



Town of Paradise Valley

Proposal to Provide Audit Services
(Firm and irrevocable for 90 days from date proposal is due.)

Henry+Horne
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2055 E. Warner Rd, Suite 101
Tempe, AZ 85284
(480) 839-4900

January 31, 2020



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Letter of Transmittal

January 31, 2020

Audit Committee
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253

The undersigned, Henry+Horne, hereby submits its response to your Request for Proposal #P20-105-FIN.

UNDERSTANDING OF THE WORK TO BE DONE

It is our understanding the Town of Paradise Valley requires a qualified CPA firm to express an opinion on the fair presentation of its financial statements for the fiscal year ending June 30, 2020, with the option of auditing the financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with auditing principles generally accepted in the United States of America.

Following the audit, Henry+Horne will issue the following reports:

- An independent auditor's report on the fair presentation of the Town of Paradise Valley's financial statements.
- A single audit reporting package.
- A biennial report on applying agreed-upon procedures and certification of land use assumptions, infrastructure improvement plan and development impact fees.
- A statement that fulfills the declaration requirement for the expenditure of Highway User Revenue Funds.
- An independent auditor's report on the Annual Expenditure Limitation Report.
- Agreed upon procedures report on the Annual Expenditure Limitation Report prepared in compliance with State Statutes.
- Court MAS report.
- Any additional audit communication related to any of the items in the RFP.

Henry+Horne will communicate any significant deficiencies or material weaknesses found during the audit, in accordance with applicable audit standards and audit industry guidelines, in the required reports on internal controls. This includes all instances of noncompliance noted during the audit.

Henry+Horne will retain all working papers and reports at our expense, in accordance with all relevant industry standards, unless Henry+Horne is notified in writing by the Town of Paradise Valley of the need to extend the retention period. Henry+Horne will make working papers available, upon request, to the following parties or their designees, including, but not limited to, the Arizona Auditor General, and auditors of entities of which the Town is a sub-recipient of grand funds.

COMMITMENT

Henry+Horne is committed to perform and complete the work for fiscal years ending June 30, 2020, 2021, 2022, 2023 and 2024 for the Town of Paradise Valley.

BEST QUALIFIED

With more than 60 years of experience in the government industry, serving local Arizona governments as the largest locally owned firm in the state, we are confident that we can meet your needs, exceed your expectation and provide you with the quality of service you desire. It is our strong belief that an audit is not a commodity to be churned out by the lowest bidder. We are very proud of our reputation as a firm that offers value along with the audit. We want to serve clients who are not just seeking an audit for compliance purposes. We want to be a partner that not only serves its clients needs, but helps identify them.

FIRM AND IRREVOCABLE

This proposal is firm and irrevocable for 90 days from the date the proposal is due.

If you have any questions, call Brian Hemmerle at (480) 839-4900.

Sincerely,

Henry & Horne, LLP

Henry & Horne, LLP

Contact Information:

Brian Hemmerle, CPA, CFE
2055 E. Warner Rd, Suite 101
Tempe, AZ 85284
(480) 839-4900
BrianH@hhcap.com

Client Testimonials

We believe the most important measure of our success is the satisfaction of our clients. We know that we are accomplishing our goal of providing exceptional client service on a daily basis when we receive comments like these from our clients.



Henry+Horne's auditors and managers are knowledgeable and experienced committed professionals. They meet all of their commitments timely and effectively helping us to ensure timely completion of our CAFR.

Robert Russell Weddigan, CPA, MPA, Finance Director
Town of Cave Creek



Henry+Horne always turns our audit around in a timely fashion and keeps us updated on where we are in the audit process. I'm never wondering what the status is or when I should anticipate my CAFR being issued but, if I do have a question, my audit team is always easy to reach.

Joe Duffy, Finance Director
Town of Chino Valley



Recommendations made by Henry+Horne have allowed our organization to grow and operate in a more efficient manner. Our audit team evaluates our performance in a professional, respectful and thorough manner.

Becki Guilin, Former Finance Director
Town of Florence



Henry+Horne always provides excellent and professional service. In the audit process, there is always the sense they are helping us put our best foot forward.

D. Brett Benedict, CEO & General Manager
Electrical District No. 3





Technical Section

INDEPENDENCE

Henry+Horne currently has no business, investment or family relationships with the Town of Paradise Valley. As such, Henry+Horne is independent of the Town of Paradise Valley as defined by generally accepted auditing standards as set forth in the United States General Accounting Office's Government Auditing Standards 2011 (revised). If Henry+Horne shall enter into any professional relationships during the period of this engagement, the firm will give the Town of Paradise Valley written notice.

LICENSE TO PRACTICE IN ARIZONA

Henry+Horne and all key professional staff to be assigned to the Town of Paradise Valley's audits are properly licensed by the Arizona State Board of Accountancy to practice public accounting in the State of Arizona.

FIRM QUALIFICATIONS AND EXPERIENCE

Overview of Henry+Horne:

- Founded in Arizona in 1957
- Largest locally owned accounting firm
- Serving clients throughout the western United States
- Serving the government industry since 1957

You will work with the largest, locally owned and managed accounting and consulting firm in Arizona. We have more than 140 employees in three (3) offices located throughout Arizona:

Tempe

2055 E. Warner Rd, Suite 101
Tempe, AZ 85284
(480) 839-4900

Scottsdale

7098 E. Cochise Rd, Suite 100
Scottsdale, AZ 85253
(480) 483-1170

Casa Grande

1115 E. Cottonwood Ln, Suite 100
Casa Grande, AZ 85122
(520) 836-8201

Our locations are geographically centrally located in Arizona, which allows us to operate as one firm-wide audit department. The close proximity of our offices enables us to utilize all resources from our three locations. This provides our clients with the best level of services and talent available.

Henry+Horne has a dedicated government niche with team members who work exclusively on government clients and receive customized continuing professional education in these areas. With such a large group of industry specific team members they go above the minimum of 80 hours of continuing professional education every two years. In fact, they exceed the minimum by hundreds of hours every two years. Often, you will find your government auditors are the very ones presenting the various governmental CPE classes available throughout the State. This means your team members will have the knowledge to be proficient in your audit.

The Henry+Horne team has:

- Sixteen (16) partners
- One (1) principal
- Seven (7) partner emeritus
- Fifteen (15) senior managers
- Eleven (11) directors
- Twenty (20) managers
- Twelve (12) supervisors
- Eighteen (18) senior associates
- Ten (10) advanced associates
- Ten (10) associates
- Twenty-one (21) other professionals

Your engagement team will consist of two (2) government partners, one (1) government manager, one (1) government supervisor and one (1) government associate auditor.

By choosing Henry+Horne as your auditors, your fees stay local, helping the local economy and tax revenue in your County and State.

Henry+Horne is currently an active member of:

- GFOAz (Government Finance Officers of Arizona)
- AGA (Association of Government Accountants - Phoenix Chapter)
- AASBO (Arizona Association of School Business Officials)
- GAQC (Government Audit Quality Center of the AICPA)

Henry+Horne is not a joint venture or consortium.



Henry+Horne

The 411



Arizona's Largest Locally Owned Accounting Firm

1957

FOUNDED

On the strength of a handshake, Marvin Henry & Gail Horne merged their practices to create Henry & Horne, PLC.





140+

PROFESSIONALS

78

CPAS



16

PARTNERS

10+

SERVICES



- Audit + Accounting
- Cost Segregation
- Employee Benefit Plan Audits
- Estate, Gift + Trust
- International Tax
- Litigation + Valuation
- Real Estate Appraisal
- Research + Development
- Tax Consulting + Compliance
- Wealth Management
- Plus more!

- Construction
- Government
- Not-for-Profit
- Restaurant
- Plus more!



4+

INDUSTRIES

3

LOCATIONS



1

FIRM

WE ARE SOCIAL



Henry+Horne is a member of the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants, (AICPA). Membership in the PCPS is significant because it is an acknowledgment that Henry+Horne is dedicated to the implementation and maintenance of high professional standards. It also means that all professional staff must meet minimum professional continuing education requirements. Qualifications for membership in PCPS require that member firms be subject to internal review by the governing authorities of the section. The internal reviews are designed to examine compliance with professional standards by the members and are performed by selected peers within the membership.

Our quality control procedures requires audit review by two partners with extensive government accounting knowledge, which exceeds minimum AICPA audit standards requirements.

Henry+Horne's most recent examination was completed in September 2019, and the firm again received the highest possible rating as to compliance with membership standards. This quality control review included governmental engagements.

Henry+Horne's most recent peer review report can be found in Appendix A.

Henry+Horne has had no federal or state desk reviews or field reviews of its audits during the past three (3) years. There has been no disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.



Henry+Horne has performed several audits of our annual financial statements, and each year they have submitted the reports on or before the deadline. All members of the engagement team are very knowledgeable, extremely responsive and professional.

Gergana Kovatcheva
Former Finance Consulting Manager
First Things First

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

The audit team for the Town of Paradise Valley consists entirely of high level, experienced personnel. A differentiator of our firm is that we:

- Send highly experienced staff level accountants to work on behalf of our audit clients.
- All supervisory members of your team are CPAs.
- Extremely high level of direct partner involvement throughout the engagement.
- Your audit team has years of industry and/or audit experience.

AUDIT TEAM	TITLE	ROLE	EXPERIENCE
Brian Hemmerle, CPA, CFE	Government Partner	Lead Engagement Partner	12+ Years
Chuck Goodmiller, CPA, CGMA	Co-Managing Partner	Engagement & Quality Control Review	27+ Years
Cailee Lewis, CPA	Government Manager	Engagement-in-Charge	7+ Years
Nick Baldelli, CPA	Government Supervisor		6+ Years

Part of Henry+Horne's commitment to providing the Town of Paradise Valley with top-quality service includes:

- Assigning the most competent audit professionals to the job.
- Your engagement team have performed numerous engagements and have more than 50 years combined experience in governmental accounting.
- Your engagement team are members of local and national organizations.
- Your engagement team stays current on the the latest changes to the government finance world, which means you will stay current as well.

Members of your engagement team are also involved with the following organizations.

GFOA	GFOAZ	ASCPA
Brian Hemmerle, CPA, CFE*	Brian Hemmerle, CPA, CFE	Brian Hemmerle, CPA, CFE
Chuck Goodmiller, CPA, CGMA	Cailee Lewis, CPA	Chuck Goodmiller, CPA, CGMA
Cailee Lewis, CPA*		Cailee Lewis, CPA
		Nick Baldelli, CPA

**On the special review committee for the GFOA reviewing the Comprehensive Annual Financial Reports for national government entities.*

Brian Hemmerle

- The partner who is ultimately responsible for all aspects of Henry+Horne's services for the Town of Paradise Valley.
- Brian will oversee the audit and will be assigning the work to the in-charge person for each segment.
- Brian will be on site along with the audit team.
- Brian will be the partner-in-charge of your engagement as long as you are a client.

Lead Engagement Partner

- Ensures accurate, timely and efficient audit procedures.
- Staffs job with quality audit professionals.
- Reviews audit in its entirety for a level of assurance that is of the utmost quality.

Chuck Goodmiller

- Ensure compliance with our firm's quality control.

Engagement & Quality Control Review Partner

- Trains audit team professionals.
- Evaluates team members to ensure audit process is done correctly and professionally.
- Reviews audit as part of our quality control assurance.

Cailee Lewis

- Primary client services coordinator for the audit.
- On site 100% of the time.
- Will only be assigned to the Town of Paradise Valley during fieldwork and no other client.
- Supervise the work in the field, manage the day-to-day activities and issues related to the audit, oversee the reporting process and ensure that all work is performed in compliance with the required standards and on a timely basis.

Engagement Manager and Engagement-in-Charge

- Coordinates audit from start to finish.
- Oversees complex auditing.
- Ensures job is progressing at a reasonable pace.
- Reviews audit for technical quality.

All professionals who will be associated with your audit exceed the continuing education requirements of the Government Auditing Standards and the Single Audit Act which state that auditors responsible for planning, directing, conducting and reporting on government audits should complete, every 2 years, 80 hours of continuing education and training which contributes to the auditor's professional proficiency; 24 or more of the 80 hours should be in subjects directly related to the government and not-for-profit environment and to government and not-for-profit auditing.

Senior members of your government team have acquired the following CPE requirements:

- ASCPA Governmental Accounting Conference
- GAQC Annual Update
- GASB Update: What's New This Year
- GFOA Annual Governmental GAAP Update
- GFOAz Winter Conference
- GFOAz Summer Conference
- Government Cash Flows
- Single Audit Reporting Issues
- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas

Resumes, including relevant experience and continuing education, may be found in Appendix B.

We understand our clients' concerns about continuity of staff on your engagements. While no firm can guarantee 100% staff continuity, we do have a track record of exceptionally low turnover. We have a history of low turnover, as our turnover rate for our government auditors for the past three fiscal years has been less than 17% each year. That is below the industry average of 27%. With the low turnover, it allows for our in-charge people to remain the same from year to year. The breakdown for our government auditors for the past three fiscal years is as follows:

FY 2016/2017	14.28%
FY 2017/2018	0.0%
FY 2018/2019	16.67%

If there is a change, for any reason, in firm specialists in regards to your engagement, Henry+Horne will express this in writing to the Town of Paradise Valley as it is the Town of Paradise Valley's right to approve or reject the replacements. If there is a change in other audit personnel we will provide replacements with the same or better qualifications or experience.

At Henry+Horne our primary marketable assets are skills, abilities and expertise, and our working capital is people. As in any business, we must improve our assets in order to increase the effectiveness of our working capital. Unlike people, skills do not come in assorted colors, abilities do not have gender and expertise is ageless. To that end, Henry+Horne subscribes to the philosophy that all of our team members, or potential team members, will receive equal consideration in regard to recruitment, hiring, training, promotion, compensation, benefits, discipline, transfers, education, leave of absence, and participation in company-administered activities. Such consideration will be based upon each individual's abilities, achievements and experience without regard to race, color, creed, religion, sex, age, national origin, disability, Veteran's status, or any other factor unrelated to the performance of job duties.

SIMILAR ENGAGEMENTS

City of Safford

Scope of Work: Audit

Date: 2017 - Current

Engagement Partner: Brian Hemmerle

Total Hours: 255

Contact: Alma Flores, Finance Officer

Client Phone: (928) 432-4000

Beginning and End of fieldwork: September 23 - 27

Town of Chino Valley

Scope of Work: Audit

Date: 2015 - Current

Engagement Partner: Brian Hemmerle

Total Hours: 205

Contact: Joe Duffy, Finance Director

Client Phone: (928) 636-2646

Beginning and End of fieldwork: September 30 - October 4

City of Tolleson

Scope of Work: Audit

Date: 2016 - Current

Engagement Partner: Brian Hemmerle

Total Hours: 180

Contact: Vicky Juvet, CFO

Client Phone: (623) 936-2778

Beginning and End of fieldwork: September 16 - 20

SPECIFIC AUDIT APPROACH

Henry+Horne believes an audit is a necessary and valuable tool to help the Town of Paradise Valley function efficiently and successfully. It is more than just identifying what is working and what is inoperative in order to be compliant. Our audit team will take an in-depth look at the Town of Paradise Valley's needs to formulate a plan that will help to streamline financial reporting procedures and recordkeeping along with improve operations, identify areas vulnerable to fraud and more.

A simple transition. We realize changing accounting firms is a decision with major impact on the Town of Paradise Valley. With the challenge of adjusting to change comes the opportunity to cultivate a new and beneficial working relationship that brings value to all of the parties involved. Through our workflow and audit process, we strive to make the transition as smooth and effective as possible for the Town of Paradise Valley.

Your time is valuable. Running an organization is an enormous task. That's why your auditors will maintain constant communication with the Town of Paradise Valley. We will follow through on every step of the audit to minimize the amount of time key Town of Paradise Valley personnel need to take out of their already busy schedules when responding to requests for information or attending necessary meetings.

An experienced team. We only send experienced auditors to your engagement. The team of experienced professionals assigned to the Town of Paradise Valley boasts more than 50 years combined experience serving the governmental accounting industry. Our turnover rate at Henry+Horne is nearly 20% lower than the industry average, ensuring a qualified audit team. Our professionals have the years of hands-on experience and knowledge to meet and possibly exceed the Town of Paradise Valley's expectations in the audit process and results.

Faster, better quality results. Your auditors will work to address any issues and problems that may arise during fieldwork as they come up. This ensures faster audit results and better quality results because new ideas and solutions are fresh on the team's mind. Some CPA firms issue the audit reports months after the financial statements, but we issue them at the same time.

A plan tailored to your needs. At Henry+Horne we believe that an audit is more than just a one size fits all commodity to be purchased from the lowest bidder. We will put together a plan that is customized to fit the specific needs of the Town of Paradise Valley.

Proposed Segmentation of the Engagement

Initial Audit Year: Performed In May or June

Initial year conference - Henry+Horne will send a team of experienced auditors to meet with the Town of Paradise Valley key personnel to discuss issues relating to the audit and work to be performed. We will go over the audit in detail to help the Town of Paradise Valley gain a complete understanding of the process as well as the information we will need from the Town of Paradise Valley.

- During this conference Henry+Horne would like to discuss any and all concerns the Town of Paradise Valley may have in the transition process from their previous auditors.
- Prior to our initial audit of the Town of Paradise Valley, we will review previous period auditor work papers.
- We will complete our internal client acceptance evaluation form for quality control purposes.
- A dedicated secure client portal will be made available.

Preliminary Risk Assessment Segment: Performed In May or June

Entrance conference - Your dedicated government audit team will meet with the Town of Paradise Valley's audit liaison to discuss changes to personnel, membership, funding sources, etc. in order to better assess the Town of Paradise Valley's situation and start accounting for the role these changes will play in moving forward with the audit:

- Have there been any changes to the intended use of the financials?
- Have there been any changes in management and key staff?
- Have there been any significant or unusual transactions or changes in structure?
- Have you received any notices/communication from regulatory agencies?
- Are there any significant litigation issues or covenant violations?
- What went on during the year with the operations?
 - Changes in debt issues
 - Changes in funding sources
 - If applicable, changes in federal programs for Single Audit determination
 - Change in number of employees
 - Changes in banking relationships/financing
 - Significant asset purchases
- Timing for risk assessment and substantive.
- Timing for the draft and final reports.
- Timing for exit conference with management and/or governance.

Risk Assessment Procedures:

- We will prepare and discuss with the Town of Paradise Valley a list of risk assessment related items.
- Audit team pre-planning meeting to assign tasks to staff regarding risk assessment audit areas, single audit, compliance and etc.
- An experienced member of the audit team will document a detailed understanding of the Town of Paradise Valley including:
 - Regulatory and external factors affecting the Town of Paradise Valley
 - The impact, if any, of changes in accounting pronouncements affecting the Town of Paradise Valley since the prior year.
 - Status of prior-period findings, including findings and questioned costs in compliance audits.
 - Management's strategies for the Town of Paradise Valley's growth.
 - The process management uses to measure its financial performance.
 - Other considerations and risks.
- The audit team members will gain an understanding of the Town of Paradise Valley's design and implementation of internal controls.
- Walk-through observations performed one-on-one with Town of Paradise Valley staff related to key financial processes and controls.
- Narrative and flowchart documentation of our evaluation of key controls and assessing the controls to be tested for their effectiveness.
 - Federal regulated controls for major programs as required by the Compliance Supplement for Single Audits.
- Testing the controls identified during our evaluation to determine their effectiveness and the control risk.
- Evaluation of the Town of Paradise Valley's IT environment through interviews with Town of Paradise Valley IT personnel and review of user roles related to segregation of duties.
- Subsequent to the Town of Paradise Valley's fiscal year-end, we will obtain a preliminary trial balance and perform extensive analytical procedures to aid in the planning stage of our audit.
- We will prepare and discuss with the Town of Paradise Valley a list of substantive items to be prepared by the Town.

Planning and communication with those charged with governance, to be done by supervisor or above:

- The primary partner on your audit is a Certified Fraud Examiner (CFE) who will perform one-on-one interviews with a member of your governance (mayor or council member), key personnel and other selected Town of Paradise Valley personnel to gauge the general environment of the Town of Paradise Valley and their understanding of fraud.
- Your dedicated CFE will assess the risk of fraud on various areas of the audit.

We will also provide the Town of Paradise Valley with confirmation letters for the Town of Paradise Valley's financial institutions.

Fieldwork Audit Procedures: Performed In September

Prior to substantive fieldwork, the audit team will meet to discuss and document a detailed plan of work to be performed based on the following:

- Risk assessment
- Any test of controls and walk-throughs
- Preliminary analytical
- Federal major program determination (if applicable)
- Opinion unit materiality

Our detailed plan will include using governmental audit programs customized to the Town of Paradise Valley based on our understanding and assessment of your processes and controls.

Fieldwork will include audit procedures in significant areas such as:

- Journal entry testing
- Receivables and payables
- Payroll
- Debt
- Capital assets
- Revenues and expenditures
- Subsequent review

An exit conference will conclude fieldwork. The audit team and the Town of Paradise Valley key personnel will meet to:

- Summarize the results of fieldwork
- Review any findings and discuss unresolved issues

Preliminary recommendations, suggestions and revisions will be made for both the financial statement audit and the Single audit.

Because of the commitment we will make to the Town of Paradise Valley, we believe in working closely with your staff to help them understand and implement all recommendations that are made. We strive to maintain open and constant communication during the course of the year for times when issues may arise and concerns can be addressed. We maintain that communication to ensure there are no loose ends as the audit process nears completion and to make sure the Town of Paradise Valley is not swamped with any last minute tasks or requirements.

Audit Conclusion: Performed In October

Auditors' reports, as outlined in the RFP, will be drafted for the Town of Paradise Valley's review. Because Henry+Horne employs a one-way workflow, the Town of Paradise Valley can expect to receive faster audit results. As previously mentioned, our team members will be in constant contact with key personnel while conducting fieldwork. This speeds up the work flow because your auditors will work on their findings as they gather them, rather than collecting information to come up with a plan later.

For quality control, Henry+Horne will perform a dual partner review on the Town of Paradise Valley's financial statements, auditors' reports and Single Audit. We will issue the final reports to the Town of Paradise Valley and submit the required filings to the Federal Clearinghouse.

Proposed Level of Staff and Hours

Based off the information we have gathered, we put together the following proposed segmentation of the audit. It includes the Preliminary Segment, Fieldwork Segment and the Conclusion.

AUDIT APPROACH	PARTNER	MANAGER	SUPERVISORY STAFF	STAFF	TOTAL
PRELIMINARY SEGMENT					
Perform Risk Assessment/Assessment of Internal Controls	-	1	3	6	10
Preliminary Analytical procedures	2	-	2	-	4
Staff Planning & Discussion-Specific Procedures	2	2	2	2	8
Materiality & Major Fund Determination	-	1	1	-	2
FIELDWORK SEGMENT					
Substantive audit procedures will be used throughout the specific audit areas. Audit procedures include confirmations, ratio analysis, budget and prior year balance comparisons, test of details, sampling from account populations, analytical procedures and disclosure requirements.					
Cash & Investments	1	1	-	4	6
Receivables	1	-	8	-	9
Other Assets	-	-	-	2	2
Capital Assets	3	8	-	-	11
Accounts Payable/Deposits	1	-	-	4	5
Accrued Liabilities/Interest	-	1	-	2	3
Unearned Revenues/Deferred Revenues	1	-	2	-	3
Long-term Debt and Other Liabilities	3	-	8	-	11
Pension / OPEB	2	2	-	4	8
Equity	1	-	2	-	3
Revenues	1	2	8	10	21
Expenditures	1	2	8	12	23
Other Compliance	1	-	4	2	7
Annual Expenditure Limitation Report	1	-	-	4	5
HURF Compliance	1	-	1	2	4
Compliance-Single Audit Procedures - Data Collection Submission	5	-	10	4	19
Court MAS Audit	2	-	12	10	24
Biennial Cert. of Land Use Improvement Plan AUP	2	10	-	12	24
CONCLUSION SEGMENT					
Staff Addressing Review Comments	-	-	4	4	8
CAFR Review and Disclosure Checklist	8	8	-	-	16
Total	39	38	75	84	212

Statistical Sampling

It is difficult to determine the extent to which statistical sampling is to be used in the engagement before the planning process takes place. In general, we will use sampling in our tests of transactions, test of controls, compliance and certain areas involving substantive tests. Sample sizes vary from entity to entity. Sample size typically range from 5 to 60 items for each sample. Sampling is commonly used in the accounts receivable, capital assets, accounts payable, expenditures, revenues, payroll, single audit/compliance and journal entry audit areas. We will select the appropriate sample size to support our conclusions based on the proper opinion unit materiality.

EDP Software

The method and analysis of all electronic data processes are critical to any audit in today's environment for both the auditor and the client. Henry+Horne's audit software allows us to provide timely and cost effective reporting and communication to our clients. The software uses Excel and Word programs to prepare financial statements and work paper documentation, thus allowing us to request and exchange information with you on a "user friendly" basis. We have clients who have obtained a license for the software at a minimal fee in order to prepare financial statements in house. These clients have been very impressed with the effectiveness of the software and the efficiencies gained by implementing this system. They have found it makes CAFR preparation much more streamlined.

The Town of Paradise Valley's electronic data processing (EDP) will be evaluated during the audit due to the system's relationship with financial reporting through accounting transactions and recording. The EDP system will be evaluated and documented through a series of inquiries, questionnaires and observations. After acquiring an understanding of the internal control structure and the processing of data, audit procedures will be applied to evaluate the integrity of the system.

Henry+Horne recognizes the importance of information technology and uses technology to enhance our productivity and efficiency in the audit process. Through the use of one of the leading paperless software programs for audits, we are able to download and analyze your financial data in order to effectively plan and perform the audit.

Our use of data analysis software (IDEA) gives us the ability to analyze, sort, extrapolate and compare your information with prior years, projected results and industry standards. By making use of this software, we are able to provide extra value to our clients by performing high level analysis and unpredictable tests. An example of this is the ability to compare HR records to vendor records to help analyze whether employees have set themselves up as false vendors in order to misappropriate funds.

Analytical Procedures

Generally accepted auditing standards require that analytical procedures be used in audit planning and in the overall review stage of the audit. In the planning stage, analytical procedures will be used to identify unusual changes in account balances. Comparisons will be made between the (a) current year and prior year's activity and (b) current year's activity and budget. In the overall review stage, analytical procedures will be designed to assist the auditor in assessing that (a) all significant fluctuations and other unusual items have been adequately explained and (b) the overall financial statement presentation makes sense based on the audit results and the auditor's knowledge of the Town of Paradise Valley. Other analytical procedures may be developed when deemed necessary in the audit process. It is our policy to take an analytical approach to every test we perform. In other words, we do not just churn out audit program testing and checklists. We look for appropriate relationships and develop expectations for every audit area and significant account balance. This is a benefit of having an experienced audit team.

Internal Control Structure

Accounting standards require auditors to obtain a sufficient understanding of internal control to plan the audit and to determine the nature, timing, and extent of tests to be performed. An understanding of the Town of Paradise Valley's internal control will be gained through extensive questionnaires and observations. Our procedures have been professionally developed and comply with auditing standards generally accepted in the United States. We will compare information gained through inquiries and observations to the Town of Paradise Valley's policies. We will also include fraud testing in order to comply with auditing standards. When deemed necessary, a management letter will be issued regarding significant deficiencies, material weaknesses and other management comments. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the Town of Paradise Valley's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Paradise Valley's financial statements is more than inconsequential and will not be prevented or detected by the Town of Paradise Valley's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented, or detected, by the Town of Paradise Valley's internal control.

Laws and Regulations

During the course of our audit, we will request certain items such as grant documents, contracts, leases, debt covenants, etc. and make inquiries of management in order to determine any laws and regulations which would be specific to the Town of Paradise Valley. We will also make any appropriate inquiries that may arise during our audit procedures relating to compliance. Of course, we will expect corroboration related to any answers made to our inquiries.

Audit Samples

Audit sampling can be performed on account balances, transaction classes or for test of compliance in any audit area. The level of sampling depends upon the account balance or compliance requirement. Sample sizes can vary from year to year, but often range anywhere from 5 to 60 selected items depending on auditor requirements and judgment.

Department Sampling

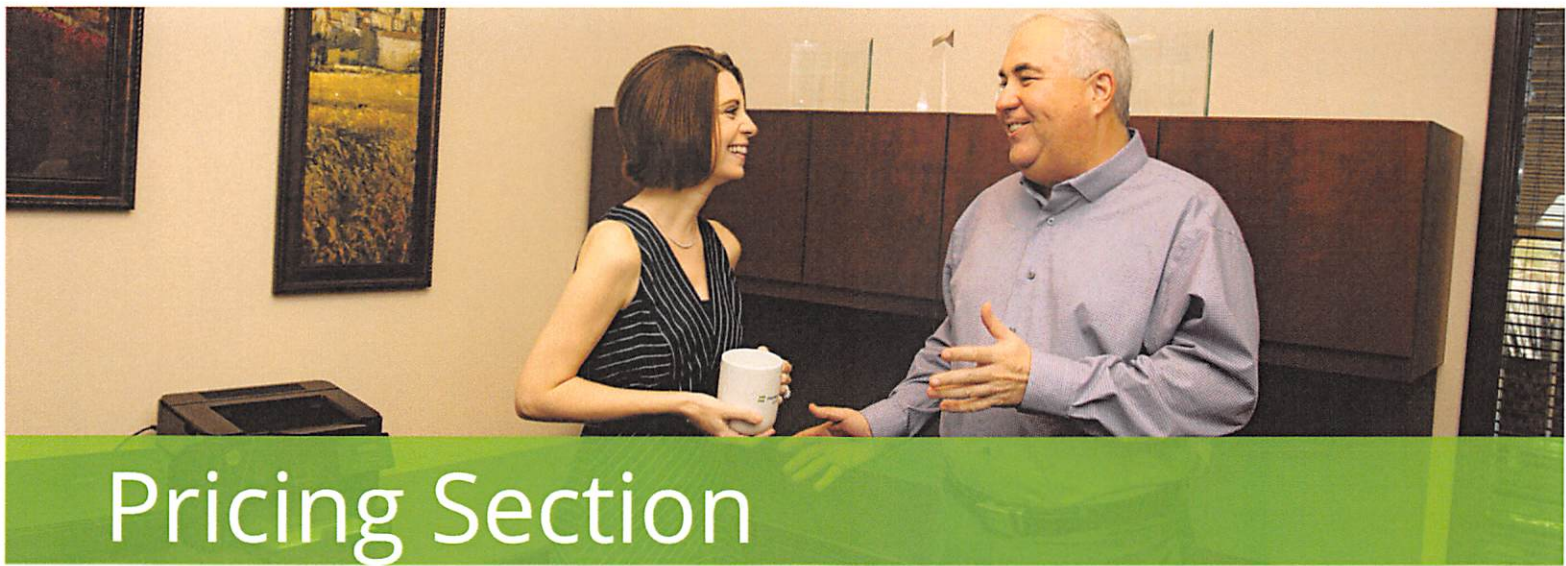
All areas/departments of the Town of Paradise Valley will be subjected to compliance and substantive sampling.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

We do not anticipate any audit problems. However, if we encounter any problems, it is our policy to immediately discuss these problems with management and to agree to a course of action before proceeding.

REPORT FORMATS

You can find the sample formats for the required reports in Appendix C.



Pricing Section

ALL-INCLUSIVE MAXIMUM PRICE

Henry+Horne has included all costs for travel, lodging and subsistence in the total maximum price. In addition, Henry+Horne will accept reimbursement for travel, lodging and subsistence at the prevailing Town of Paradise Valley rates for its employees. A summary of the all-inclusive maximum price for fiscal years 2020, 2021, 2022, 2023, and 2024 is as follows:

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total
Comprehensive Annual Financial Report	\$26,200	\$26,855	\$27,526	\$28,215	\$28,920	\$137,716
Single Audit Report	\$3,250	\$3,250	\$3,250	\$3,250	\$3,250	\$16,250
Annual Expenditure Limitation Report	\$750	\$750	\$750	\$750	\$750	\$3,750
HURF Report	\$650	\$650	\$650	\$650	\$650	\$3,250
Court MAS	N/A	N/A	\$3,550	N/A	N/A	\$3,550
Biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees	N/A	\$3,750	N/A	\$3,750	N/A	\$7,500
Total	\$30,850	\$35,255	\$35,726	\$36,615	\$33,570	\$172,016

Schedule of Professional Fees and Expenses for the 2019-2020 Comprehensive Annual Financial Report:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	28	\$250	\$7,000
Managers	28	\$175	\$4,900
Supervisory Staff	52	\$150	\$7,800
Staff	52	\$125	\$6,500
Other			
Total	160	N/A	\$26,200

Schedule of Professional Fees and Expenses for the Single Audit Report:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	5	\$250	\$1,250
Managers	-	\$175	-
Supervisory Staff	10	\$150	\$1,500
Staff	4	\$125	\$500
Other			
Total	19	N/A	\$3,250

Schedule of Professional Fees and Expenses for the Annual Expenditure Limitation Report (AELR):

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	1	\$250	\$250
Managers	-	\$175	-
Supervisory Staff	-	\$150	-
Staff	4	\$125	\$500
Other			
Total	5	N/A	\$750

Schedule of Professional Fees and Expenses for the Preparation of Highway User Revenue (HURF) Funds Letter:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	1	\$250	\$250
Managers	-	\$175	-
Supervisory Staff	1	\$150	\$150
Staff	2	\$125	\$250
Other			
Total	4	N/A	\$650

Schedule of Professional Fees and Expenses for Court (MAS) audit:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	2	\$250	\$500
Managers	-	\$175	-
Supervisory Staff	12	\$150	\$1,800
Staff	10	\$125	\$1,250
Other			
Total	24	N/A	\$3,550

Report on Agreed-Upon Procedures, Biennial Certification of Land Use Assumption, Infrastructure Improvement Plan and Development Impact Fees:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partner	2	\$250	\$500
Manager	10	\$175	\$1,750
Supervisory Staff	-	\$150	-
Staff	12	\$125	\$1,500
Other			
Total	24	N/A	\$3,750

OUT-OF-POCKET EXPENSES

Henry+Horne has included all costs for travel, lodging and subsistence in the total maximum price.

MANNER OF PAYMENT

A progress payment will be made upon the completion of fieldwork based on the total hours of work performed and out-of-pocket expenses incurred compared to the total maximum price in accordance with the firm's pricing section of the proposal. The second payment will cover the final fieldwork and the third payment will cover the drafting and preparation of reports, schedules and financial statements due in November as requested in the RFP. The final payment will cover work on any other items to complete the annual work requested in the RFP. The Town of Paradise Valley will withhold the final bill payment until pending delivery of all final reports, schedules and financial statements. Henry+Horne will provide a detailed schedule indicating the charges by report, hours by report and charges per major grant.

The pricing listed is guaranteed not to exceed the quoted price and includes all fees for travel, insurance, reimbursables and any other applicable costs.

Henry+Horne has never charged additional fees above the proposed amount for services as listed in the RFP. Henry+Horne does stand behind our price estimate in all proposals as well as our quoted hours. All professionals work at a different pace and Henry+Horne knows the pace our certified public accountants work. They are experienced professionals who are efficient at performing audits of financial statements.

The number of hours does change from year to year depending upon our risk assessments but those variations are included in the estimated hours. Additional fees would only be charged if there is a change in the scope of work by you, the client. Any change in the scope the Town of Paradise Valley requested would be discussed with Henry+Horne and the Finance Director prior to performing the work.

RATES FOR ADDITIONAL SERVICES

Fees for other services will be arranged with you in advance based upon our level of involvement. Currently, our hourly billing rates, by staff level are:

LEVEL	RATE PER HOUR
Partner	\$250
Manager	\$175
Supervisory Staff	\$150
Staff	\$125

Conclusion

Thank you for your consideration of Henry+Horne as a provider of professional services. We hope we have addressed your needs and captured what your organization is all about.

We are excited about the possibility of our two organizations working together. We are similar in our philosophies, our willingness to provide exceptional service, and our desire to do the right thing for those that we work with, our customers and the community.

We would be honored to have Town of Paradise Valley as a client and if selected, we will exceed your expectations. We are confident we can provide you with a level of service that is unparalleled to anything your organization has experienced.

We look forward to serving you and having you as a part of the Henry+Horne family.



Appendix A - Peer Review



Report on the Firm's System of Quality Control

To the Partners of
Henry & Horne, LLP
and the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Henry & Horne, LLP (the "firm") in effect for the year ended May, 31, 2019. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included, (engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, an audit performed under FDICIA, and examinations of service organizations [Service Organizations (SOC 1 and 2 engagements]).

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Henry & Horne, LLP in effect for the year ended May 31, 2019, 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*. Henry & Horne, LLP has received a peer review rating of *pass*.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 18, 2019

Your Success is Our Focus

Appendix B - Bios

BRIAN HEMMERLE, CPA, CFE



Brian Hemmerle, CPA, CFE

Audit Partner

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: BrianH@hhcpa.com



I endeavor to provide you with a timely audit that is of the highest quality and diligence. You will find that I am a reliable resource to you throughout the year, not just during your audit.

Areas of Expertise

Brian is in-charge of the government niche at Henry+Horne. his primary focus is working in the Audit Department, performing audits for government, non-profit and small business entities as well as reviews and compilations for a wide variety of clientele. Brian is also a special reviewer for the Government Finance Officers Association's CAFR award.

Professional Certifications

- Certified Public Accountant- Arizona
- Certified Fraud Examiner

Education

- University of Arizona (B.S. in Accountancy)

Affiliations

- American Institute of Certified Public Accountants
- Arizona Association of School Business Officials
- Arizona Society of Certified Public Accountants
- Association of Certified Fraud Examiners
- Government Finance Officers Association
- Girl Scouts Arizona Cactus Pine Council (Board Treasurer)

Continuing Professional Education - A full list is available upon request

- ASCPA Government Conference
- Developing and Reporting Audit Findings
- GAQC Annual Update
- GASB Update: What's new this year?
- GFOA Annual Government GAAP Update
- GFOA Quarterly Training
- GFOAz Winter Conference
- Professional Liability Insurance Update
- Revenue Recognition: GASB Style
- Single Audit Reporting Issues

Speaking Engagements

- Fraud in Government
- GASB Update 2019
- In Depth Look at the CAFR



Chuck Goodmiller, CPA, CGMA

Co-Managing Partner
Audit Partner

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: ChuckG@hhcpa.com



I thrive on finding new solutions to old problems and strategizing new ways of doing things to benefit my clients and team members. My greatest accomplishment is anytime I know that I helped a client achieve a goal or helped a team member learn and grow professionally.

CHARLES (CHUCK) H. GOODMILLER, CPA, CGMA

Areas of Expertise

Chuck is Co-Managing Partner of Henry+Horne and serves on the firm's Executive Committee and Audit and Accounting Committee. Chuck specializes in providing his clients with professional and personalized service. He provides detailed knowledge of the procedures for audits, reviews and compilations. His extensive experience includes specialty areas such as audits of federally funded entities including municipalities, Native American Indian entities, not-for-profit organizations and special districts.

Professional Certifications

- Certified Public Accountant- Arizona
- Chartered Global Management Accountant

Education

- Arizona State University (B.S. in Accountancy)

Affiliations

- American Institute of Certified Public Accountants
- Arizona Society of Certified Public Accountants
- Casa Grande Rotary Scholarship Foundation (Board Treasurer)
- Casa Grande Regional Hospital Foundation (Board Member)
- Governmental Finance Officers Association
- Rotary International in the Casa Grande Club
- Seeds of Hope, Inc. (Past Board Treasurer)

Continuing Professional Education - A full list is available upon request

- AICPA Annual Audit & Accounting Update
- AICPA Government Training Program
- AICPA Sampling and Analytical Procedures
- Developing and Reporting Audit Findings
- Government Re-engineering
- Professional Liability Insurance Update
- Revenue Recognition: GASB Style
- Single Audit Reporting Issues

**Cailee J. Lewis, CPA**

Audit Manager

Government Services

Phone: (520) 836-8201

Fax: (520) 426-9432

E-mail: Cailee@hncpa.com



I enjoy the challenge and rapid pace of my work. I'm driven to stay focused and get work done for my clients quickly, efficiently and correctly. I strive to stay on top of tasks and deadlines to ensure my clients are getting a quality of service that far exceeds their expectations.

CAILEE J. LEWIS, CPA

Areas of Expertise

Cailee specializes in audit, review and compilations services for clients in the government industry including special districts, state and local governments and more.. She is currently a CAFR reviewer for the Government Finance Officers Association. Prior to joining Henry+Horne in 2013, Cailee worked as a Corporate Accountant as well as a Staff Accountant at a small CPA firm.

Professional Certifications

- Certified Public Accountant- Arizona

Education

- University of San Diego (B.S. in Accountancy)

Affiliations

- American Institute of Certified Public Accountants
- Arizona Society of Certified Public Accountants
- Government Finance Officers Association

Continuing Professional Education -A full list is available upon request

- AICPA Audit & Accounting Update
- ASCPA Government Accounting Conference
- Developing and Reporting Audit Findings
- GASB Update: What's new this year?
- GFOA Summer Conference
- GFOA Winter Conference
- Generally Accepted Governmental Auditing Standards for Attestation Engagements
- Government Re-engineering
- Governmental GAAP: Fund Financial Statements
- Revenue Recognition: GASB Style

Speaking Engagements

- GASB Update 2019 (Henry+Horne Government and Not-for-Profit Conference)



Nick Baldelli, CPA

Audit Supervisor
Government Services
Phone: (480) 839-4900
Fax: (480) 839-4664
E-mail: NickB@hhcpa.com



*I like to develop meaningful relationships.
It's not just about the numbers but what
and who those numbers impact. It's
about solving problems and growth.*

NICK BALDELLI, CPA

Areas of Expertise

Nick is an audit supervisor in the Government and Nonprofit niches where he uses data to go above and beyond to help his clients increase efficiency and effectiveness from an audit perspective. He is known for the ability to work with his clients as a team to find a solution to the problem. .

Professional Certifications

- Certified Public Accountant- Arizona
- Certified Public Accountant - North Carolina

Education

- University of North Carolina Asheville (B.S. in Accountancy)

Affiliations

- American Institute of Certified Public Accountants
- Arizona Society of Certified Public Accountants
- Government Finance Officers Association

Continuing Professional Education - A full list is available upon request

- AICPA Uniform Guidance Procurement
- North Carolina GFOA Ethics
- North Carolina GFOA Uniform Guidance: Compliance and Internal Controls
- North Carolina LGC Auditing, Reporting & Review
- North Carolina LGC Auditor Independence
- North Carolina LGC Audit Sampling, Financial Reporting & Compliance Auditing
- North Carolina LGC Internal Control Evaluation and Opportunities
- North Carolina LGC Single Audit: Uniform Guidance Requirements
- North Carolina LGC Various GASB Updates
- North Carolina LGC Managing Fraud Risk and Public Corruption
- North Carolina LGC Audit Documentation, Supervision and Review
- North Carolina LGC Yellow Book Requirements
- Thompson Reuters Audit Watch Experienced In-charge Intensive Training
- Thompson Reuters Audit Watch Audit Senior Intensive Training
- Thompson Reuters Governmental Accounting and Auditing

Appendix C - Sample Reports

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of _____
_____, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of _____, Arizona (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of _____, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Streets and Open Space Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of _____, Arizona's basic financial statements. The introductory section, the financial information listed as other supplementary information in the table of contents and the statistical section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the City of _____, Arizona failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of _____ solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of _____'s noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on _____ our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of _____, Arizona's, internal control over financial reporting and compliance.

Tempe, Arizona
Date

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and City Council
of the City of _____, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of _____, Arizona for the year ended June 30, 2018. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of City of _____, Arizona, referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Tempe, Arizona
[Date]

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Honorable Mayor and Council
City of _____, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of _____, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of _____, Arizona's major federal programs for the year ended June 30, 2018. City of _____, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of _____, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of _____, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of _____, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of _____, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of _____, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of _____, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of _____, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of _____, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of _____'s basic financial statements. We issued our report thereon dated [Date], which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Tempe, Arizona
[Date]

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

Directors Name
COURT NAME, Arizona

We have performed the procedures enumerated in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-30-2018* which were agreed to by the COURT NAME, on the court records of the COURT NAME for the year ended June 30, 2018. The COURT NAME's management is responsible for the court records. The sufficiency of these procedures is solely the responsibility of the COURT NAME. Consequently, we make no representation regarding the sufficiency of the procedures described in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-30-2018*, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are enumerated in the State of Arizona Supreme Court's Minimum Accounting Standards, *Guide for External Reviews by Auditors Revised 5-30-2018*. The results of performing the procedures are included in the accompanying Summary of Exceptions.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the court records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the COURT NAME and is not intended to be and should not be used by anyone other than those specified parties.

Tempe, Arizona

Date

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Finance Director and City Council
City of _____, Arizona

We have performed the procedures enumerated below, which were agreed to by the City of _____ (the specified parties), on the receipt and use of fees relating to the City's Infrastructure Improvement Plans (IIPs), as adopted in 2014 and 2017, for the City of _____'s biennial period ending June 30, 2018. The City of _____'s management is responsible for receipt and use of fees relating to the City's Infrastructure Improvement Plans (IIPs), as adopted in 2014 and 2017. The sufficiency of these procedures is solely the responsibility of the City Management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) Selected a sample 25 receipts and determine fees were charged in accordance with authorized fee schedules.
 - a) No exceptions noted.
- 2) Recalculated fees for a sample of 25 transactions to determine that each developer/unit is charged the same rate as another equivalent developer/unit to demonstrate "inequities" and "level of service".
 - a) No exceptions noted.
- 3) Selected a sample of 20 expenditures and determine that the expenditure was associated with an approved project in the IIPs.
 - a) No exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the receipt and use of fees relating to the City's Infrastructure Improvement Plans (IIPs), as adopted in 2014 and 2017. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of _____'s management and is not intended to be and should not be used by anyone other than those specified parties.

Tempe, Arizona
[Date]

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of _____, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of _____, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of _____, Arizona's basic financial statements, and have issued our report thereon dated [Date].

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of _____, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of _____, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of _____, Arizona's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of _____, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tempe, Arizona
[Date]



Join us for quarterly CPE

Internal Control + Fraud: Andrew Gill, CPA + Aaron Funk, CPA

12/12/19 **Tempe:** Breakfast 8:00AM • Presentation 8:30 - 9:30AM **Webinar** 8:30 - 9:30AM

There is always room for enhancement to internal controls. We will discuss how to identify a process vs control and how you can identify gaps, redundancies or ways to develop efficiencies in accounting processes. We will also review case studies where a lack of controls resulted in fraud.

Annual Accounting Updates Conference

02/13/20 **Phoenix Zoo:** 8:00AM - 3:45PM

Start the year off right at your organization by attending our annual one-day conference for government + nonprofit accounting professionals. Stay up to date on issues such as new reporting requirements, fraud, federal funding and more.

Quality SEFA Prep: Brian Hemmerle, CPA, CFE

May 2020 **Tempe:** Breakfast 8:00AM • Presentation 8:30 - 9:30AM **Webinar** 8:30 - 9:30AM

A look at what the auditors are doing to ensure you are properly reporting your Schedule of Expenditures of Federal Awards (SEFA), including what resources are available to you and what it means to prepare a quality SEFA.

Tempe Location • 2055 E Warner Rd, Suite 101, Tempe, AZ

For more information, visit our website at www.hhcpa.com/cpeopportunities or call us at (480) 839-4900.



QUESTIONNAIRE

Solicitation Number: **P20-105-FIN**

**Town of Paradise Valley
Procurement**
6401 East Lincoln Drive
Paradise Valley, Arizona 85345
Phone: (480-348-3594)

Please list a minimum of three (3) owner references from similar projects whom the Town may contact:

1. Company: City of Safford
Contact Name: Alma Flores, Finance Officer Phone: (928) 432-4000
Email: aflores@ci.safford.az.us
Project Name: Audit
Project Cost: \$42,000
Project Description: Performed an audit of the financial statements.
2. Company: Town of Chino Valley
Contact Name: Joe Duffy, Finance Director Phone: (928) 636-2646
Email: jduffy@chinoaz.net
Project Name: Audit
Project Cost: \$34,000
Project Description: Performed an audit of the financial statements.
3. Company: City of Tolleson
Contact Name: Vicky Juvet, CFO Phone: (623) 936-2778
Email: vjuvet@tollesonaz.org
Project Name: Audit
Project Cost: \$30,000
Project Description: Performed an audit of the financial statements.



QUESTIONNAIRE

Solicitation Number: P20-105-FIN

**Town of Paradise Valley
Procurement**
6401 East Lincoln Drive
Paradise Valley, Arizona 85345
Phone: (480-348-3594)

Offerors are to indicate below any exceptions they have taken to the Terms, Conditions, or Scope of Work:

☒ No Exceptions.

☐ Offeror takes the following Exceptions:

Offeror acknowledges that NO changes to the Town's Insurance Requirements, Indemnification and Document Use requirements will be granted, and that any changes or modifications requested may result in the offeror's proposal being considered non-responsive.

☒ Yes ☐ No *If no, give reason below*

Offeror acknowledges acceptance of the Town of Paradise's Valley Standard Terms and Conditions and Special Terms and Conditions and takes no exceptions.

☒ Yes ☐ No *If no, give reason below*

Offeror acknowledges acceptance of the Town of Paradise Valley 's Scope of Work and takes no exceptions.

☒ Yes ☐ No *If no, give reason below*

Has your firm been certified by any jurisdiction in Arizona as a minority or woman owned business enterprise? Yes _____, No X .

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



PRICE SHEET

Solicitation Number: **P20-105-FIN**

**Town of Paradise Valley
Procurement**
6401 East Lincoln Drive
Paradise Valley, Arizona 85345
Phone: (480-348-3594)

Total all-inclusive price for Audit services*:

Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total
Comprehensive Annual Report	\$26,200	\$26,855	\$27,526	\$28,215	\$28,920	\$137,716
Single Audit Reports	\$3,250	\$3,250	\$3,250	\$3,250	\$3,250	\$16,250
Annual Expenditure Limitation Report	\$750	\$750	\$750	\$750	\$750	\$3,750
Highway User Revenue Funds letter	\$650	\$650	\$650	\$650	\$650	\$3,250
Court MAS	N/A	N/A	\$3,550	N/A	N/A	\$3,550
Biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees	N/A	\$3,750	N/A	\$3,750	N/A	\$7,500
Total	\$30,850	\$35,255	\$35,726	\$36,615	\$33,570	\$172,016

*The City reserves the right to request only those audits that are necessary or are required by applicable laws and regulations during any single fiscal year.

Schedule of Professional Fees and Expenses for the 2019-2020 Comprehensive Annual Financial Report:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	28	\$ 250	\$ 7,000
Managers	28	\$ 175	\$ 4,900
Supervisory Staff	52	\$ 150	\$ 7,800
Staff	52	\$ 125	\$ 6,500
Other (Specify):		\$ -	\$ -
Total	NA	NA	\$ 26,200



PRICE SHEET

Solicitation Number: **P20-105-FIN**

**Town of Paradise Valley
Procurement**
6401 East Lincoln Drive
Paradise Valley, Arizona 85345
Phone: (480-348-3594)

Schedule of Professional Fees and Expenses for Single Audit Report:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	5	\$ 250	\$ 1,250
Managers	-	\$ 175	\$ -
Supervisory Staff	10	\$ 150	\$ 1,500
Staff	4	\$ 125	\$ 500
Other (Specify):		\$	\$
Total	NA	NA	\$ 3,250

Schedule of Professional Fees and Expenses for Annual Expenditure Limitation Report (AELR):

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	1	\$ 250	\$ 250
Managers	-	\$ 175	\$ -
Supervisory Staff	-	\$ 150	\$ -
Staff	4	\$ 125	\$ 500
Other (Specify):		\$ -	\$ -
Total	NA	NA	\$ 750

Schedule of Professional Fees and Expenses for Preparation of Highway User Revenue (HURF) Funds letter:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	1	\$ 250	\$ 250
Managers	-	\$ 175	\$ -
Supervisory Staff	1	\$ 150	\$ 150
Staff	2	\$ 125	\$ 250
Other (Specify):		\$ -	\$ -
Total	NA	NA	\$ 650



PRICE SHEET

Solicitation Number: **P20-105-FIN**

**Town of Paradise Valley
Procurement**
6401 East Lincoln Drive
Paradise Valley, Arizona 85345
Phone: (480-348-3594)

Court (MAS) audit:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	2	\$ 250	\$ 500
Managers	-	\$ 175	\$ -
Supervisory Staff	12	\$ 150	\$ 1,800
Staff	10	\$ 125	\$ 1,250
Other (Specify):	-	\$ -	\$ -
Total	NA	NA	\$ 3,550

Report on Agreed-Upon Procedures, Biennial Certification of Land Use Assumption, Infrastructure Improvement Plan and Development Impact Fees:

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	2	\$ 250	\$ 500
Managers	10	\$ 175	\$ 1,750
Supervisory Staff	-	\$ 150	\$ -
Staff	12	\$ 125	\$ 1,500
Other (Specify):		\$ -	\$ -
Total	NA	NA	\$ 3,750

Rates for Additional Professional Services

Description	Number of Hours	Hourly Rate(s)	Total (\$)
Partners	NA	\$ 250	\$ 250
Managers	NA	\$ 175	\$ 175
Supervisory Staff	NA	\$ 150	\$ 150
Staff	NA	\$ 125	\$ 125
Other (Specify):	NA	\$ -	\$ -
Total	NA	NA	\$

Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85253-4328
www.paradisevalleyaz.gov



Solicitation Number P20-105-FIN - Professional Auditing Services

Addendum #1 - January 22, 2020

The Solicitation is amended by the following clarifications/additional information. If any provision in this Addendum conflicts with any existing provision in the Solicitation, this Addendum will control. All other terms, conditions, and provisions of the solicitation remain in effect as published.

The following Question(s) and Answer(s) were received by the Town, during the Question Submittal period.

Questions and Answers

- 1. Question:** Please provide a copy of these reports for the most recently completed year:
- Annual Expenditure Limitation Report (AELR)
 - Impact Fee Biennial Audit Report

Response: All financial reports can be found on the Town's website under Finance

<https://www.paradisevalleyaz.gov/262/Budgets-Financial-Reports>

<https://www.paradisevalleyaz.gov/477/Development-Fees>

- 2. Question:** What were the most recent contracted fees for each service covered by this RFP?

Response: In 18/19 the Town's expenses for Auditing services was \$31,310.

- 3. Question:** Were there any additional fees paid to the Town's audit firm beyond those on the original contract? If so, what were the amounts and what services did they cover?

Response: The Town did not request any additional services in the last two years.

By signing and submitting a Bid or Proposal, the Bidder/Proposer is acknowledging that they will abide by all Addenda issued prior to the opening of the Bid/Proposals and agreeing that all pricing takes into account all such Addenda.

End of Addendum #1

Peggy A. Ferrin, CPPB
Procurement Coordinator
purchasing@paradisevalleyaz.gov