of trainings on important accounting and management topics for local governments. The engagement partner and team staff will also be available to provide assistance with questions throughout the year. When the Town requires more extensive assistance, our full-time consulting division provides a range of services specifically designed to address the needs of local governments.
- ✓ **Single Audit and CAFR Expertise.** Our firm is also registered with the AICPA Governmental Audit Quality Center (GAQC), which is committed to the highest standards of quality in GAS and OMB audits. We also provide the most Single Audits annually for Arizona entities than any other firm. In addition, we extensively participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and we have assisted with over 500 CAFR submissions within the past five years.

We accept the terms and conditions presented in the RFP and also have received the Questions, Answers and Comments from the Mandatory Pre-Bid Meeting. Should you require any additional information, please contact me at (520) 742-2611, ext 133 or diane@heinfeldmeech.com or Corey Arvizu, CPA, Managing Partner, at (520) 742-2611, ext 101 or carvizu@heinfeldmeech.com.

Sincerely,

Diane Bradley
Partner – Administration

2. Vendor Identification Information

Legal Name Heinfeld, Meech & Co., P.C.
Corporate Address 10120 N. Oracle Rd., Tucson, AZ 85704
EIN 86-0558065
Legal form of vendor S-corporation (in good standing in Arizona)

3. Location of Offices

Our corporate headquarters is located at 10120 N. Oracle Rd., Tucson, AZ 85704. This engagement for the Town of Fountain Hills will be supervised by our Phoenix office, located at 3033 N. Central Ave., Suite 300, Phoenix, AZ 85012. The range of services performed by all of our offices is provided below.

Assurance Services and Reporting:

- Financial Statement audits
- OMB Single Audits
- Agreed-upon procedures
- Compliance audits
- Preparation of Comprehensive Annual Financial Reports for submission to GFOA
- Assistance with financial statement preparation
- Popular Annual Financial Reports (PAFRs)

Tax return preparation for non-profits (Form 990, Form 990T, Form 990N)

Consulting Services:

- Recommendations for business operations
- Reviews of accounting policies and procedures
- On-site presentations and staff trainings
- Fraud investigations
- Cost allocation plans
- Procurement reviews
- Preparation of internal audit manuals
- Compensation studies

Heinfeld, Meech & Co., P.C. is a properly licensed Arizona Certified Public Accounting firm (license #463) and is a member firm of the American Institute of Certified Public Accountants.

4. General Description of Organization

Founded in 1986, Heinfeld, Meech & Co. is an Arizona-based firm and we have extensive resources within the state to assist the Town with this engagement. The firm's staff totals 48 with offices in Phoenix, Tucson, and Flagstaff, Arizona. Our entire audit and consulting teams specialize in serving Arizona local governments. The firm's staff currently includes the following categories:

Partners	11	Staff Associates	13
Managers	8	Audit Interns	3
Senior Associates	7	Administrative	6

5. Terminated Contracts

No contracts for work performed with the Town of Fountain Hills have been terminated; however contracts with other local governments have been terminated and/or not renewed with the firm. These instances have been limited throughout the history of the firm. The terminations occurred for various reasons common to a firm our size and the industry served. None of the team members assigned to this contract have been involved in any of the instances noted.

6. Litigation and Arbitrations

There have been no claims against our firm which resulted in litigation or arbitration within the past five years.

7. Vendor Information Form

The completed form has been included in Exhibit 1.

8. Affirmation of Mandatory Qualifications

- Heinfeld, Meech & Co., P.C. is a properly licensed Arizona certified public accounting firm and is a member firm of the American Institute of Certified Public Accountants. Nine firm partners and 17 other professional staff members are certified public accountants licensed in Arizona.
- Our firm meets the independence requirements of *Government Auditing Standards* and those of the AICPA Code of Conduct. We have established the proper procedures to query our employees and have determined that there are no independence issues that would prevent us from issuing an opinion of the Town's financial statements.
- We have no record of substandard work since the founding of our firm in 1986.
- As required by our profession and the State of Arizona, every three years we participate in a review of our system of quality controls. A report with a rating of pass was issued August 6, 2015, by the firm of Mann, Urrutia & Nelson, CPAs and Associates, LLP. A copy of the unqualified report of the most recent review is provided on page 8.
- Continuing education is a requirement of our staff to maintain their employment as professionals at Heinfeld, Meech & Co., P.C. In conformity with the Government Auditing Standards and the AICPA, our auditors receive at least 80 hours of continuing professional education every two years, including at least 20 hours each year and 24 hours every two years in subjects directly related to school and governmental auditing.
- There is no conflict of interest with regard to any other work performed by Heinfeld, Meech & Co. for the Town.

B. Experience and Qualifications of the Vendor

1. Detailed Description of Experience

Financial Audits of Arizona Cities and Towns

Heinfeld, Meech & Co., P.C. is the industry leader for governmental audit services in the State of Arizona, currently providing audit services to over 190 governmental entities, including 16 Arizona municipalities. Our firm is a member of the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center, which is committed to the highest standards of quality in governmental audits. The Center is a national community of CPA firms that demonstrate a commitment to governmental audit quality and raise awareness about the importance of governmental audits. The Center provides members with best practices, guidelines, and tools CPAs need to perform quality governmental audits and better serve their clients.



Town of Fountain Hills

Below is a listing of the current Arizona municipality audit clients of our firm; further details about these engagements will be provided upon request.

Name	Audit Years
City of Chandler	2003-2015
Town of Gilbert	2004-2015
City of Goodyear	2014-2015
City of Peoria	2003-2015
City of Scottsdale	2015
City of Tempe	2005-2015
City of Yuma	1995-2015
City of El Mirage	2007-2015

Name	Audit Years
Lake Havasu City	2010-2015
City of Maricopa	2006-2015
Town of Oro Valley	2007-2015
Town of Prescott Valley	2010-2015
City of Sierra Vista	1991-2015
City of Eloy	2013-2015
City of Cottonwood	2012-2015

Financial Audits of Governments

In addition to municipalities, our work with governmental entities includes audits for school districts, counties, community colleges, state entities, employee benefit trusts, and special districts. Within the past five years, our firm has performed 880 financial statement and compliance audits to these other types of governmental entities. In addition, two partners and one manager are Certified Government Finance Managers (CGFM) recognized by the Association of Government Accountants (AGA). Below is a selected listing of our current governmental audit clients. A complete list will be provided upon request.

Name	Audit Years
Kyrene Employee Benefit Trust	2012-2015
City of Phoenix Long-Term Disability	2008-2015
Arizona City Sanitary District	2012-2015
Regional Transportation Authority of Pima County	2007-2015
Yavapai Combined Trust	2008-2015
Valley Metro Rail	2011-2015
Pine Strawberry Water Improvement District	2010-2015
Northern Arizona Public Employee Benefit Trust	2007-2015

Name	Audit Years
Northwest Fire District	2008-2015
Multi-City Subregional Operating Group	2013-2015
West Las Vegas School District	2012-2015
Valley Metro Regional Public Transportation Authority	2011-2015
Yuma County IPTA	2013-2015
Pima County Stadium District	2007-2015
Public Safety Personnel Retirement System	2007-2015
Pima County Health Benefits Trust	2014-2015



Name	Audit Years
Northern Arizona Council of Governments	2013-2015
Arizona Automobile Theft Authority	2004-2015
Golder Ranch Fire District	2011-2015
City of Phoenix Health Care Benefits Trust	2006-2015
Mesa Unified SD	1992-2015
Kyrene Elementary SD	1986-2015
Paradise Valley Unified SD	2002-2015
Deer Valley Unified SD	2001-2015
Cave Creek Unified SD	1997-2015
Dysart Unified SD	2006-2015

Name	Audit Years
New Mexico Self-Insurers' Fund	2014-2015
Arizona Municipal Water Users Association	2013-2015
Picture Rocks Fire District	2013-2015
City of Chandler Health Care Benefits Trust Fund	2011-2015
Phoenix Union High SD	1997-2015
Higley Unified SD	2003-2015
Chandler Unified SD	2011-2015
Scottsdale Unified SD	2005-2015
Queen Creek Unified SD	2007-2015
Gilbert Unified SD	1986-2015

Audits of Computerized Systems

As a firm who specializes in auditing governmental entities, we are extremely familiar with the requirements on auditing the Town's computerized systems. The variety of automated fund accounting software programs, spreadsheets, report writers, and specialized programs seem unlimited. Our auditors and consultants are familiar with the most common systems used by our clients. Because of our experience, they are familiar with the capabilities and limitations of many programs utilized by Arizona municipalities, including MUNIS. Our current clients who utilize MUNIS include the City of El Mirage, City of Maricopa and Town of Oro Valley.

In addition, our firm maintains memberships in the Information Systems Audit and Control Association (ISACA). The ISACA is a global organization for information governance, control, security and audit professionals. ISACA Information Systems auditing and Information Systems control standards are followed by practitioners worldwide.



A review and evaluation of Town information technology systems will be performed during the audit due to the integral nature and relationship to the financial reporting of the Town. Both general information technology (IT) controls and application controls will be assessed during the planning of the audit. Systems tests for integrity, system security tests, use of computer assisted audit tools (CAATs), and/or the use of an IT specialist will be applied as deemed necessary to achieve the planned audit objectives.

Audits of Federal Programs

Heinfeld, Meech & Co. has significant experience auditing federal programs under the requirements of OMB Circular A-133; we complete over 20 percent of all Single Audits for Arizona entities (more than twice the number of any other firm).

As Single Audits are so significant for our audit practice, we invest heavily in Single Audit resources. We ensure that our staff has access to reference materials needed to properly perform a Single Audit, including:

- AICPA audit guides and practice aids
- OMB Circulars and reference materials
- The current OMB Compliance Supplement
- Single Audit practice aids by external providers
- Continuing professional education focused on Single Audit topics

We annually perform more Single Audits of Arizona entities than any other firm.

Partners Corey Arvizu and Jennifer Shields have served as members of AICPA Task Forces developing Single Audit quality methods and strategies.

We have extensive experience performing Federal compliance testing. Within the last three years, we have tested programs from the following Federal departments:

- Department of Health and Human Services
- Department of Homeland Security
- Department of Housing and Urban Development
- Department of Transportation
- Environmental Protection Agency
- Department of the Interior
- Department of Justice
- Department of Energy
- Department of Defense
- Department of Education
- Department of Agriculture

Industry Involvement

- We speak frequently at conferences and courses for local and national organizations, including the American Institute of Certified Public Accountants (AICPA), Arizona Society of Certified Public Accountants (ASCPA), Government Finance Officers Association of Arizona (GFOAz), Association of Government Accountants (AGA), Association of School Business Officials International (ASBOI), and a number of state accounting societies.
- Corey Arvizu served as the Chairperson of the Executive Committee of the AICPA's Governmental Audit Quality Center from 2008 to 2011.
- Corey Arvizu was a member of the AICPA's Professional Ethics Executive Committee.
- Jennifer Shields has served on the AICPA Task Force on the Single Audit Training Needs and CPE Evaluation.
- Corey Arvizu is a member of the AICPA Practice Monitoring Task Form for Single Audits.
- Jennifer Shields serves on the committee for the ASCPA's Annual Governmental Accounting Conference.

Our Arizona partners and managers are actively involved in national and state organizations assuring you that we will provide you with high-quality, *local* service and practical, timely solutions.

- Corey Arvizu is a member of the planning committee for the AICPA National Governmental & Not-for-Profit Training Program conference.
- Karin Smith and Diane Goke serve on the GFOA's review committee for Popular Annual Financial Reports (PAFRs).
- Brittney Williams serves on the Financial Management Standards Board for the AGA and is the Section II Southwest Regional Vice President for the AGA.
- Brittney Williams has reviewed submissions for the Certificate of Excellence in Citizen-Centric Reporting for the Association of Government Accountants.
- Brittney Williams is a member of the ASCPA Accounting and Reporting Standards Conference Committee and a member of the AGA Phoenix Chapter Education Committee.
- Corey Arvizu and Joshua Jumper are Special Review Committee Members for the GFOA's CAFR certificate program.

Presentations for Industry Organizations

- *Understanding Internal Controls – The New Green Book* (GFOAz Winter Conference, February 2016)
- *Capital Assets, What You Need to Know* (AASBO Winter Conference, January 2016)
- *Using Data Mining to Detect Fraud and Misuse of Public Monies* (ASCPA Accounting & Reporting Standards Conference, January 2016)
- *The Changing Environment of Financial Reporting* (Alaska GFOA 2015 Fall Conference, November 2015)
- *AICPA and SSARS Update* (AICPA National Governmental and Not-for-Profit Training Program, October 2015)
- *Testing of Internal Control and Compliance in a Single Audit* (AICPA National Governmental and Not-for-Profit Training Program, October 2015)
- *Getting the Word Out: How to Communicate Financial Information to Citizens* (GFOA Annual National Conference, June 2015)
- *OMB Supercircular: Implementing the Newest Federal Grant Rules* (GFOAz May 2015 Quarterly Training)
- *Preparing for the Audit – Auditor and Auditee Insights* (ASCPA Governmental Accounting Conference, February 2015)

2. External Quality Control Review

As required by our profession and the State of Arizona, every three years we participate in a review of our system of quality controls. A report with a rating of pass was issued August 6, 2015, by the firm of Mann, Urrutia & Nelson, CPAs and Associates, LLP. A copy of this report is enclosed on the following page. The quality control review included all governmental audits performed by Heinfeld, Meech & Co., P.C., with an in-depth review of the working papers and reports, including audits of Arizona municipalities.

As our firm received a rating of pass, no deficiencies were noted for the review of the year ended May 31, 2015. In addition, no letter of comments has ever been issued for each of the previous quality control reviews since the founding of our firm.



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

SYSTEM REVIEW REPORT

To the Partners of Heinfeld, Meech & Co., P.C.
and the Peer Review Committee of the
CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C (the firm) in effect for the year ended May 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C in effect for the year ended May 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Heinfeld, Meech & Co., P.C has received a peer review rating of *pass*.

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs".

Sacramento, California

August 6, 2015

3. References

City of Chandler

Contact: Penny Malia, Accounting Manager – (480) 782-2332; penny.malia@chandleraz.gov
MS 702/P. O. Box 4008, Chandler, AZ 85244-4008

Scope of work: Financial statement audit of the City, Single Audit, review of CAFR for GFOA submission, expenditure limitation report audit, LTAF and LTAF II audit reports, HURF audit report, ADEQ landfill assurance, financial statement audit of Self-Insurance Fund, financial statement audits of Workers' Compensation & Employer Liability Trust, Chandler Firefighters Employee Benefit Trust, and Chandler Cultural Foundation

Contract Initiation: May 24, 2013

Contract Expiration: Option to renew available annually through May 24, 2018

Dollar Value of Contract: \$107,122 (2015 fee)

City of Tempe

Contact: Karen Huffman, CPA, Controller – (480) 350-8256; karen_huffman@tempe.gov
P. O. Box 5002, Tempe, AZ 85280

Scope of work: Financial statement audit, Single Audit, review of CAFR for GFOA submission, HURF audit report, LTAF audit reports, expenditure limitation report audit

Contract Initiation: June 17, 2013

Contract Expiration: Option to renew available annually through June 16, 2018

Dollar Value of Contract: \$72,847 (2015 fee)

City of Goodyear

Contact: Larry Lange, Finance Director - (623) 882-7898; llange@goodyearaz.gov
190 N. Litchfield Rd., Goodyear, AZ 85338-0601

Scope of work: Financial statement audit, review of CAFR for GFOA submission, HURF audit report, annual financial reports for nine community facilities districts, annual expenditure limitation report audit

Contract Initiation: April 21, 2014

Contract Expiration: Option to renew available annually through April 20, 2019

Dollar Value of Contract: \$69,740 (2015 fee)

City of Yuma

Contact: Wendy Wrenn, Accounting Manager – (928) 373-5087; wendy.wrenn@yumaaz.gov
P. O. Box 13012, Yuma, AZ 85366-3012

Scope of work: Financial statement audit, Single Audit, review of CAFR for GFOA submission, HURF audit report, and expenditure limitation report audit

Contract Initiation: April 22, 2013

Contract Expiration: Option to renew available annually through April 22, 2015

Dollar Value of Contract: \$47,740 (2015 fee)

Town of Prescott Valley

Contact: William Kauppi, Management Services Director – (928) 759-3003; bkauppi@pvaz.net
7501 E. Civic Circle, Prescott Valley, AZ 86314

Scope of work: Financial statement audit, Single Audit, review of CAFR for GFOA submission, expenditure limitation report audit, and audits of community facilities districts

Contract Initiation: April 29, 2015

Contract Expiration: April 29, 2018

Dollar Value of Contract: \$36,000 (2015 fee)

C. Key Positions

1. Key Personnel Members

The supervisory staff for the audit of the Town of Fountain Hills is currently planned as listed below. With the largest governmental auditing team in Arizona, we are committed to providing our clients with knowledgeable, dedicated professionals. Due to the size of our firm and the breadth of our experience in your industry, any losses in personnel assigned to the Town can be reassigned effectively to other auditors with similar qualifications.

Engagement Partner – Jennifer L. Shields, CPA, CGFM

Quality Control Partner – Corey Arvizu, CPA

Audit Supervisor – Joshua Jumper, CPA

2. Roles and Responsibilities of Key Positions

Direction and supervision exercised over the audit team to ensure compliance with professional standards, as well as a high level of client service, is provided as follows.

Engagement partner responsibilities include:

- Assistance with scheduling and team assignments
- Review of planning documentation and initial audit plan
- On-site assistance as required for critical portions of the audit
- Technical review of financial statements and working papers
- Responsibility to address any concerns from Town management regarding audit matters
- Authorization of issuance of audit reports to the Town and other parties

The quality control partner provides additional expertise and technical support to the audit team as needed and provided a secondary review of the financial statements and critical audit documentation.

Audit supervisor responsibilities include:

- Assistance with planning of the audit engagement
- Fieldwork supervision when the engagement partner is not on-site
- Responsibility to address and complete technical and complex audit procedures
- Technical assistance to Town personnel
- Initial reviews of working papers and certain compliance reports

3. Subcontractor

Our firm does not plan on utilizing a subcontractor for the completion of this engagement.

4. Resumes

Resumes, as well as the listings for the past two years of continuing professional education, for each key personnel member is provided in Exhibit B.

D. Project Approach

1. Audit Work Plan

This section presents a general outline of the audit steps that our will perform to complete this engagement for the Town, including the audit requirements as specified in OMB Uniform Guidance.

Audit Planning

Audit planning procedures will begin at the time of the contract award. These procedures will develop the audit team's understanding of the Town's operations, will be used to clarify audit objectives, and will help with the development of a detailed audit plan tailored to the Town.

- Preparation and issuance of engagement letter
- Conduct entrance conference with key personnel as deemed necessary
- Perform risk assessment procedures
 - Inquiries of management and staff
 - Preliminary analytical procedures
 - Observation of operations
 - Perform transaction walkthroughs
 - Engagement team discussions
- Develop an understanding of client, the environment and internal controls
 - Review prior year financial statements and applicable accounting records
 - Review of industry guides, regulatory information, statutes, internal/external reports, etc.
 - Preparation of process and control memorandums
 - Completion and review of internal control questionnaires
 - Obtain understanding of information technology systems
- Develop a preliminary judgment of materiality
- Develop a detailed audit plan to include preparation of audit programs
- Develop sampling scopes for tests of controls and compliance testing
- Identify responsibilities and assign tasks to the audit staff and Town personnel
- Submit audit questionnaires to audit liaison for assignment to Town staff
- Other planning procedures, as deemed necessary

Audit Procedures

Core audit procedures will largely be performed on-site at the Town during scheduled fieldwork dates. Town management and staff should be available during the scheduled fieldwork dates for discussions and to provide requested materials to the audit team. Our firm strives to minimize disruption for our clients by reducing the number of days at the Town's site; therefore certain audit procedures may also be conducted from our office when practical.

- Perform tests of key operational controls, such as:
 - Payroll and related benefits
 - Disbursements and accounts payable
 - Capital asset additions and deletions
 - Cash receipts (e.g. taxes, charges for services)

- Develop and perform compliance tests for applicable compliance requirements
- Perform substantive procedures on the primary financial statement accounts
 - Cash and investments
 - Receivables
 - Capital assets
 - Payables
 - Long-term debt
 - Tax revenues
 - Intergovernmental revenues
 - Charges for services
 - Other sources/uses)
 - Payroll and related benefit expenditures/expenses
 - Goods and services expenditures/expenses
 - Debt service expenditures
- Other necessary audit procedures, if applicable

Audit Conclusion

Audit conclusion procedures include the communication of the audit results to the Town's management, quality control procedures over the audit, and drafting and final distribution of applicable audit reports to the Town.

- Perform final analytical review procedures
- Perform subsequent events review
- Perform exit conferences with Town staff upon completion of audit
- Perform final review of working papers and audit programs
- Audit staff to draft applicable audit and compliance reports
- Engagement partner to review financial statements and audit reports
- If deemed necessary, financial statements will also be reviewed by a non-engagement partner
- Issuance of applicable audit communications
- Distribute final audit reports to applicable recipients

2. Plans to Meet Time Constraints

Our firm agrees to meet the time constraints and reporting deadline requirements specified in the RFP. As our record shows, we can complete this engagement within the time period specified in your request. Our specialization in the governmental industry will allow us to be flexible in working with you in order to complete your audit to meet your expectations and deadlines. Details about the proposed project schedule is provided on page 15.

3. Organization and Staffing of the Audit

This engagement will be entirely managed and supervised from the firm's Phoenix.

- The engagement partner and audit supervisor will conduct the audit planning and preparation for the audit.
- The audit supervisor is expected to supervise on-site audit services for the planned fieldwork and will supervise one to three full-time staff members as appropriate for specific audit segments.
- The engagement partner will supervise the entire engagement, provide technical review of the financial statements, and be on-site as required during critical portions of fieldwork.
- The quality control partner may also complete a supplemental review of the audit working papers if deemed appropriate.

Based upon our understanding of the Town’s operations and accounting systems, we estimate the following number of hours will be required to complete the audit for the first year.

	Partners	Audit Supervisor	Other Supervisory Staff	Staff	Admin	Total
Audit planning	10	15	10	10		45
Substantive audit procedures:						
Assets	3	8	10	10		31
Liabilities	3	8	10	10		31
Revenue	2	10	10	15		37
Expenses	2	4	5	5		16
Tests of operational controls			10	20		30
Compliance procedures		5	10	5		20
Single Audit procedures (if required)	5	10	10		5	30
Audit conclusion	10	20	15	5		50
Administrative					15	15
TOTAL	35	80	90	80	20	305

4. Audit Sampling for Tests of Compliance

Both statistical and nonstatistical sampling methods may be utilized to identify samples from the entire population of transactions within the major transaction cycles. The transaction cycles tested will be determined based on materiality considerations and our assessment of the Town’s internal control completed during the planning phase of the audit.

Statistical sampling will typically be utilized for larger, significant transaction classes such as payroll, disbursements, and certain cash receipts. Dependent upon the nature of the sample population either random selection through the use of a random number generator, or systematic selection with a random start, will be utilized for the sample selection.

Nonstatistical haphazard selection will often be utilized for smaller populations or populations that do not have characteristics that provide for the application of statistical sampling.

Nonstatistical judgmental selection sampling is generally utilized for tests of compliance in order to ensure items selected meet the specific objectives of the OMB Uniform Guidance compliance requirement of the program or other applicable compliance requirement. The samples selected will be based on the specific requirements as outlined in the grant agreements, OMB Uniform Guidance, or other applicable source. Sampling for tests of compliance for a Single Audit requires a planned low level of control risk. When deemed appropriate, dual purpose samples will be utilized for OMB Uniform Guidance audit procedures to test both the operating effectiveness of controls as well as compliance with a particular requirement.

5. Sample Sizes

Our firm will select sample sizes derived from the entire population of transactions within the major transaction cycles, depending on materiality, our assessment of the Town’s internal control as a result of risk assessment procedures, and/or other considerations such as the OMB Uniform Guidance requirements. Typical samples sizes for a particular control test range from 25 to 60 transactions; however sample sizes are modified based on our assessment of the controls and risk of misstatement or noncompliance.

6. Extent and Use of Software

We will rely on Town reports to the extent possible for the purpose of our analytical procedures and documentation of our audit procedures. A set of audit questionnaires will be provided to the Town via e-mail approximately one month before each site visit. (These questionnaires may be provided earlier upon request of the Town.)

Our firm also utilizes the following electronic resources:

- We recognize the importance of keeping the Town's data secure. A secured client portal that meets industry standards will be used to receive data from and send information to the Town. (Access to the internet-based portal is password-protected.) In addition, a folder within the portal is dedicated as a report archive, enabling the Town to access prior year audit reports at any time.
- CCH electronic audit programs and basic software applications including word processing and spreadsheets to achieve our documentation and reporting objectives. In addition, the receipt of the Town's trial balance in an Excel or comma-separated value (CSV) file format will facilitate the use of our software applications.
- IDEA data analysis software may be utilized to import, analyze, sample and/or extract data from the electronic data files provided by the Town.

7. Type and Extent of Analytical Procedures

As required by auditing standards generally accepted in the United States of America analytical procedures are performed both in the planning and the final phases of the audit. The following are analytical methods and informational sources that may be used during the audit:

- Trend analysis:
 - Reporting transaction classes
 - Receivables and payables
 - Inventories
 - Compensated absences
 - Salaries and benefits
 - Depreciation
- Reasonableness testing:
 - Current year activity to budget
 - Investment income
 - Salaries and benefits
 - Depreciation
- Ratio analysis:
 - Margin analysis (enterprise activities)
 - Inventories
 - Salaries and benefits
 - Year-end cutoff
 - Interest expense
 - Functional expense
- Other analytical procedures as deemed necessary

The use of analytical procedures will assist in identifying high risk areas as well as help us focus the audit test work on significant areas and accounts that require detailed testing. The use of the Town's internal reports will be used to the extent possible to perform the analytical procedures.

8. Gaining an Understanding of Internal Controls

An understanding of the Town's financial operations, funding source requirements, transaction processing procedures, and internal control structure will be achieved through inquiry, observation, and tests of transactions. As outlined in the Town responsibilities, your personnel will complete a series of internal control questionnaires to assist in this process. We will also use other resources such as the Town's budget, organizational charts, policy and procedure manuals, and other management information systems.

9. Determining Laws and Regulations Subject to Test Work

The determination of which laws and regulations that will be subject to audit test work will be determined through a number of inquiry and review procedures such as the following –

- Inquiry with Town personnel, including finance staff and grant administrators.
- Consideration of compliance requirements that have been identified in prior years’ audits.
- Review the relevant portions of any directly related agreements, such as those related to grants and debt agreements.
- Review pertinent sections of laws and regulations, including State statutes.
- Review the minutes of meetings of the governing body.
- Inquiry of oversight organizations about applicable compliance requirements.
- Review of the Office of Management and Budget (OMB) Uniform Guidance, the Catalog of Federal Domestic Assistance, federal audit guides, and state and local policies and procedures.

10. Identification of Anticipated Potential Audit Problems

Based upon known information provided by the Town during the proposal process, there appears to be only two potential audit problems in future fiscal years. Significant changes in Federal funding in future years could potentially create audit issues if the Town does not meet the compliance requirements of the new funding source. Significant changes in Federal funding may also require a change in the scope of the audit depending on the nature and scope of required audit procedures of the new program. In addition, personnel changes or position vacancies in key financial or accounting positions can potentially create audit problems if the change or vacancy prevents audit requests from being completed in an accurate and timely manner.

E. Project Schedule

Our firm’s approach is to minimize work conducted on-site at our clients to minimize disruption to their employees’ daily routines. We estimate that three to four staff members will be on-site for fieldwork for approximately five days in total for the first audit. Below are proposed dates for key project milestones as requested by the Town; upon the contract award, exact dates will be determined upon discussions between assigned firm staff and the Town’s audit liaison.

Audit Segment	Date
Contract Award Date	April 7, 2016
Notice to Proceed Date	By May 1, 2016
Proposed Kick-Off Meeting	Week of May 16 or May 23, 2016
Beginning of Interim Work	June 2016
Beginning of Field Work	August or September 2016
End of Field Work	By late September 2016
Reports Due Date (Auditor’s Opinion submitted to Finance Division)	By October 21, 2016
Report Presentation to Council	November 2016 (date as determined by the Town)

Exhibit 1. Vendor Information Form



IV. VENDOR INFORMATION FORM

By submitting a Proposal, the submitting Vendor certifies that it has reviewed the administrative information and draft of the Professional Services Agreement's terms and conditions and, if awarded the Agreement, agrees to be bound thereto.

Heinfeld, Meech & Co., P.C.
VENDOR SUBMITTING PROPOSAL

86-0558065
FEDERAL TAX ID NUMBER

Diane Bradley, Partner - Administration
PRINTED NAME AND TITLE

Diane Bradley
AUTHORIZED SIGNATURE

10120 N. Oracle Rd.
ADDRESS

520-742-2611 520-742-2718
TELEPHONE FAX #

Tucson AZ 85704
CITY STATE ZIP

2/12/16
DATE

WEB SITE: www.heinfeldmeech.com

E-MAIL ADDRESS: info@heinfeldmeech.com

SMALL, MINORITY, DISADVANTAGED AND WOMEN-OWNED BUSINESS ENTERPRISES (check appropriate item(s):

- Small Business Enterprise (SBE)
- Minority Business Enterprise (MBE)
- Disadvantaged Business Enterprise (DBE)
- Women-Owned Business Enterprise (WBE)

Has the Vendor been certified by any jurisdiction in Arizona as a minority or woman-owned business enterprise? No

If yes, please provide details and documentation of the certification.

Exhibit 2. Resumes and Continuing Professional Education

Jennifer L. Shields, CPA, CGFM – Engagement Partner

A graduate of the University of Arizona, Jennifer Shields has 21 years of experience at Heinfeld, Meech & Co., P.C. and is a Certified Public Accountant (Arizona license #10065-E). As an engagement partner, she has overseen more than 1,100 audits for governments and non-profits and her clients have included municipalities, counties, school districts, state agencies, and employee benefit trusts.

In addition to financial audit services, Jennifer has participated on a supervisory level in the following: *MAS* reviews for courts, cost studies, claims audits, payroll audits, procurement audits, FLSA audits, procedural reviews, fraud reviews, and other special investigations.

Jennifer has spoken professionally on accounting and compliance issues at events sponsored by the AICPA and Arizona ASBO, as well as firm-sponsored conferences. Jennifer is a member of the AICPA, ASCPA, AASBO, Government Finance Officers Association, and Association of Government Accountants.

Other Professional Development:

Jennifer has directed her professional development toward audit and quality control standards, firm practice management, as well as the accounting and reporting issues in the governmental and non-profit niche. Her professional accomplishments include:

- Committee member of the ASCPA's Annual Governmental Accounting Conference
- Speaker for AICPA and Arizona Association of School Business Officials conferences and trainings
- Member of the AICPA Task Force on Single Audit Training Needs and CPE Evaluation
- Committee member for AASBO winter, spring and summer conferences

Selected Audit List:

- City of Yuma
- Yuma County Intergovernmental Public Transportation Authority
- Glendale Union High School District
- City of Phoenix Health Care Benefit Trust
- City of Phoenix Long-Term Disability Program
- Mesa Unified School District
- Gilbert Unified School District
- Yuma County
- Chandler Unified School District
- Scottsdale Unified School District
- Navajo County Community College
- Phoenix Union High School District
- Paradise Valley Unified School District
- Higley Unified School District
- Arizona Department of Transportation
- Mohave County Water Authority
- Mohave Valley Irrigation & Drainage District (reviews)
- Glendale Union High School District Employee Benefit Trust
- Parker Unified Employee Benefit Trust
- Schools Medical Insurance Trust
- Paradise Education Center

Contact Information:

Phone: (602) 277-9449, ext. 310

Cell: (602) 881-1424

E-mail: jennifer@heinfeldmeech.com



Jennifer Shields

Continuing Professional Education - 2014-2015

<i>Date</i>	<i>Class</i>	<i>Sponsor</i>	<i>Type</i>	<i>Total Hours</i>	<i>Gov. Hours</i>
1/10/2014	Audit Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
1/23/2014	2014 Local and State Governmental Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	4
3/7/2014	Audit Compliance	Arizona Association of School Business Officials (AASBO)	Teaching (CE Presenter)	12	12
3/13/2014	990 Training	Heinfeld, Meech & Co., P.C.	Live Seminar	2	
4/11/2014	2014 Spring Conference	AASBO	Live Seminar	8	6
5/1/2014	Annual Inspection & Updates Training	Heinfeld, Meech & Co., P.C.	Live Seminar	14	9.5
6/5/2014	13th Annual School District Client Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
6/18/2014	2014 OMB Compliance Supplement and New Uniform Grant Guidance Key Points	American Institute of Certified Public Accountants (AICPA)	Online (Audio - Live)	2	2
7/19/2014	AASBO Annual Summer Conference	AASBO	Live Seminar	12	12
9/10/2014	Bi-Monthly Meeting	AASBO	Live Seminar	3	2
9/12/2014	Creating Efficiencies with Outlook 2010	Heinfeld, Meech & Co., P.C.	Live Seminar	1	
9/12/2014	Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	2.5	2.5
9/25/2014	Uniform Guidance for Federal Awards: The New Cost Principles, Time and Effort Reporting, Procurement	AICPA	Online (Self-Study)	2	2
1/9/2015	January Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	2
1/28/2015	2015 Winter Conference	AASBO	Live Seminar	5	5
2/13/2015	Governmental Accounting Conference	Arizona Society of Certified Public Accountants (ASCPA)	Live Seminar	8	8
3/4/2015	GASB Pensions: Are You Ready for June 30, 2015, Audit Implementation?	AICPA	Online (Audio - Live)	2	2
4/10/2015	Spring Conference	AASBO	Live Seminar	9	9
4/28/2015	GAQC 2015 Annual Update Webcast	AICPA	Online (Audio - Live)	2	2
4/29/2015	Professional Ethics Update for Arizona CPAs - Including Case Studies	ASCPA	Live Seminar	4	
4/30/2015	Annual Working Paper Updates and Inspection Training	Heinfeld, Meech & Co., P.C.	Live Seminar	10.5	8
6/4/2015	14th Annual Client Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
7/18/2015	Annual Summer Conference	AASBO	Live Seminar	12	12
9/9/2015	September Bi-Monthly Meeting	AASBO	Live Seminar	3.5	3.5
9/11/2015	Attitudes for Service	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	
9/11/2015	Fall 2015 Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	1.5
9/30/2015	AICPA Governmental Accounting and Auditing Update Conference West 2015	AICPA	Live Seminar	18	16.5
			TOTAL:	161.5	136.5

Corey Arvizu, CPA – Partner

Corey Arvizu received his bachelor's degree in accountancy from Arizona State University and has 19 years of experience working with public sector and non-profit agencies. An expert in GASB pronouncements and auditing standards, he has provided auditing and accounting services to a wide range of entities including municipalities, state agencies, counties, school districts, benefit plans, special districts, and non-profit organizations.

In addition to financial audits, Corey has assisted our clients with policy and procedural reviews, special investigations, expenditure limitation reports, and *MAS* reviews for courts. He also has assisted several governmental entities plan and prepare for the additional requirements of new GASB statements.

Other Professional Development:

Corey has committed his time and efforts to assist both our clients and the profession. His professional accomplishments include:

- Chairperson of the AICPA's Governmental Audit Quality Center Executive Committee (2008-2011)
- Member of the AICPA's Practice Monitoring Task Force for Single Audits
- Former member of the AICPA's Professional Ethics Executive Committee
- Special Review Committee member of the GFOA's certificate program
- Member of the planning committee for the AICPA National Governmental & Not-for-Profit Training Program conference
- Speaker and trainer for the AICPA, State Societies, ASBO, GFOA and AGA
- Chairperson for the AICPA Task Force on the SEFA

Selected Audit List:

- City of Chandler
- Town of Gilbert
- Town of Oro Valley
- City of Maricopa
- City of Eloy
- City of El Mirage
- City of Rio Rancho
- City of Sierra Vista
- Valley Metro Rail, Inc.
- Valley Metro Regional Public Transportation Authority
- Public Safety Personnel Retirement System
- Arizona Department of Transportation
- City of Chandler Self-Insurers' Fund
- Pima County Employee Benefit Trust
- Pima County Stadium District
- Tucson Unified School District
- Regional Transportation Authority of Pima County
- New Mexico Self Insurers' Fund

Contact Information:

Phone: (520) 742-2611, ext 101

Cell: (520) 591-2313

Email: carvizu@heinfeldmeech.com

Memberships:

Arizona license No. 11434-E

AICPA Member No. 01674896

GFOA Member No. 300100323

AGA Member No. 80082

ISACA Member No. 608571



Corey Arvizu

Continuing Professional Education - 2014-2015

<i>Date</i>	<i>Class</i>	<i>Sponsor</i>	<i>Type</i>	<i>Total Hours</i>	<i>Gov. Hours</i>
1/10/2014	Audit Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
1/23/2014	2014 Local and State Governmental Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	4
1/29/2014	Professional Ethics Executive Committee Meeting	American Institute of Certified Public Accountants (AICPA)	Live Seminar	9	
2/12/2014	Group Audits: A Look Back One Year Later and Lessons Learned	AICPA	Online (Audio - Live)	2	2
3/12/2014	Don't be the Last to Know: Fraud Considerations in Governmental, NPO, and Single Audits	AICPA	Online (Audio - Live)	2	2
3/13/2014	990 Training	Heinfeld, Meech & Co., P.C.	Live Seminar	2	
3/21/2014	2014 Regional Meetings of Members of Council	AICPA	Live Seminar	4.5	
4/10/2014	Not-for-Profit Organizations: Accounting and Audit Update	CCH a Wolters Kluwer business	Live Seminar	2	
4/25/2014	The 21st Annual Professional Development Conference	Association of Government Accountants Phoenix Chapter	Live Seminar	8	8
5/1/2014	Annual Inspection & Updates Training	Heinfeld, Meech & Co., P.C.	Live Seminar	10	7
5/8/2014	Professional Ethics Executive Committee Meeting	AICPA	Live Seminar	11	
6/5/2014	13th Annual School District Client Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
6/18/2014	2014 OMB Compliance Supplement and New Uniform Grant Guidance Key Points	AICPA	Online (Audio - Live)	2	2
7/23/2014	Defined Benefit Plans Part II - Actuarial Issues	AICPA	Online (Audio - Live)	2	
8/6/2014	Professional Ethics Executive Committee Meeting	AICPA	Live Seminar	9.5	
9/12/2014	Creating Efficiencies with Outlook 2010	Heinfeld, Meech & Co., P.C.	Live Seminar	1	
9/12/2014	Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	2.5	2.5
9/15/2014	AICPA Peer Review Program Advanced Course	AICPA	Live Seminar	8	
9/22/2014	ASBO International Annual Meeting & Expo	Association of School Business Officials International	Live Seminar	9.5	9.5
1/9/2015	January Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	2
1/21/2015	EBPAQC Designated Partner 2015 Audit Planning	AICPA	Online (Audio - Live)	2	
2/5/2015	Uniform Guidance for Federal Awards: Auditor Planning Considerations for the New Single Audit Rules	AICPA	Online (Audio - Live)	2	2
3/4/2015	GASB Pensions: Are You Ready for June 30, 2015, Audit Implementation?	AICPA	Online (Audio - Live)	2	2
3/18/2015	Joint Meeting - GASB Update, Finance & Accounting Best Practice Roundtable, Center for Governmental Auditing	Association of Government Accountants	Live Seminar	4	4
4/28/2015	GAQC 2015 Annual Update Webcast	AICPA	Webconference	2	2
4/29/2015	Professional Ethics Update for Arizona CPAs - Including Case Studies	Arizona Society of Certified Public Accountants (ASCPA)	Live Seminar	4	
4/30/2015	Annual Working Paper Updates and Inspection Training	Heinfeld, Meech & Co., P.C.	Live Seminar	8.5	6
6/4/2015	14th Annual Client Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
6/10/2015	2015 OMB Compliance Supplement and Single Audit Update	AICPA	Online (Audio - Live)	2	2
6/22/2015	Employee Benefit Plan Audit Quality and Firm Best Practices	AICPA	Online (Audio - Live)	2	
7/18/2015	Annual Summer Conference	Arizona Association of School Business Officials (AASBO)	Live Seminar	12	12
7/21/2015	What is Unrelated Business Income and How do I Know if I Have It?	AICPA	Online (Audio - Live)	2	
9/11/2015	Attitudes for Service	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	
9/11/2015	Fall 2015 Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	1.5
9/15/2015	Revenue Recognition in a State and Local Government Environment	AICPA	Webconference	2	2
10/16/2015	Professional Ethics update for AZ CPAs	ASCPA	Online (Self-Study)	4	
10/21/2015	AICPA Governmental and Not-for-Profit Training Program	AICPA	Live Seminar	14	12
10/26/2015	ASBO 2015 Annual Meeting	AICPA	Live Seminar	6	6
			TOTAL:	182.5	105.5

Joshua Jumper, CPA – Audit Supervisor

Joshua (Josh) Jumper received a M.S. in Accountancy and Information Systems from Arizona State University. He has seven years of auditing experience with our firm. Josh has been awarded his Certified Public Accountant license (Arizona #15338-E) and is a member of the AICPA and ASCPA.

Knowledge and Experience:

- Manager or audit supervisor on more than 85 financial and compliance audits for governmental and non-profit organizations
- Single Audits (OMB Circular A-133)
- Reviews of CAFRs for ASBO's Certificate of Excellence Program
- Instructor for trainings for governmental entities sponsored by our firm
- Federal program-specific audits and agreed-upon procedures
- *MAS* reviews for municipal courts
- Special Review Committee Member for the GFOA's CAFR certificate program

Other Professional Development:

Josh has expanded his knowledge with the following trainings:

- Governmental Accounting Conferences (*ASCPA*)
- GFOAz Quarterly and Summer Trainings
- Governmental Accounting and Auditing Update Conference West 2015 (*AICPA*)
- 2014 Annual Professional Development Conference (*AGA Phoenix Chapter*)
- Professional Ethics Update for Arizona CPAs (*ASCPA*)
- Fraud Considerations in Governmental, NPO and Single Audits (*AICPA*)
- Annual Local & State Government Accounting & Auditing Conferences

Selected Audit List:

- City of Chandler (2012 through 2015)
- City of Tempe (2009 through 2015)
- Lake Havasu City (2010 through 2014)
- City of Yuma (2013)
- City of El Mirage (2015)
- City of Peoria (2008 through 2011)
- Town of Queen Creek (2009 and 2011)
- City of Chandler Workers' Compensation and Employer Liability Trust (2014 and 2015)
- City of Chandler Self-Insurers' Fund (2014)
- City of Phoenix Health Care Benefit Fund (2013)
- City of Phoenix Long-Term Disability Program (2013)
- Scottsdale Unified School District (2011 through 2015)
- Chandler Unified School District (2012 through 2015)
- Creighton Elementary School District (2013 through 2015)
- Higley Unified School District (2013 through 2015)
- Roosevelt Elementary School District (2012 through 2015)
- Gila Crossing Community School (2014 and 2015)
- Yavapai Combined Trust (2009 and 2010)
- Yavapai Unified Employee Benefit Trust (2009 and 2010)

Contact Information:

Phone: (602) 277-9449, ext. 374
Cell: (480) 600-8191
Email: joshuaj@heinfeldmeech.com



Joshua Jumper
Continuing Professional Education - 2014-2015

<i>Date</i>	<i>Class</i>	<i>Sponsor</i>	<i>Type</i>	<i>Total Hours</i>	<i>Gov. Hours</i>
1/10/2014	Audit Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5	5
1/23/2014	2014 Local and State Governmental Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	4
2/1/2014	Governmental Accounting Conference	Arizona Society of Certified Public Accountants (ASCPA)	Live Seminar	8	8
3/12/2014	Don't be the Last to Know: Fraud Considerations in Governmental, NPO, and Single Audits	American Institute of Certified Public Accountants (AICPA)	Online (Audio - Live)	2	2
4/10/2014	Not-for-Profit Organizations: Accounting and Audit Update	CCH a Wolters Kluwer business	Live Seminar	2	
4/25/2014	The 21st Annual Professional Development Conference	Association of Government Accountants (AGA) Phoenix Chapter	Live Seminar	8	8
5/1/2014	Annual Inspection & Updates Training	Heinfeld, Meech & Co., P.C.	Live Seminar	15	9.5
5/15/2014	GFOAz Quarterly Training	Government Finance Officers Association of Arizona (GFOAz)	Live Seminar	5	5
8/8/2014	GFOAz Summer Training	GFOAz	Live Seminar	14	12
9/12/2014	Creating Efficiencies with Outlook 2010	Heinfeld, Meech & Co., P.C.	Live Seminar	1	
9/12/2014	Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	2.5	2.5
1/9/2015	January Training Day	Heinfeld, Meech & Co., P.C.	Live Seminar	5.5	2
1/22/2015	2015 Local and State Governmental Conference	Heinfeld, Meech & Co., P.C.	Live Seminar	6	3
1/28/2015	2015 Winter Conference	Arizona Association of School Business Officials	Live Seminar	5	5
2/20/2015	GFOAz 2015 Winter Conference	GFOAz	Live Seminar	13	7
4/29/2015	Professional Ethics Update for Arizona CPAs - Including Case Studies	ASCPA	Live Seminar	4	
4/30/2015	Annual Working Paper Updates and Inspection Training	Heinfeld, Meech & Co., P.C.	Live Seminar	10.5	8
9/11/2015	Fall 2015 Technical Updates	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	1.5
9/11/2015	Attitudes for Service	Heinfeld, Meech & Co., P.C.	Live Seminar	1.5	
9/30/2015	AICPA Governmental Accounting and Auditing Update Conference West 2015	AICPA	Live Seminar	18	16.5
			TOTAL:	133	99

EXHIBIT B
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
HEINFELD, MEECH & CO., P.C.

[Scope of Work]

See following pages.

SCOPE OF WORK

Financial Auditing Services

1. Background Information.

1.1 The Town.

- A. The Town is a municipal entity governed by an elected Mayor and Council that serves an area of approximately 20 square miles with a population of 22,489 (per the 2010 Census).
- B. The Town is organized into three departments and has approximately 52 full-time equivalent (“FTE”) employees. An organizational chart of the Town is attached hereto as Attachment 1 and incorporated herein by reference.
- C. The Town has a total payroll of approximately \$2.9 million.
- D. All full-time Town employees participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan.
- E. The Town does not offer any post-employment benefits.
- F. The Town’s fiscal year begins on July 1 and ends on June 30.
- G. The fiscal year 2015-16 budget for the Town is \$37.9 million.
- H. The Town provides a range of services to its citizens including police and fire protection, municipal court, streets, recreational activities, building safety and cultural events.
- I. The Town contracts with outside agencies for law enforcement and fire/emergency medical services.
- J. The Town does not provide any utility-type services.
- K. Detailed information on the Town and its finances can be found on the Town’s website by reviewing the Town’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2015 (<http://www.fh.az.gov/170/Financial-Reports-Budgets>) and the Town’s Adopted Budget (<http://www.fh.az.gov/170/Financial-Reports-Budgets>).
- L. The Town will provide Consultant reasonable work space, photocopying facilities and telephone and internet access to perform the Services.

1.2 Finance Division.

- A. The Finance Division (“Finance”) is headed by Craig Rudolph, Finance Director (the “Director”), who will be Consultant’s principal contact.
- B. Finance has six employees and one volunteer who perform the following functions:
 - 1. Accounting: Two full-time; one part-time volunteer.
 - 2. Accounts Payable: one full-time.
 - 3. Licensing: one part-time equaling .63 FTE.
 - 4. Customer Service: Two part-time equaling one FTE.
- C. Confirmations will be prepared by Finance employees.
- D. Finance employees will provide information and documentation to assist Consultant. (Note: Assistance concerning federal grants should be directed to the applicable federal program.)
- E. A description of working papers the Town has prepared in the past are attached hereto as Attachment 2 and incorporated herein by reference.

1.3 Information Technology; Computer System.

- A. Hardware.
 - 1. Dell PowerEdge R430.
 - 2. Intel Xeon 3.1 GHz Processor – X2.
 - 3. Windows Server 2012 R2 Standard.
 - 4. 32 GB Memory.
 - 5. 2 TB Hard Drive Raid 10 H.D.
- B. Software – Tyler Technologies – MUNIS.
 - 1. Accounts payable.
 - 2. Accounts receivable.
 - 3. Budget preparation.
 - 4. Contract management.
 - 5. Fixed assets.
 - 6. General ledger.
 - 7. Licensing – business and animal.
 - 8. Parcel manager.

- 9. Permits and inspections.
- 10. Project accounting.
- 11. Purchasing.

- C. Class – Point of Sale.
- D. ActiveNet – Class registration, memberships and facility rental.
- E. Microsoft – Office Professional 2007.
- F. Databases – Microsoft SQL Server 2012 Standard.
- G. Payroll – Provided by Paychex.
- H. Systems documentation and explanations will be provided to Consultant by the Information Technology Division.

1.4 Component Units. The Town is defined, for financial reporting purposes, in conformity with Governmental Accounting Standards Board (“GASB”) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, the following component units are to be audited and included in the Town’s financial statements:

- A. Town of Fountain Hills Municipal Property Corporation (“MPC”). The MPC, an Arizona not-for-profit corporation, was organized for the purpose of financing the construction of municipal facilities and purchase of open space within the Town through the issuance of bonds. Concurrent with these bond issues, the Town entered into an agreement with MPC whereby the Town will pay to MPC amounts sufficient to retire MPC bonds and related interest. MPC is reported as a blended component unit in the Town’s financial statements. The outstanding MPC bonds are reported as a debt service fund in the Town’s financial statements. No separate financial statements are prepared for the MPC.
- B. Districts. The Town has one Community Facilities District and one Maintenance District (the “Districts”). These Districts are reported as blended component units in the Town’s financial statements. The outstanding bonds are reported as a debt service fund in the Town’s financial statements. No separate financial statements are prepared for the Districts.

1.5 Fund Structure. The Town will use the following fund types in its financial reporting as of June 30, 2016:

<u>Fund Type/ Account Group</u>	<u>No. of Individual Funds</u>	<u>No. of Major Funds</u>	<u>No. of Funds with Legally Adopted Budgets</u>
Operating Funds	4	1	4
Special Revenue Funds	8	1	8
Debt Service Funds	3	2	3
Capital Projects Funds	2	1	2

2. Nature of Services Required.

- 2.1 Consultant will express an “in relation to” opinion on the fair presentation of the combined and individual non-major fund financial statements and supporting schedules, including the internal service funds in conformity with generally accepted accounting principles in the United States of America (“GAAP”). An audit of the introductory or statistical section of the report will not be necessary. However, review will be required for content and consistency.
- 2.2 Management’s discussion and analysis is not a required part of the basic financial statements, but is supplemental information required by GAAP. Consultant will apply certain limited procedures to this required supplemental information.
- 2.3 The Town does not currently anticipate it will prepare any official statements in connection with the sale of debt securities which will contain the basic financial statements and the auditor’s report thereon. In the event debt is issued, it is not anticipated that Consultant will be required to issue a “consent and citation of expertise” as the auditor and any necessary “comfort letters.”
- 2.4 The Town expects that it is free to distribute copies of its financial statements without the prior consent of its auditors.

3.0 Services to be Provided by Consultant.

3.1 Annual Audit (“Audit”).

- A. The Town’s financial records are maintained on the fund basis, so the Consultant will be required to prepare government-wide financial statements in addition to fund basis statements.
- B. Consultant shall make a determination as to whether its financial statements present fairly, in all material respects, the respective financial position of:
 - 1. The governmental activities.

2. The business-type activities.
 3. Each major fund.
 4. The discretely presented component units.
 5. The Town's aggregate remaining fund information which collectively comprise the Town's basic financial statements ("in relation to").
- C. The Audit shall be performed in accordance with:
1. GAAP.
 2. Auditing standards generally accepted in the United States of America ("GAAS") as set forth by the American Institute of Certified Public Accountants.
 3. The standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards ("GAS").
 4. The provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996.
 5. The provisions of U.S. Office of Management and Budget ("OMB") Uniform Guidance.
 6. State of Arizona Uniform Expenditures Reporting System requirements mandated by ARIZ. REV. STAT. § 41-1279.07, with guidelines set forth by the Arizona Auditor General.
 7. State of Arizona Highway User Revenue Fund ("HURF") expenditure requirements pursuant to ARIZ. REV. STAT. § 9-481(B)(2).
- D. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on the internal controls and compliance, are not to be included in the CAFR but are to be issued separately.
- E. The Audit shall include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- F. Consultant shall plan and perform the Audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

- G. If applicable, as required by the Single Audit Act Amendments of 1996 and Uniform Guidance, the Audit shall include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. The Town currently does not have a Single Audit reporting requirement.

3.2 Audit-related Reports. Following the completion of the Audit of each fiscal year's financial statements, Consultant shall issue:

- A. An independent auditor's report on the fair presentation of the basic financial statements in conformity with GAAP and an in-relation-to opinion on the combined and individual non-major governmental fund financial statements.
- B. An independent auditor's report on compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with GAS.
- C. An independent auditor's report on compliance with requirements applicable to each major federal program, internal control over compliance and schedule of expenditures of federal awards in accordance with OMB Uniform Guidance, if applicable.
- D. A schedule of findings and questioned costs, if applicable.
- E. A summary schedule of prior audit findings and corrective action plan, if applicable.
- F. A schedule of LTAF II Expended Revenues and Expenditures.
- G. Auditor's letter of recommendations to management which shall include statements on audit findings and recommendations affecting the financial statements, internal controls, accounting system, legality of actions, instances of noncompliance with laws and regulations and any other material matters. A draft of the letter shall be delivered to the Director for review and approval prior to its release.
- H. An independent auditor's report on the Annual Expenditure Limitation Report prepared in compliance with A.R.S. § 41-1279.07.
- I. An independent auditor's report affirming the Town is in compliance with the HURF and other dedicated transportation revenues requirements pursuant to A.R.S. § 9-481(B)(2).

- J. Schedule of Expenditures of Federal Awards, if applicable. Consultant will provide an “in-relation-to” report on that schedule based on the auditing procedures applied during the audit of the financial statements.
- K. External review of the Fountain Hills Municipal Court every three years performed in accordance with the Minimum Accounting Standards, Compliance Checklist and Guide for External Review by Auditors. The next audit will be required for the fiscal year ending June 30, 2017.
- L. Consultant will immediately give a written report to the Director, Town Manager and Town Council of all irregularities and illegal acts or indications of illegal acts of which they become aware.
- M. Consultant shall submit a Management Letter of Comments and Recommendations for improvement of programs and financial management per the Consultant’s opinion with the financial statements after examining the Town’s systems of internal control. Consultant shall include the following deficiencies:
 - 1. Control deficiency – A deficiency that exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
 - 2. Material weakness – A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.
 - 3. Significant deficiency – A deficiency, or a combination of deficiencies, in internal control over financial reporting, which is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the company’s financial reporting.

3.3 Reporting to Town Council. Consultant shall make an oral presentation of the annual reports to the Town Council no later than the last regular Council meeting in December of each year, which shall be included in the fiscal year end audit fee. During the presentation, Consultant shall inform the Town Council of the following:

- A. Consultant’s responsibility under GAAS.
- B. Significant accounting policies.

- C. Management judgments and accounting estimates.
- D. Significant audit adjustments.
- E. Other information in documents containing audited financial statements.
- F. Disagreements with management.
- G. Management consultation with other accountants.
- H. Major issues discussed with management prior to retention.
- I. Difficulties encountered in performing the audit.

3.4 Additional Duties.

- A. Consultant shall be available for intermittent requests for information relevant to technical accounting issues, implementation of new authoritative pronouncements and other significant issues that may affect the Town's financial statements.
- B. The Town sends its CAFR to the Government Finance Officers Association of the United States and Canada ("GFOA") for review in their Certificate of Achievement for Excellence in Financial Reporting program (the "Certificate Program") and has been awarded a certificate for the last 19 consecutive years. Consultant will be required to review the financial statements against the Certificate Program checklist to ensure compliance with the requirements of the Certificate Program. Consultant shall also (i) consolidate the audit, financial statements, Management Discussion and Analysis and all other supplemental information for the CAFR, (ii) bind the final copy of same and (iii) submit same to the GFOA.

3.5 Report Review and Distribution.

- A. Following completion of draft audit reports, Consultant shall submit copies of the draft reports and management letter to the Director for review and approval.
- B. Upon completion of the final reports, Consultant shall provide paper copies and one electronic (PDF) copy of all audit reports, management letter and required communications to the Town.
- C. If applicable, Consultant shall submit one electronic copy of the audit reporting package and data collection form to the Federal Audit Clearinghouse and provide one electronic copy of the audit reporting package to other pass-through entities when the schedule of findings and

questioned costs discloses audit findings related to federal awards that the pass-through entities provided or the summary schedule of prior audit findings reports on the status of prior findings related to federal awards that the pass-through entities provided.

D. Consultant will make no other distribution unless approved by the Town.

E. Consultant must prepare, type, print and bind all reports and schedules.

3.6 Exit Conference. Consultant must be available to participate in one or more exit conferences with members of the Town. Exit conferences will be coordinated through the Director. The purposes of the exit conferences are to discuss the draft audit reports with the Town, identify any errors and obtain comments on report findings and recommendations.

3.7 Retention. The audit firm shall retain the audit documentation in its entirety for a period of five years after the date of the audit reports. The audit documentation shall be subject at all reasonable times to review upon request by the Auditor General or designee, the United States Government Accountability Office, or other appropriate governmental agencies, if so requested. The working papers shall also be made available to any public accounting firm for the purpose of conducting quality monitoring programs of Consultant's work. The Town shall be notified in writing of any requests to review Consultant's working papers.

4.0 Time Requirements.

4.1 Work and Conference Schedule for the Fiscal Year 2015-2016 Audit. The following are key dates to the Town's preparation of the CAFR and the related Audit, which are subject to change upon mutual agreement during the contract term. A similar time schedule will be developed for future fiscal year audits if the Town exercises its option for renewal terms.

A. May or June 2016 – Entrance Conference. The purpose of this meeting will be to provide a preliminary review of the Town's operations and discuss the interim work to be performed. This meeting will also be used to establish overall liaison for the Audit, to make arrangements for Consultant's work space and needs and Consultant shall provide a list of all interim schedules to be prepared by the Town.

B. June or July 2016 – Interim Work and Progress Conference. Consultant may begin interim work at this time. At the completion of interim work, a meeting will be held for the purpose of summarizing the results of the preliminary review and interim work and identifying the key internal controls or other matters to be tested.

- C. July or August 2016 – Detailed Audit Plan. Consultant shall provide the Town with a detailed Audit plan and a list of all year-end schedules, including Audit confirmation letters, to be prepared by the Town.
- D. September 2016 – Fieldwork. Consultant shall complete all fieldwork during the month of September.
- E. Late September 2016 to Early October – Exit Conference. The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.
- F. Early to Mid-October 2016 – Auditor’s Opinion. The signed auditor’s opinion will be delivered to the Finance Division.

4.2 Final Reports and Schedules Due Dates.

- A. The Finance Division shall prepare the working papers, which will be ready for Consultant’s arrival in September 2016. Consultant shall provide all recommendations, revisions and suggestions for improvement by early to mid-October 2016.
- B. Once all issues for discussion are resolved, the independent auditors’ report shall be delivered to the Director no later than mid-October 2016.

EXHIBIT C
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
HEINFELD, MEECH & CO., P.C.

[Engagement Letter]

See following pages.

March 22, 2016

Honorable Mayor, Town Council, and Management
Town of Fountain Hills
16705 E. Avenue of the Fountains
Fountain Hills, AZ 85268

We are pleased to confirm our understanding of the services we are to provide for Town of Fountain Hills, Arizona (Town) for the year ended June 30, 2016. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the Town. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

We will audit the financial statements of the governmental 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 Town of Fountain Hills, Arizona as of and for the year ended June 30, 2016. We will also audit the budgetary comparison statements for the General Fund and all major Special Revenue Funds. We have also been engaged to report on supplementary information that accompanies the Town's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic 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 and will provide an opinion on it in relation to the basic financial statements as a whole:

1. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Town's basic financial statements. Such information, although not 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 Town'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:

1. Management's discussion and analysis

The following other information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will audit the following and issue an audit opinion (or disclaimer of opinion) based on our audit for the year ended June 30, 2016.

1. The Annual Expenditure Limitation Report

We will also provide the necessary services to prepare a report on Highway User Revenue Fund (HURF) expenditures in accordance with ARS §9-481(B)(2).

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We will also report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our responsibility in the expression of opinions is to plan and perform the audit to obtain reasonable assurance, but not absolute assurance, that the financial statements are free from material misstatements.

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable for us to assume that users –

1. have a reasonable knowledge of business and economic activities and accounting principles, and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable economic decisions on the basis of the information in the financial statements.

Our audit will be conducted 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 the Town and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Town's financial statements. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements 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 may withdraw from this 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 will include a paragraph that states (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 entity'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 entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Town 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.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is responsible for (1) establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; and (3) ensuring that management is reliable 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 in conformity with accounting principles generally accepted in the United States of America, 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 and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information for which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Town from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the 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 taken as a whole.

Management is also 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 or illegal acts affecting the Town involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts 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 Town received in communications from employees, former

employees, grantors, regulators, or others. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. In addition, you are responsible for identifying and ensuring that the Town complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is 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. 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 to 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 a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that 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 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 for us previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the 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.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Nonaudit Services

As part of the audit, we will assist with preparation of your financial statements, notes to the financial statements and supplementary information. You have expressed your intention to use these nonaudit services within the scope of your request for proposal for audit services. Upon engagement of the audit we will utilize the general ledger, accounting records, Town prepared schedules and other information provided by Town personnel in order to prepare the necessary year-end adjusting journal entries and to prepare drafts of the financial statements, notes to the financial statements, and the supplementary information. You are responsible for the information provided by the Town and assuming all management responsibilities related to this service. You are also responsible for designing, implementing, and maintaining internal controls over the financial statements processes. Prior to their issuance you will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and acknowledge that you have accepted responsibility for them. Further, you are required to designate an individual with suitable

skill, knowledge, or experience to oversee the nonaudit services we provide, and for evaluating the adequacy and results of these services. As the Town's independent auditor, professional standards place specific requirements on our provision of certain nonaudit services. We are strictly prohibited from assuming management responsibilities or making management decisions; therefore, the nonaudit services we provide are limited to those indicated above. 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 or making management decisions. Accordingly, to maintain our independence it is imperative that management understand its responsibilities and is capable of fulfilling these responsibilities. If there are any questions or concerns regarding management's responsibilities or ability to fulfill these responsibilities we request that you immediately contact us so that we may assess the circumstance and our continued independence with respect to providing audit services.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute 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 Town or to acts by management or employees acting on behalf of the Town. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting 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 a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America 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 or 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. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

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 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 the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the Town and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 and *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 the Town's compliance with applicable laws, regulations, contracts, agreements, and grants. 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*.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in May 2016 and conclude audit procedures and date our report in October 2016.

Engagement Administration, Fees and Other

We understand that your employees will prepare and provide us with the items listed in our request for audit information and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will provide copies, which may include electronic copies, of the reports to the Town. It is management's responsibility to submit the reports to any other agencies that request or require the reports.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., 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 or for any additional period requested by governmental agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Jennifer Shields is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be \$31,000, which is the amount in the request for proposal without a Single Audit. Our fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our fee includes one exit meeting to discuss audit results and findings. Subsequent review of documentation and additional meetings will be billed at the hourly rates indicated below. Our fee does not include factors beyond our control, such as new GASB requirements, consultation and assistance in correcting errors in Town-prepared information, or rescheduling of the audit when the Town is not prepared. It will be necessary for you to complete the requested information by certain timelines in order to meet the applicable filing deadlines for your audit reports. Not completing the requested information on time will jeopardize meeting the applicable filing deadlines. Additional fees incurred for factors beyond our control will be billed at the following hourly rates: Partner - \$230; Manager - \$190; Senior - \$125; Staff - \$105. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Town of Fountain Hills, Arizona and believe that this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have questions or concerns. If you have any questions regarding this letter, please let us know.

Very truly yours,

A handwritten signature in blue ink that reads "Heinfeld, Meech & Co., P.C." in a cursive style.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

cc: Craig Rudolphy, Finance Director



SYSTEM REVIEW REPORT

To the Partners of Heinfeld, Meech & Co., P.C.
and the Peer Review Committee of the
CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C (the firm) in effect for the year ended May 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C in effect for the year ended May 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Heinfeld, Meech & Co., P.C has received a peer review rating of *pass*.

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs".

Sacramento, California

August 6, 2015

EXHIBIT D
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
HEINFELD, MEECH & CO., P.C.

[Fee Proposal]

See following pages.

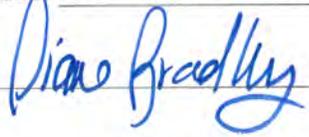
Fee Proposal

Financial Auditing Services

Service	Year 1	Year 2*	Year 3*	Year 4*	Year 5*
Fiscal Year End Audit	\$ 27,250	\$ 28,075	\$ 29,075	\$ 30,075	\$ 31,050
Fiscal Year End Audit of Federal Funds, if applicable	\$ 3,500	\$ 3,600	\$ 3,700	\$ 3,850	\$ 4,000
Additional Audit Reports (HURF)	\$ 750	\$ 775	\$ 800	\$ 825	\$ 850
Annual Expenditure Limitation (AELR) Report	\$ 1,500	\$ 1,600	\$ 1,700	\$ 1,800	\$ 1,900
Local Transportation Assistance (LTAF II) Funds	\$ 1,000	\$ 1,050	\$ 1,100	\$ 1,150	\$ 1,200
Fountain Hills Municipal Court (every 3 years)	\$ N/A	\$ 3,750	\$ N/A	\$ N/A	\$ 4,000
GFOA Fees for Certificate of Achievement	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Other	\$ N/A				
TOTAL	\$ 34,500	\$ 39,350	\$ 36,875	\$ 38,200	\$ 43,500

*Proposed annual increase should not exceed 5% per year.

Company Name: Heinfeld, Meech & Co., P.C.

Signature: 

(CONTINUED ON NEXT PAGE)

Supporting Schedule Of Professional Fees And Expenses

Financial Auditing Services (Year 1)

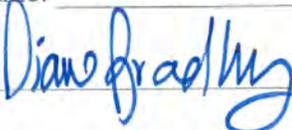
Category	Hours	Hourly Rates	Total
Partner	35	\$ 200	\$ 7,000
Manager (Audit Supervisor)	80	\$ 130	\$ 10,400
Supervisory Staff	90	\$ 100	\$ 9,000
Staff	80	\$ 85	\$ 6,800
Other (specify) Admin	20	\$ 40	\$ 800
GFOA CAFR application fee	N/A	N/A	\$ 500
Total*	305	\$ N/A	\$ 34,500

*Total must agree with price shown on Fee Proposal page.

Rates for Additional Professional Services

If it should become necessary for the Town to request Consultant render additional services to either supplement the Services to be provided in this Agreement or to perform additional work as a result of the specific recommendations included in any report issued, then such additional work shall be performed only if set forth in an addendum to the agreement between the Town and Consultant. Any such additional work agreed to between the Town and Consultant shall be performed at the same rates set forth in this Fee Proposal.

Company Name: Heinfeld, Meech & Co., P.C.

Signature: 

Rates for Additional Professional Services: Partner - \$230; Manager/Audit Supervisor - \$190;
Supervisory Staff - \$125; Staff - \$105; Administrative - \$40

Any additional work authorized by the Town completed before June 30, 2017 will be billed at the following hourly rates. These hourly rates will be increased 3% annually for any work completed after June 30, 2017. Any required additional services will be discussed with the Town in advance and may be billed at the hourly rates listed below or at a negotiated fixed fee, depending on the nature of the additional work.