

**PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
LARSONALLEN, LLP**

THIS PROFESSIONAL SERVICES AGREEMENT (this "Agreement") is made as of June 17, 2010, between the Town of Fountain Hills, an Arizona municipal corporation (the "Town") and LarsonAllen, LLP, a Minnesota limited liability partnership (the "Contractor").

RECITALS

A. The Town issued a Request for Proposals "Request for Proposals for Financial Audit Services" (the "RFP"), attached hereto as Exhibit A and incorporated herein by reference, seeking proposals from vendors for financial auditing services.

B. The Contractor submitted a proposal in response to the RFP (the "Proposal"), attached hereto as Exhibit B and incorporated herein by reference, and the Town desires to enter into an Agreement with the Contractor to provide financial auditing services (the "Services").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing 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 is hereby acknowledged, the Town and the Contractor 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 December 31, 2012 (the "Initial Term"). This Agreement may be renewed for up to two additional three-year terms (each a "Renewal Term") if deemed in the best interests of the Town and subject to availability and appropriation of funds for renewal in each subsequent year. Such renewal shall occur upon the Town's written notice to the Contractor given not later than 30 days prior to the end of the then-current term. The Initial Term and any Renewal Terms are collectively referred to as the "Term". Upon renewal, the terms and conditions of this Agreement shall remain in full force and effect.

2. **Scope of Work.** Contractor shall provide the Services as set forth in the Scope of Work, attached hereto as Exhibit C and incorporated herein by reference.

3. **Compensation.** The Town shall pay Contractor an amount not to exceed \$84,300.00 for the Services at the rates as set forth in the Fee Proposal, attached hereto as Exhibit D and incorporated herein by reference.

4. **Payments.** The Town shall pay the Contractor 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. The invoice statement shall include a record of time expended and work performed in sufficient detail to justify payment.

5. Documents. All documents prepared and submitted to the Town pursuant to this Agreement shall be the property of the Town.

6. Contractor Personnel. Contractor shall provide adequate, experienced personnel, capable of and devoted to the successful completion of the Services to be performed under this Agreement. Contractor agrees to assign specific individuals to key positions. If deemed qualified, the Contractor is encouraged to hire Town residents to fill vacant positions at all levels. Contractor 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, Contractor shall immediately notify the Town of same and shall, subject to the concurrence of the Town, replace such personnel with personnel of substantially equal ability and qualifications.

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

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

9. Performance Warranty. Contractor 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 Contractor 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 Contractor, 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 Contractor, Contractor shall purchase and maintain, at its own expense, hereinafter stipulated minimum insurance with insurance companies duly licensed by the State of Arizona 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 Contractor. 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 Contractor 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 and self-insured retention or deductible portions, 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. Contractor'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. 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 Contractor. Contractor shall arrange to have such subrogation waivers incorporated into each policy via formal written endorsement thereto.

g. 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. Contractor shall be solely responsible for any such deductible or self-insured retention amount.

h. Use of Subcontractors. If any work under this Agreement is subcontracted in any way, Contractor 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 Contractor. Contractor shall be responsible for executing any agreements with its subcontractors and obtaining certificates of insurance verifying the insurance requirements.

i. Evidence of Insurance. Prior to commencing any work or services under this Agreement, Contractor 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 Contractor'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. In the event any insurance policy required by this Agreement is written on a "claims made" basis, coverage shall extend for two years past completion of the Services and the Town's acceptance of the Contractor's work or services and as evidenced by annual certificates of insurance. If any of the policies required by this Agreement expire during the life of this Agreement, it shall be Contractor'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 of 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 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) Contractor's insurance shall be primary insurance as respects performance of the 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 Contractor under this Agreement.

(4) A 30-day advance notice cancellation provision. If ACORD certificate of insurance form 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. Contractor 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. Contractor shall maintain Business Automobile Liability insurance with a limit of \$1,000,000 each occurrence on Contractor's owned, hired and non-owned vehicles assigned to or used in the performance of the Contractor'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 Contractor engages in any professional services or work adjunct or residual to performing the work under this Agreement, the Contractor shall maintain Professional Liability insurance covering negligent errors and omissions arising out of the

Services performed by the Contractor, or anyone employed by the Contractor, or anyone for whose negligent acts, mistakes, errors and omissions the Contractor is legally liable, with an unimpaired liability insurance limit of \$2,000,000 each claim and \$2,000,000 annual aggregate. In the event the Professional Liability insurance policy is written on a "claims made" basis, coverage shall extend for two years past completion and acceptance of the Services, and the Contractor shall be required to submit certificates of insurance and a copy of the declaration page(s) of the insurance policies evidencing proper coverage is in effect as required above.

d. Workers' Compensation Insurance. Contractor shall maintain Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over Contractor'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 materially change without 30 days' prior written notice to the Town.

12. Applicable Law; Venue. In the performance of this Agreement, Contractor shall abide by and conform to any and all laws of the United States, State of Arizona and Town of Fountain Hills, including but not limited to, federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this Agreement. 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 State of Arizona.

13. Termination; Cancellation.

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

13.2 For Cause. This Agreement may be terminated by either party upon 30 days' written notice should the other party fail to substantially perform in accordance with this Agreement's terms, through no fault of the party initiating the termination. In the event of such termination for cause, payment shall be made by the Town to the Contractor for the undisputed portion of its fee due as of the termination date.

13.3 Due to Work Stoppage. This Agreement may be terminated by the Town upon 30 days' written notice to Contractor 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 Contractor for the undisputed portion of its fee due as of the termination date.

13.4 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 the Agreement or any extension of the Agreement is in effect, an employee of any other party to the Agreement in any capacity or a consultant to any other party of the Agreement with respect to the subject matter of the Agreement.

13.5 Gratuities. The Town may, by written notice to the Contractor, 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 Contractor or any agent or representative of the Contractor to any officer, agent or employee of the Town for the purpose of securing this Agreement. In the event this Agreement is cancelled by the Town pursuant to this provision, the Town shall be entitled, in addition to any other rights and remedies, to recover or withhold from the Contractor an amount equal to 150% of the gratuity.

13.6 Agreement Subject to Appropriation. The provisions of this Agreement for payment of funds by the Town shall be effective when funds are appropriated for purposes of this Agreement and are actually available for payment. The Town shall be the sole judge and authority in determining the availability of funds under this Agreement and the Town shall keep the Contractor fully informed as to the availability of funds for the Agreement. The obligation of the Town to make any payment pursuant to this Agreement is a current expense of the Town, payable exclusively from such annual appropriations, and is not a general obligation or indebtedness of the Town. If the Town Council fails to appropriate money sufficient to pay the amounts as set forth in this Agreement during any immediately succeeding fiscal year, this Agreement shall terminate at the end of then-current fiscal year and the Town and the Contractor shall be relieved of any subsequent obligation under this Agreement.

14. Miscellaneous.

14.1 Independent Contractor. The Contractor 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. Contractor, 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 Contractor, its employees or subcontractors. The Contractor, and not the Town, shall determine the time of its performance of the services provided under this Agreement so long as Contractor meets the requirements of its agreed Scope of Work as set forth in Section 2 above. Contractor is neither prohibited from entering into other contracts nor prohibited from practicing its profession elsewhere. Town and Contractor do not intend to nor will they combine business operations under this Agreement.

14.2 Laws and Regulations. The Contractor 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 Contractor is responsible remains in compliance with all rules, regulations, ordinances, statutes or laws affecting the Services, including 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 ("OSHA") standards.

14.3 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 Contractor.

14.4 Provisions Required by Law. Each and every provision of law and any clause required by law to be in the 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, the Agreement will promptly be physically amended to make such insertion or correction.

14.5 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 the Agreement which may remain in effect without the invalid provision or application.

14.6 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 Contractor is advised that taxes or Social Security payments will not be withheld from any Town payments issued hereunder and Contractor agrees to be fully and solely responsible for the payment of such taxes or any other tax applicable to this Agreement.

14.7 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 the 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.

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

14.9 Subcontracts. No subcontract shall be entered into by the Contractor with any other party to furnish any of the material or services specified herein without the prior written approval of the Town. The Contractor is responsible for performance under this Agreement whether or not subcontractors are used.

14.10 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 Contractor 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.

14.11 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.

14.12 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.

14.13 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 Contractor any amounts Contractor 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 Contractor any amounts Contractor owes to the Town for delinquent fees, transaction privilege taxes and property taxes, including any interest or penalties.

14.14 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, (c) given to a recognized and reputable overnight delivery service, to the address set forth below or (d) delivered by facsimile transmission to the number set forth below:

If to the Town: Town of Fountain Hills
16705 East Avenue of the Fountains
Fountain Hills, Arizona 85268
Facsimile: (480) 837-3145
Attn: Richard L. Davis, Town Manager

With copy to: GUST ROSENFELD, P.L.C.
One East Washington, Suite 1600
Phoenix, Arizona 85004-2553
Facsimile: 602-340-1538
Attn: Andrew J. McGuire, Esq.

If to Contractor: LarsonAllen, LLP
1201 South Alma School Road
Mesa Arizona 85210
Facsimile: (480) 615-2350
Attn: Dennis J. Osuch, Principal

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, (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, or (d) when received by facsimile transmission during the normal business hours of the recipient. 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.

14.15 Confidentiality of Records. The Contractor 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 Contractor's duties under this Agreement. Persons requesting such information should be referred to the Town. Contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of Contractor as needed for the performance of duties under this Agreement.

14.16 Records and Audit Rights. Contractor's and its subcontractor's books, records, correspondence, accounting procedures and practices, and any other supporting evidence relating to this Agreement, including the papers of any Contractor and its subcontractors' employees who perform any work or Services pursuant to this Agreement to ensure that the Contractor and its subcontractors are complying with the warranty under subsection 14.17 below (all 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 Contractor'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 Contractor's and its subcontractors' compliance with the Arizona employer sanctions laws referenced in subsection 14.17 below. To the extent necessary for the Town to audit Records as set forth in this subsection, Contractor 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 Contractor pursuant to this Agreement. Contractor 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 Contractor or its subcontractors reasonable advance notice of intended audits. Contractor 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.

14.17 E-verify Requirements. To the extent applicable under ARIZ. REV. STAT. § 41-4401, the Contractor and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and compliance with the E-verify requirements under ARIZ. REV. STAT. § 23-214(A). Contractor'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.

14.18 Scrutinized Business Operations. Pursuant to ARIZ. REV. STAT. §§ 35-391.06 and 35-393.06, the Contractor certifies that it does not have scrutinized business operations in Sudan or Iran. For the purpose of this subsection the term "scrutinized business operations" shall have the meanings set forth in ARIZ. REV. STAT. § 35-391 or 35-393, as applicable. If the Town determines that the Contractor submitted a false certification, the Town may impose remedies as provided by law including terminating this Agreement pursuant to subsection 13.2 above.

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

14.20 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.

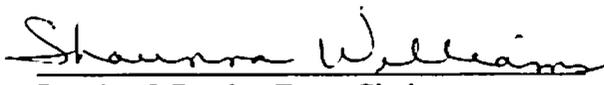
IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date and year first set forth above.

"Town"

TOWN OF FOUNTAIN HILLS, an Arizona
municipal corporation

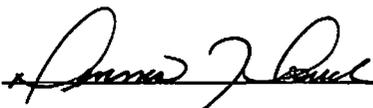

Richard L. Davis, Town Manager

ATTEST:


~~Bevelyn J. Bender, Town Clerk~~
Shaunna Williams, Acting Town Clerk

"Contractor"

LARSONALLEN, LLP,
a Minnesota limited liability partnership

By: 

Name: Dennis J. Osuch

Its: Principal

(ACKNOWLEDGEMENTS)

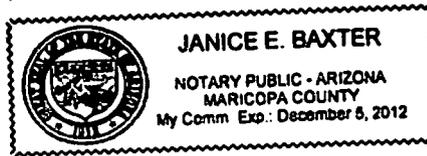
STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me on June 29, 2010,
by Richard L. Davis, the Town Manager of the TOWN OF FOUNTAIN HILLS, an Arizona
municipal corporation, on behalf of the Town of Fountain Hills.

Janice E. Baxter
Notary Public in and for the State of Arizona

My Commission Expires:

December 5, 2012



STATE OF Arizona)
) ss.
COUNTY OF Maricopa)

This instrument was acknowledged before me on June 23, 2010,
by Dennis J. Osuch as Principal of LARSONALLEN, LLP, a
Minnesota limited liability partnership, on behalf of the partnership.

Monica L. Langefeld

Monica L. Langefeld
Notary Public in and for the State of AZ

My Commission Expires:

Nov 4, 2013



EXHIBIT A
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
LARSONALLEN, LLP

[RFP]

See following pages.



**TOWN OF FOUNTAIN HILLS
FINANCIAL DIVISION**

**REQUEST FOR PROPOSALS
FOR
FINANCIAL AUDIT SERVICES**

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

SOLICITATION INFORMATION AND SELECTION SCHEDULE

Solicitation Title: **Financial Audit Services**

Release Date: **April 26, 2010**

Advertisement Dates: **April 22, 2010 – Arizona Business Gazette**

NON-MANDATORY

Pre-Submittal Conference: **Not Applicable to this Solicitation**

Final Date for Inquiries **May 11, 2010**

Proposal Due Date and Time: **May 20, 2010
3:00 p.m. (local time, Phoenix, Arizona)**

Shortlist Announced for Oral Interviews: **May 27, 2010**

Oral Interviews (if necessary): **Week of June 1, 2010**

Target Town Council Award Date: **June 21, 2010**

Anticipated Agreement Start Date: **July 1, 2010**

Town Representatives: **Julie Gheti jghetti@fh.az.org
480-816-5113
Mary Martin mmartin@fh.az.org
480-816-5179**

* In the event that a Vendor cannot be selected based solely on Proposals submitted, Oral Interviews may be conducted at the Town's sole discretion.

** The Town of Fountain Hills reserves the right to amend the solicitation schedule as necessary.

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I. RFP PROCESS; AWARD OF AGREEMENT

1. Purpose; Scope of Work. The Town of Fountain Hills (the "Town") is issuing this Request For Proposals (this "RFP") from qualified contractors ("Vendors") interested providing financial auditing services for the Town as more particularly described in the Scope of Work attached to the sample Professional Services Agreement as Exhibit C (the "Services"), and incorporated herein by reference. In accordance with the Town's Procurement Code, the Town will accept sealed proposals ("Proposals") for the Services specified in the Scope of Work in the sample Professional Services Agreement.

2. Preparation/Submission of Proposal. Vendors are invited to participate in the competitive selection process for the Services outlined in this RFP. Responding parties shall review their Proposal submissions to ensure the following requirements are met.

2.1 Irregular or Non-responsive Proposals. The Town shall consider as "irregular" or "non-responsive" and reject any Proposal not prepared and submitted in accordance with this RFP, or any Proposal lacking sufficient information to enable the Town to make a reasonable determination of compliance to the minimum qualifications. Unauthorized conditions, limitations, or provisions shall be cause for rejection. Proposals may be deemed non-responsive at any time during the evaluation process if, in the sole opinion of the Town:

a. Vendor does not meet the minimum required skill, experience or requirements to perform or provide the Service.

b. Vendor has a past record of failing to fully perform or fulfill contractual obligations.

c. Vendor cannot demonstrate financial stability.

d. Vendor's Proposal contains false, inaccurate or misleading statements that, in the opinion of the Town Manager or authorized designee, is intended to mislead the Town in its evaluation of the Proposal.

2.2 Submittal Quantities. Interested Vendors must submit **one (1) original and five (5) copies (six (6) total submittals)** of the Proposal. In addition, interested parties must submit **one (1) original copy** of the Proposal on a CD-ROM (or electronic media approved by the Town) in printable Adobe or Microsoft Word format (or other format approved by the Town). Failure to adhere to the submittal quantity criteria shall result in the Proposal being considered non-responsive.

2.3 Required Submittal. The Proposal shall be submitted with a cover letter with an **original ink signature** by a person authorized to bind the Vendor. Proposals submitted without a cover letter with an **original ink signature** by a person authorized to bind the Vendor shall be considered non-responsive. The Proposal shall be a maximum of **fifteen (15) pages** to address the Proposal criteria (excluding resumes, the Vendor Information Form, but including the materials necessary to address Project understanding, general information, organizational

SECTION A

chart, photos, tables, graphs, and diagrams). Each page side (maximum 8 1/2" x 11") with criteria information shall be counted. However, one page may be substituted with an 11" x 17" sheet of paper, folded to 8 1/2" x 11", showing a proposed Project schedule or organizational chart and only having information on one side. Cover, back, table of contents and tabs may be used and shall not be included in the page count, unless they include additional project-specific information or Proposal criteria responses. The minimum allowable font for the Proposal is 11 pt. Failure to adhere to the page limit and size criteria and font size shall result in the Proposal being considered non-responsive. Telegraphic (facsimile), electronic (e-mail) or mailgram Proposals will not be considered.

2.4. Vendor Responsibilities. All Vendors shall (a) examine the entire RFP, (b) seek clarification of any item or requirement that may not be clear, (c) check all responses for accuracy before submitting a Proposal and (d) submit the entire Proposal by the Proposal Due Date and Time. Late Proposals will not be considered. A Vendor submitting a late Proposal shall be so notified. Negligence in preparing a Proposal confers no right of withdrawal after the Proposal Due Date and Time.

2.5. Sealed Submittals. All Proposals shall be sealed and clearly marked with the RFP title, **Financial Audit Services**, on the lower left hand corner of the mailing envelope. A return address must also appear on the outside of the sealed Proposal. The Town is not responsible for the pre-opening of, post-opening of, or the failure to open, any Proposals not properly addressed or identified.

2.6. Pricing. The Vendor shall submit the same number of copies of the Fee Proposal as described in Section I, 2.2 in a separate, sealed envelope enclosed with the Vendor's Proposal. Pricing shall be inclusive of all of the Services in the Scope of Work as described in the Professional Service Agreement in Exhibit C. A sample Fee Proposal is attached to the Professional Service Agreement as Exhibit D.

2.7. Address. All Proposals shall be directed to the following address: Town Clerk, 16705 East Avenue of the Fountains, Fountain Hills, Arizona 85268, or hand-delivered to the Town Clerk's office by the Proposal Due Date and Time indicated on the cover page of this RFP.

2.8. Pricing Errors. If price is a consideration and in case of error in the extension of prices in the Proposal, the unit price shall govern. Periods of time, stated as number of days, shall be calendar days.

2.9. Proposal Irrevocable. In order to allow for an adequate evaluation, the Town requires the Proposal to be valid and irrevocable for 60 days after the Proposal Due Date and Time indicated on the cover of this RFP.

2.10 Amendment/Withdrawal of Proposal. At any time prior to the specified Proposal Due Date and Time, a Vendor (or designated representative) may amend or withdraw its Proposal. Any erasures, interlineations, or other modifications in the Proposal shall be initialed in **original ink** by the authorized person signing the Proposal. Facsimile, electronic (e-

SECTION A

mail) or mailgram Proposal amendments or withdrawals will not be considered. No Proposal shall be altered, amended or withdrawn after the specified Proposal Due Date and Time.

3. Cost of Proposal Preparation. The Town does not reimburse the cost of developing, presenting or providing any response to this solicitation. Proposals submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner. The Vendor is responsible for all costs incurred in responding to this RFP. All materials and documents submitted in response to this RFP become the property of the Town and will not be returned.

4. Inquiries.

4.1 Written/Verbal Inquiries. Any question related to the RFP shall be directed to one of the Town Representatives whose names appear on the cover page of this RFP. Questions shall be submitted in writing or via e-mail by the close of business on the Final Date for Inquiries indicated on the cover page of this RFP or submitted verbally (A) at the Pre-Submittal Conference on the date indicated on the cover page of this RFP (if such Pre-Submittal Conference is held) or (B) after the Pre-Submittal Conference but before the Final Date for Inquiries indicated on the cover page of this RFP. In the event the Town is closed on the Final Date for Inquiries, the Vendor shall submit the question(s) to one of the Town Representatives via e-mail or voicemail. Any inquiries related to this RFP shall refer to the number and title, page and paragraph. However, the Vendor shall not place the RFP number and title on the outside of any envelope containing questions, because such an envelope may be identified as a sealed Proposal and may not be opened until after the Proposal Due Date and Time.

4.2 Inquiries Answered. Written questions will be read and answered at the Pre-Submittal Conference on the date indicated on the cover page of this RFP. Verbal or telephone inquiries directed to Town staff will not be answered. Within two (2) business days following the Pre-Submittal Conference, answers to all questions received in writing or via e-mail or verbally at the Pre-Submittal Conference will be mailed, sent via facsimile and/or e-mailed to all parties who obtained an RFP package from the Town and who legibly provided their mailing address, facsimile and/or e-mail address to the Town. No questions, submitted in any form, will be answered after the Final Date for Inquiries listed on the cover of this RFP.

5. Pre-Submittal Conference. A Pre-Submittal Conference may be held. If scheduled, the date and time of this conference will be indicated on the cover page of this RFP. This conference may be designated as mandatory or non-mandatory on the cover page of this RFP. Additionally, if the Pre-Submittal Conference is designated as mandatory, failure to attend shall render that Vendor's Proposal non-responsive. Vendors are strongly encouraged to attend those Pre-Submittal Conferences designated as non-mandatory. The purpose of this conference will be to clarify the contents of this RFP in order to prevent any misunderstanding of the Town's requirements. Any doubt as to the requirements of this RFP or any apparent omission or discrepancy should be presented to the Town at this conference. The Town will then determine if any action is necessary and may issue a written amendment or addendum to the RFP. Oral statements or instructions will not constitute an amendment or addendum to this RFP. Any addendum issued as a result of any change in this RFP shall become part of the RFP and must be

SECTION A

**TOWN OF FOUNTAIN HILLS
FINANCIAL DIVISION**

acknowledged in the Proposal submittal. Failure to indicate receipt of the addendum shall result in the Proposal being rejected as non-responsive.

6. Payment Requirements; Payment Discounts. Any Proposal that requires payment in less than 30 calendar days shall not be considered. Payment discounts of 30 calendar days or more will be deducted from the Proposal price in determining the low Proposal. However, the Town shall be entitled to take advantage of any payment discount offered by the Vendor provided payment is made within the discount period.

7. Federal Excise Tax. The Town is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales tax, if any, shall be indicated as a separate item.

8. Public Record. All Proposals shall become the property of the Town and shall become a matter of public record available for review, subsequent to the award notification, in accordance with the Town's Procurement Code.

9. Confidential Information. If a Vendor believes that a Proposal or protest contains information that should be withheld from the public record, a statement advising the Town Representative of this fact shall accompany the submission and the information shall be identified. The information identified by the Vendor as confidential shall not be disclosed until the Town Representative makes a written determination. The Town Representative shall review the statement and information and shall determine in writing whether the information shall be withheld. If the Town Representative determines to disclose the information, the Town Representative shall inform the Vendor in writing of such determination.

10. Vendor Licensing and Registration. Prior to the award of the Agreement, the successful Vendor shall (a) be licensed with the Arizona Corporation Commission to do business in Arizona and (b) have a completed Request for Vendor Number on file with the Town Financial Services Department. The Vendor shall provide licensure information with the Proposal. Corporations and partnerships shall be able to provide a Certificate of Good Standing from the Arizona Corporation Commission.

11. Certification. By submitting a Proposal, the Vendor certifies:

11.1 No Collusion. The submission of the Proposal did not involve collusion or other anti-competitive practices.

11.2 No Discrimination. It shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11456.

11.3 No Gratuity. It has not given, offered to give, nor intends to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip favor or service to a Town employee, officer or agent in connection with the submitted Proposal. It (including the Vendor's employees, representatives, agents, lobbyists, attorneys, and subcontractors) has refrained, under penalty of disqualification, from direct or indirect contact for the purpose of influencing the selection or creating bias in the selection

SECTION A

process with any person who may play a part in the selection process, including the Selection Committee, elected officials, the Town Manager, Assistant Town Managers, Department Heads, and other Town staff. All contact must be addressed to the Town's Procurement Agent, except for questions submitted as set forth in Section 4, Inquiries, above. Any attempt to influence the selection process by any means shall void the submitted Proposal and any resulting Agreement.

11.4 Financial Stability. It is financially stable, solvent and has adequate cash reserves to meet all financial obligations including any potential costs resulting from an award of the Agreement.

11.5 No Signature; False or Misleading Statement. Failure to sign the Proposal, or signing it with a false or misleading statement, shall void the submitted Proposal and any resulting Agreement.

11.6 Professional Services Agreement. In addition to reviewing and understanding the submittal requirements, it has reviewed the attached sample Professional Service Agreement including the Scope of Work and other Exhibits.

12. Award of Agreement.

12.1 Selection. A Selection Committee composed of representatives from the Town will conduct the selection process according to the schedule listed on the cover page of this RFP. Proposals shall be opened at the time and place designated on the cover page of this RFP. The name of each Vendor and the identity of the RFP for which the Proposal was submitted shall be publicly read and recorded in the presence of witnesses. PRICES SHALL NOT BE READ. The Selection Committee shall award the agreement to the responsible and responsive Vendor whose Proposal is determined, in writing, to be the most advantageous to the Town and best meets the overall needs of the Town taking into consideration the scoring criteria set forth in this RFP. The amount of applicable transaction privilege or use tax of the Town shall not be a factor in determining the most advantageous Proposal. After the Town has entered into an Agreement with the successful Vendor, the successful Proposal and the scoring documentation shall be open for public inspection.

12.2 Line Item Option. Unless the Proposal states otherwise, or unless otherwise provided within this RFP, the Town reserves the right to award by individual line item, by group of line items, or as a total, whichever is deemed most advantageous to the Town.

12.3 Form of Agreement. The selected Vendor will be required to execute the Town's standard Professional Services Agreement in a form acceptable to the Town Attorney. A sample of the standard agreement is included with this RFP. If the Town is unsuccessful in negotiating an Agreement with the highest-scoring Vendor, the Town may then negotiate with the second, then third, highest-scoring Vendor until an Agreement is executed. Town Council approval may be required. The Town reserves the right to terminate the selection process at any time.

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12.4 Waiver; Rejection; Reissuance. Notwithstanding any other provision of this RFP, the Town expressly reserves the right to: (i) waive any immaterial defect or informality, (ii) reject any or all Proposals or portions thereof and (iii) reissue an RFP.

12.5 Protests. Any Vendor may protest this RFP issued by the Town, the proposed award of an Agreement, or the actual award of an Agreement. All protests will be considered in accordance with the Town Procurement Code.

13. Offer. A Proposal is an offer to contract with the Town based upon the terms, conditions and specifications contained in this RFP and the Vendor's responsive Proposal, unless any of the terms, conditions, or specifications is modified by a written addendum or agreement amendment. Provided, however, that no contractual relationship shall be established until the Vendor has signed, and the Town has approved, a professional services agreement between the Town and the Vendor in the form acceptable to the Town Attorney. A sample Professional Service Agreement is included herein.

II. PROPOSAL FORMAT; SCORING

Upon receipt of a Proposal, each submittal will be reviewed for compliance with the Proposal requirements by the Selection Committee. Proposals shall be organized and submitted in the format as outlined below. Failure to conform to the designated format, standards and minimum requirements shall result in a determination that the Proposal is non-responsive. Additionally, the Selection Committee will evaluate and award points to each Proposal based upon the scoring criteria as outlined in this document. Points listed below are the maximum number of points possible for each criteria and not the minimum number that the Selection Committee may award. If necessary, the Selection Committee may conduct oral interviews with at least three (3), but not more than five (5), of the highest ranked Vendors based upon the Proposal submittal scoring.

Section 1: Audit Organization/Local Office Technical Qualifications 10 pts

A. One page cover letter as described in Section I, 2.3.

B. State whether the Vendor's firm is national, regional or local. Explain the legal organization of the Vendor. Provide identification information of the Vendor. Include the legal name, address, identification number and legal form of the Vendor (e.g., partnership, corporation, joint venture, sole proprietorship). If a joint venture, identify the members of the joint venture and provide all of the information required under this section for each member. If the Vendor is a wholly owned subsidiary of another company, identify the parent company. Provide the name, address and telephone number of the person to contact concerning the Proposal.

C. State the address of the local office that will provide the Services to the Town.

D. Affirm that the Vendor's firm is properly licensed for public practice as a certified public accountant. Affirm that your organization meets the independence requirements of Standards for Audit of Governmental organizations, Programs, Activities and Functions, published by the U.S. GAO or any subsequent amendments or superseding revisions.

SECTION A

E. Indicate the number of people, by level, within the local office that will provide the Services to the Town. Indicate which other audits this staff will be working on concurrently. State your policy on notification of changes in key personnel. Also, indicate the overall supervision to be exercised over the audit team by the Vendor's management.

F. Provide a list of the local office's current and prior government audit clients indicating the type(s) of services performed and the number of years served for each. Indicate your experience in auditing entities that are similar in size and complexity to the Town.

G. Identify any contract or subcontract held by the Vendor or officers of the Vendor that have been terminated within the last five (5) years. Briefly describe the circumstances and the outcome.

H. Identify any claims arising from a contract which resulted in litigation or arbitration within the last five (5) years. Briefly describe the circumstances and the outcome.

I. Vendor Information Form (may be attached as separate appendix).

Section 2: Individual Audit Staff Technical Qualifications.

30 pts

A. Describe the experience in government audits of each senior and higher level person assigned to provide the Services to the Town, including years on each job and their position while on each audit. Indicate the percentage of the time the senior will be on-site and who will make up the audit team.

B. Describe the relevant educational background of each individual to be assigned to provide the Services to the Town. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Arizona.

C. Describe any specialized skills, training, or background in public finance by assigned individuals. This may include participation in State or National professional organizations and speaker or instructor roles in conferences or seminars.

D. Indicate the local office's experience in providing additional services to government clients by listing the name of each government entity, the type(s) of services performed and the year(s) of engagement.

E. Provide an affirmative statement that the firm is independent of the Town as defined by auditing standards generally accepted in the United States and the U.S. General Accounting Office's Government Auditing Standards (as revised in 1994).

F. Provide a reference list of three current and/or former municipal clients that the Town may contact regarding the offeror's performance. The list shall include client name, agency, address, email address and phone number as well as the date(s) of service.

Section 3: Audit Approach

40 pts

Describe the Vendor's technical approach to providing the Services to the Town as it relates to the Scope of Work described in the Professional Services Agreement in Exhibit C, including hardware and software that will be utilized on site. Describe your understanding of the work to

SECTION A

be performed and indicate time estimates for completion of the audit after the on-site work is completed. (Samples may be included in a separate appendix and will not be included in the page count.)

Section 4: Pricing

10 pts

While fees are not a primary evaluation criterion, Vendors should be prepared to present and discuss pricing proposals for this type of engagement during the interview process. The Proposal should contain all pricing information relative to performing the Services described in this RFP. Include the method used for charging for any additional services that may be requested by Town staff or as a result of the specific recommendations included in any report issued on this engagement (GASB 34). Vendor shall submit the same number of copies of the Fee Proposal as described in Section I, 2.6 in a separate, sealed envelope enclosed with the Vendor's Proposal with the signature of the representative of the Vendor who is authorized to make such an offer. The Fee Proposal must be provided in the format attached as Exhibit D of the Professional Service Agreement.

Section 5: Other Relevant Information

10 pts

Include any other information that may be helpful in evaluating your firm's qualifications, including peer reviews within the past three years and any disciplinary action received within the past three years. Vendors responding to this solicitation should include a representative engagement letter that outlines the responsibilities of each party, specifically including responsibility for compliance with GASB 34.

Total Possible Points for Proposal:

100

III. ORAL INTERVIEWS; SCORING

In the event that a Vendor cannot be selected based solely on the Proposals submitted, up to three Vendors may be selected for oral interviews. The selected Vendors will be invited to participate in discussions with the Selection Committee on the date indicated on the cover page of this RFP and awarded points based upon the criteria as outlined below. Vendors may be given additional information for these oral interviews. These discussions will relate less to the past experience and qualifications already detailed in the Proposals and relate more to identification of the Vendor's program approach and to an appraisal of the people who would be directly involved in this Services for this RFP.

Oral Interview

10	General Information
35	Experience and Qualifications of the Vendor
10	Key Personnel
<u>45</u>	Proposed Services Provided
100	Total Possible Points for Oral Interview

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.

VENDOR SUBMITTING PROPOSAL

FEDERAL TAX ID NUMBER

PRINTED NAME AND TITLE

AUTHORIZED SIGNATURE

ADDRESS

TELEPHONE

FAX #

CITY STATE ZIP

DATE

WEB SITE: _____

EMAIL ADDRESS: _____

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?

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

EXHIBIT B
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
LARSONALLEN, LLP

[Contractor's Proposal]

See following pages.

Town of Fountain Hills, Arizona

Audit Services Proposal

May 20, 2010

Dennis J. Osuch, CPA
Principal
480-615-2300
dosuch@larsonallen.com

1201 South Alma Road, Suite 14000
Mesa, Arizona 85210

LarsonAllen
LLP

CPAs, Consultants & Advisors
www.larsonallen.com

NOTICEABLY
DIFFERENT

May 20, 2010

Town of Fountain Hills, Arizona
Town Clerk
16705 East Avenue of the Fountains
Fountain Hills, Arizona 85268

Thank you for including us in your request for proposal. We are very excited about the opportunity to provide the Town of Fountain Hills, Arizona (the "Town") a proposal for professional auditing services for the year ending June 30, 2010, with the option to renew for two additional years. We will comply with the time requirements specified in the request for proposal. This offer is effective for 90 days and is irrevocable.

We believe we have resources that no other competitor can match, and we bring a unique approach to your audit. The following key points summarize why you would be an important client to us and why we would be the best choice as your new auditor.

- **We have substantial staffing resources to provide you with experienced staff and engagement team continuity. You will benefit from our national expertise, as well as our local availability from our Mesa office.**

We have more than 70 professional accountants and auditors in our Mesa and Scottsdale offices. In addition, we have more than 150 professionals nationally who are dedicated to serving nonprofit and government organizations. Our experience with Arizona municipalities and other governments provide us with useful insight into the challenges you are facing today. The proposed team members are familiar with municipal issues and work with similar governmental organizations year-round.

- **The Town will benefit from our experience as a leader in serving governmental organizations and we can effectively serve all your needs.**

We are a regional firm with a growing national reputation and are currently ranked in the top 20 CPA firms nationwide. At LarsonAllen, we have segregated our services into industry specialties. Our firm's second largest industry specialty is the nonprofit and government group which serves the governmental industry. LarsonAllen serves approximately 400 governmental entities including: twenty counties, 150 cities, 160 school districts, and numerous other local governments in various capacities.

We know that you have many options in selecting an auditor and we believe one of our competitive advantages is our value-added approach to serving you. Thank you for this opportunity to share our qualifications with you and please feel free to call if you have any further questions. Our team would be happy to answer any questions your management and selection team might have.

Sincerely,

LarsonAllen LLP
CPAs, Consultants & Advisors



Dennis J. Osuch, CPA
Principal
480-615-2300

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Appendices

Biographies

Vendor Information Form

Peer Review Report

Government Agencies We Serve

Firm Qualifications and Experience

Focus on client service

At LarsonAllen, our mission statement is "to help our clients achieve their financial goals." Our commitment to client service is implemented through:

- Providing timely service (meeting requested deadlines)
- Being proactive (helping you throughout the year by providing more than just the basic audit)
- Building strong client relationships
- Being available and responsive (all calls or emails returned in one day or less)
- Quality and integrity in everything we do

This philosophy is ingrained throughout our firm and is clearly evident when observing our day-to-day work habits.

Firm and industry specialization

LarsonAllen LLP was founded in 1953, and is currently comprised of over 1,400 employees, and estimated revenues of \$190,000,000 ranking us as the 18th largest accounting firm in the U.S. (source: *Public Accounting Report*, August 2005 and August 2006). We are a regional firm with our main offices located in: Phoenix, Arizona; Ft. Meyers, Naples, Orlando and Tampa, Florida; Boston, Massachusetts; Austin, Brainerd, Minneapolis and St. Cloud Minnesota; St. Louis, Missouri; Charlotte, North Carolina; Philadelphia, Pennsylvania; Dallas, Texas; Eau Claire, Wisconsin and Washington, DC.



The audit team serving the Town will be staffed from our Phoenix office.

One of the best features of LarsonAllen is our belief in industry specialization. LarsonAllen's employees and principals choose one of our nine niche industries as their primary focus which provides our clients with extensive knowledge of the industry accounting and auditing requirements, the risks and concerns of our clients and the new and exciting opportunities that may be available now and in the future. We dedicate ourselves to the industry in client services and training. The nonprofit and government group, which includes government (cities, townships school districts and other governmental entities), educational, non profit, association and foundation institutions, is the second largest industry group within the Firm.

The nine industry groups are as follows:

Nonprofit and Government	Construction and Real Estate
Health Care	Agri-business
Manufacturing and Distribution	Auto Dealers
Hospitality	Trucking and Transportation
Financial Institutions	

Nonprofit and government group

The LarsonAllen Nonprofit and Government Group provides audit, consulting, training and accounting services to educational institutions, government entities, nonprofits, associations and foundations. Our national nonprofit and government group has over 35 principals and approximately 150 professionals who spend between 80 and 100 percent of their time serving these clients. Our Phoenix office has 4 Principals, 2 managers and over 20 staff members dedicated to government and nonprofit. We perform over 2,500 annual financial statement audits, including more than 400 local government (GASB financial statement) audits. The staff assigned to the audit will be dedicated to the Town of Fountain Hills during fieldwork and will not be conducting fieldwork on another engagement during this time. All work will be supervised by CPA's. It is our intention to staff the audit with well trained and experienced staff to ensure the Town of Fountain Hills does not need to "train" our staff during fieldwork.

In addition to the types of organizations we serve, we provide OMB A-133 audits to over 200 clients. Our audit teams are knowledgeable of the requirements within the OMB Circulars (laws and regulations concerning the expending of federal funds). We also audit many government institutions with yellow book requirements which broaden our staff's knowledge of the federal laws and regulations. LarsonAllen is very proud to be one of the original members of the Governmental Audit Quality Center.

See the appendix for a list of government clients we serve from our Phoenix office. Our principals have been providing audit services to governments in Arizona for more than 23 years.

Quality control

LarsonAllen is quality conscious, maintaining a high level of quality control throughout the Firm. Our firm is a member of the Private Companies Practice Section of the Division of Firms of the American Institute of Certified Public Accountants. We continue to participate in the profession's program of self-regulation through peer review. Our most recent peer review resulted in an unqualified opinion with no additional comments and is attached. Our peer review included a review of specific government (Yellow Book) engagements.

Contracting LarsonAllen to be your Auditors

Our goal is to make your experience with LarsonAllen a good one, and we will offer you the depth of resources to accomplish that goal. For this reason, we have chosen a principal from our Phoenix office with more than 13 years of experience serving Arizona Cities and Towns— Dennis J. Osuch – to serve your account. Dennis has served as the lead principal on the Town of Fountain Hills's audit in the past and is familiar with your Town and the importance of working closely with Town staff to ensure the Town receives a quality audit.

Further, our process in staffing client engagements is to use staff with greater experience to ensure high quality, even more so in the year of transition to a new audit firm. Our staffing will be largely comprised of auditors with specific Arizona experience to ensure you are receiving the highest quality audit through knowledgeable and experienced auditors who have done extensive work in Arizona. We have chosen a strong audit team to serve you who have either worked with the Town previously or who have worked with similar engagements to eliminate the unnecessary inquiries of your staff and we will choose an experienced information technology specialist to supplement the information technology aspect of our audit services if we determine these procedures to be necessary. Other personnel assigned to your account will specialize in the area they are to complete and will have experience serving clients with similar issues.

We have seen tremendous growth in our government audit practice in recent years. At LarsonAllen, we understand transitioning to a new firm can be very difficult in the first and second year of transition; at LarsonAllen, we have experience transitioning new clients and have an established program to ease the burden on new clients.

Independence and Licensing

Auditor independence

While our primary purpose is to serve as your independent auditor, LarsonAllen offers many other services that you may find useful. Requests by the Town for such services will be considered on a project by project basis to insure compliance with the following requirements of our independence standards and Government Auditing Standards Amendment No. 3, *Independence*:

- auditors should not perform management functions or make management decisions; and
- auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit

Independence statement

LarsonAllen LLP hereby certifies that it is independent with respect to the Town of Fountain Hills, Arizona and its component units as defined by *Government Auditing Standards* and generally accepted auditing standards.

Professional relationships

The Firm has been the Town's auditors for the last five contract years. We have maintained our independence both in appearance and in our relationships with the Town.

Future professional relationships

If LarsonAllen LLP becomes involved with any entities affiliated with the Town of Fountain Hills, Arizona during the period of this agreement, LarsonAllen LLP will provide written notice of this situation.

Arizona license statement

LarsonAllen LLP is appropriately licensed in the State of Arizona. All of the Firm's Arizona CPAs are licensed to practice public accounting in Arizona and meet or exceed requirements of the Arizona State Board of Accountancy for continuing education. Those who perform Yellow Book and A-133 audits meet all related continuing education requirements.

Federal or state desk reviews of our audits

No findings.

Past (or threatened) disciplinary action by regulatory agencies

None.

Claims arising from litigation or arbitration in the last five (5) years

None.

Terminated contracts

We have not had any contracts terminated in the last five years that did not arise out of the normal procurement process in the last five years that we are immediately aware of.

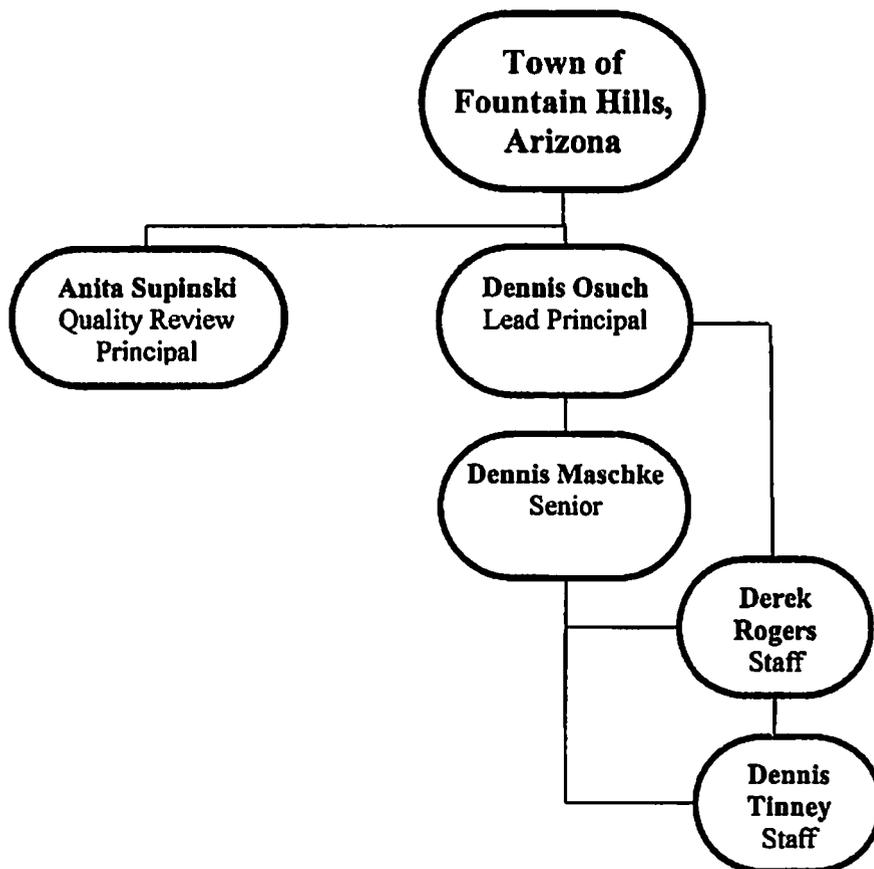
Partner, Supervisory and Staff Qualifications and Experience

	Member	CPA License	Audit Experience	CPE in the past 3 years	Position
Dennis Osuch	1,2	Yes	13	3	Lead Principal
Anita Supinski	1,2	Yes	21	3	Principal – Quality Control
Dennis Maschke	2	Yes	5	3	Senior
Derek Rogers	N/A	No	3	3	Staff
Dennis Tinney	N/A	No	1	3	Staff

1. Member of GFOA
2. American Institute of CPAs
3. Has met or exceeded 40 hours of continuing professional education each of the last three years.

The lead principal will be materially involved during the audit, including fieldwork. You can expect the lead principal to be on-site during fieldwork. The Senior in charge will be on-site during both the preliminary and final fieldwork. He will be responsible for communicating directly with management

See the **Appendices** for biographies of the Lead Principal, Quality Control Principal and Senior Staff Member assigned to the audit.



Local Office Experience

Our local office (Phoenix) has been providing audit services and other consulting services to Arizona governments for more than 23 years. Our most recent non-audit engagement, involving significant hours and rather high profile was our agreed-upon procedures work performed at the City of Surprise. In the past year, we have also provided business services to a school district in Pinal County, providing outsourcing services, including payroll and accounts payable and have performed numerous consulting engagement related to capital assets, compensated absences, policy reviews and agreed-upon procedures.

Our extensive experience beyond the audit has provided valuable recommendations to our clients. At LarsonAllen, our goal is to be Noticeably Different through our efforts to better the environment and services our clients provide.

Similar Engagements with Other Governmental Entities

Client	Dates Performed	Principal In-Charge	Scope of Services	Contact Information
City of Douglas, Arizona	1997 to present	Dennis J. Osuch Principal	Audit, Single Audit under OMB A-133, GFOA Certificate CAFR	Jorge Trevino, Finance Director 520-417-7320
Town of Paradise Valley, Arizona	1996 to present	Dennis J. Osuch Principal	Audit, GFOA Certificate CAFR	Lenore Lancaster, Management Services Director 480-948-7411
Town of Sahuarita, Arizona	1996 to present	Dennis J. Osuch Principal	Audit, GFOA Certificate CAFR	A.C. Marriotti, Finance Director 520-822-8800

The above references are three Cities and/or Towns in which Dennis Osuch was the lead principal. Additional references for Dennis Osuch or any of our other governmental principal from our Phoenix Office can be provided upon request. Only three references were provided in accordance with the requirements listed in the request for proposal. For a more comprehensive list of governments we serve in Arizona, please see the appendices.

Specific Audit Approach

The following scope of services are those noted within your request for proposal and the additional services included in reaching our goal of attaining the highest quality services we can provide your Town.

1. We will audit the financial statements of the Town of Fountain Hills, Arizona (the "Town") in accordance with auditing standards generally accepted in the United States of America (generally accepted auditing standards) and *Government Auditing Standards*. Our opinion will be expressed on the fair presentation of the Town's financial statements. We will not provide an audit opinion on introductory information or management's discussion and analysis in the Town's financial statements. We will provide an "in relation to" opinion on combining and individual fund financial statements which are presented as supplementary information in the Town's financial statements.
2. We will provide a report on compliance and internal control over financial reporting as required by *Government Auditing Standards*.
3. We will audit of the Town's federal awards in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments*. Our report on compliance with major program requirements will include an "in relation to" opinion on the Town's schedule of expenditures of federal awards.

We will also prepare the Data Collection Form, along with Town personnel, to be submitted to the Federal Audit Clearinghouse as part of the Town's annual reporting package.
4. Our report over the Town's federal awards in accordance with the provisions of U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments*, will include a schedule of findings and questioned costs.
5. Our report over the Town's federal awards in accordance with the provisions of U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments*, will include a schedule of prior audit findings and corrective action plans.
6. We will perform an audit of the Town's Annual Expenditure Limitation Report prepared in compliance with A.R.S. §41-1279.07.
7. We will perform an audit reaffirming that the Town is in compliance with the LTAF expenditure requirements pursuant to A.R.S. §48-5103.
8. We will perform an audit reaffirming that the Town is in compliance with the LTAF II revenue and expenditure requirements pursuant to A.R.S. §28-8103.
9. We will perform an audit reaffirming that the Town is in compliance with the HURF and other dedicated transportation revenues requirements pursuant to A.R.S. §9-481(B)(2).
10. We will deliver a management letter of our comments and recommendations regarding internal control and other matters observed during the course of our engagement.
11. We will deliver a letter in regards to the information required to be communicated under generally accepted auditing standards (SAS 114). We will make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the Financial Services Manager.

We are also willing to meet with management, audit committee and Town Council representatives on an interim basis to provide support for the Town and to serve as a resource to your staff throughout the year.

Work plan summary

We have studied the Town's time schedule for the audit in the Request for Proposal (RFP) and will fully comply with those requirements. For our audit of fiscal year 2010, we anticipate a June interim field work start date for audit planning and an October start date for final fieldwork. We will meet with Town's management and/or Town Council to design the exact audit schedule.

Our delivery of services includes the development of a work plan which will consist of:	
Pre-audit (Upon contract award)	<ul style="list-style-type: none"> We will complete our client continuance procedures and will review our prior working papers.
Planning (June 2010)	<ul style="list-style-type: none"> A planning meeting with your management and staff. The purpose of this meeting is to develop an understanding of the exact audit time lines and expectations of both teams and to complete fraud risk assessment procedures (SAS 99 – required for all audits). Provide a client assistance letter specifying the items that management will need to prepare or make available for our audit team, thus maximizing the efficiency of our services and ultimately minimizing the cost to your organization.
Communication	<ul style="list-style-type: none"> We will plan to touch base with the Town CFO about two weeks prior to the start of our interim fieldwork. This meeting provides a venue for the Town and us to ask additional questions regarding any aspect of the audit work, information to be provided, and reasonableness of timing for interim fieldwork.
Interim Fieldwork (June/July)	<ul style="list-style-type: none"> We will request documents such as contracts, minutes and bylaws. We will begin to assess your internal control structure and gather file documentation during interim fieldwork (estimated at one week). We may perform substantive procedures on transactions and accounts, as deemed necessary. Examples would be testing journal entries, property and equipment and debt. We will test your internal controls over financial reporting
Communication (September, 2010)	<ul style="list-style-type: none"> We will touch base with the Town CFO about two weeks prior to the start of our final fieldwork. During this meeting we will share information about the status of audit confirmation letters and whether any confirmation letters remain to be received by us. This meeting provides a venue for the Town and us to ask additional questions regarding any aspect of the audit work, information to be provided, and reasonableness of timing for final fieldwork.
Fieldwork (October or date mutually agreed upon)	<ul style="list-style-type: none"> Fieldwork for the audit will include completing the assessment of your internal controls and performing the majority of our tests of accounting records that we consider necessary in order to enable us to express an opinion on your financial statements. Total fieldwork time is estimated at two week during our first year.
Communication During final fieldwork	<ul style="list-style-type: none"> We will touch base with the Town CFO on at least a weekly basis to share information about the status of our final fieldwork. We will also share any potential management letter comments with the Town. We will hold an exit meeting with the Town's CFO and provide a list of any additional follow-up questions or information needed to conclude our audit procedures. We will also discuss logistics for issuing our final reports – for example, the number of copies to issue, to whom our reports will be mailed, the method for presenting information to the Town board, etc.
Reporting (Final Reports by November 15, 2010)	<ul style="list-style-type: none"> We will review the financial statements and prepare a letter of recommendation and a communication letter for the Board. Delivery of final financial statements and letters

A more detailed approach to the audit is listed below:

Planning

Proper planning of the engagement is necessary for the audit to progress in an efficient manner. Planning procedures will include:

Reviewing correspondence files, prior year's working papers, permanent files and any interim financial statements.

Inquiring about current business relations with the Town.

Coordinating the assistance of Town personnel.

Reviewing specific regulations and any specific contract requirements affecting the engagement.

Identifying areas that may need special consideration.

After the above areas have been reviewed, detailed audit programs specifically stating audit objectives, compliance requirements and audit procedures will be established.

Prior to beginning fieldwork, the partners will review the requirements of the audit engagement, including general audit approach, specific areas of assignment, major compliance issues and estimated timetable for the completion of the engagement.

Fieldwork

Based on the preliminary assumptions and significant regulations identified during the planning stage, fieldwork will progress in the following manner:

The Town's procedures and staff involved will be documented in a permanent data file using Town procedure manuals and interviews with Town personnel.

Based upon the strengths and weaknesses of the Town's procedures, the scopes of the fieldwork will be determined using auditor expertise gained from prior experience. This preliminary fieldwork will result in the evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent for the tests to which auditing procedures are to be restricted.

Our procedures for evaluating internal controls will include:

1. Review of background information such as policy manuals, job descriptions, chart of accounts, and the entity's organizational chart. Documentation of material transaction cycles.
2. Evaluation of the effectiveness of the internal control systems.
3. Determination of the nature, extent and timing of audit tests based on the preliminary evaluation.
4. Performance of compliance tests of transactions and walk-throughs to ensure that controls are as prescribed.
5. Reevaluation of internal controls based on the results of the tests.
6. Conclusion on the adequacy of the system of internal controls and determination of the nature, extent and timing of substantive tests.

Testing for Compliance, Internal Controls and Walk-throughs

Testing for compliance with internal accounting controls will be performed during preliminary work on payroll and cash disbursement, at a minimum. Our utilization of sampling in auditing generally centers around compliance and controls testing, rather than substantive testing of account balances. We use quality control materials from PPC in all our audit engagements. These forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing the following areas:

- Controls over expenditures.
- Federal compliance form A-133 testing

Sample sizes obtained via the PPC guidance system fall into categories of 25, 40, or 60, depending on circumstances. The most common scenario would be a selection of 40 transactions in the first year of our engagement, followed by a sample size of 25 in subsequent years, assuming no significant problems are discovered in the first year.

We are usually able to cover a substantial portion of the two categories of testing with one sample, resulting in a very efficient transaction testing phase. Sampling and testing procedures will encompass all Town departments as well as those related to federal programs.

1. **Payroll** - A random sample of payroll checks will be selected and each will be verified with approved personnel records. Amounts will be traced to postings in the general ledger and canceled checks will be examined. Also, the quarterly 941's for the fiscal year will be reconciled to total wages reported in the general ledger.
2. **Cash disbursements** - A random sample of accounts payable checks will be selected and verified with supporting purchase orders, requisitions, invoices, receiving documents, etc. Amounts will be traced to the general ledger and canceled checks will be examined. Disbursement journals will also be reviewed for any unusual items.
3. **Court receipts** - A random sample of docket cases will be selected and walked-through the court process. Fines will be recalculated along with applicable state shares. A sample of monthly reports to the state will also be tested and traced to the Town's general ledger and applicable deposits.
4. **Building permits** - A random sample of permits will be selected and recalculated based on approved fee schedules. Payments will be traced into the applicable Town cash receipts, deposits and general ledger postings.
5. **Licenses and permits** - A random sample of licenses and permits will be selected and recalculated based on approved fee schedules. Payments will be traced into the applicable Town cash receipts, deposits and general ledger postings.
6. **Miscellaneous cash receipts** - random sample of miscellaneous cash receipts will be selected and each will be verified with supporting documents and recalculated as applicable. Daily totals will be traced to deposits and general ledger postings.
7. **Journal entries** - all journal entries will be reviewed and any unusual or significant items will be tested.

Annually, we will rotate audit procedures and will perform tests of controls on some or all of the above areas utilizing the sampling techniques previously discussed.

Sufficient competent evidential matter

We will obtain sufficient competent evidential matter through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination. An example of some of those procedures that will be performed during our final work in October will include but not be limited to the following audit procedures:

Revenues

1. Confirm all taxes and State shared revenues, including auto-lieu with the State Treasurer.
2. Confirm franchise taxes from applicable organizations.
3. Confirm all grants received.
4. Confirm auto-lieu tax with the County.
5. Use analytical procedures to determine the reasonableness of court fines (i.e., compare current amounts to budget and prior amounts).
6. Use analytical procedures to determine the reasonableness of building permit fees.
7. Use analytical procedures to determine the reasonableness of parks and recreation fees.
8. Use analytical procedures to determine the reasonableness of licenses and permit fees.
9. Confirm property tax revenue with the County Treasurer and Town sales tax audit department.
10. Use analytical procedures to determine reasonableness of water fee revenues.
11. Compare special assessment revenues to billings registers and budgeted amounts on a district-by-district basis. In addition, special assessments receivable for each district will be analyzed to ensure future collections will cover future debt service requirements.

Expenditures

1. Material expenditure line items will be analyzed and any significant transactions during the year will be tested. Depending on each account, a random sample of expenditures may also be selected for testing.
2. All debt service expenditures will be agreed to debt retirement schedules.
3. Capital expenditures will be reconciled to property and equipment additions.
4. Depreciation expense will be reviewed for reasonableness and selected amounts will be recalculated.
5. June, July and August expenditures will be tested for proper cutoff.
6. Current to prior and current to budget analysis will also be performed for significant departments and line items with any unusual variances will be investigated.
7. Operating transfers will be reconciled among all funds and will be analyzed for allowability.

Other Areas

1. Council meeting minutes for the year will be reviewed.
2. Representations from legal council will be obtained regarding claims against the Town.
3. Subsequent events will be reviewed for potential footnote disclosure.

Liabilities

1. Accounts payable and other accrued liabilities will be tested to the applicable invoices and supporting documentation.

Revenue (Continued)

12. Interest earnings will be compared to investment records and confirmations for reasonableness.

Assets

1. All cash in bank and investments will be confirmed and determinations made for presentation in accordance with GASB Statements 3 and 31.
2. Intergovernmental, taxes and other significant receivables will be confirmed as part of revenue analysis and traced to subsequent cash receipts.
3. An aging of utilities receivables will be analyzed along with an allowance for doubtful accounts. Any unusual balances will be investigated.
4. Interfund receivables and payables will be reconciled.
5. A sample of supplies inventory items will be tested to supporting invoices and/or an inventory observation will be observed in the interim.
6. Property and equipment totals and accumulated depreciation will be reconciled with current additions and prior year's balances.
7. Restricted assets and applicable reserves will be presented in accordance with GAAP.

Liabilities (Continued)

2. Deferred revenues will be reconciled to supporting schedules and analyzed for reasonableness.

3. Compensated absences will be confirmed with a sample of employees and recalculated using Town policies and personnel records.
4. All bonds, state loans, capital leases, and similar long-term liabilities will be verified with applicable debt retirement schedules and analysis of current year debt service payments.

Fund Equity

1. All fund balances will be reconciled to the prior audited balances.
2. All reserves and designations will be verified with applicable supporting documentation.
3. Net assets will be reconciled to the prior year.
4. Net assets restrictions will be verified and analyzed for reasonableness.

Single Audit Plan

As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, we will determine and report on whether the Town has complied with laws and regulations that may have a material effect on each major federal financial assistance program. Major federal programs will be determined and tested during the preliminary phase of the audit based on a preliminary schedule of federal expenditures obtained from the Town. Our sample sizes will be determined based on the size of the program and the specific step being tested in OMB Circular A-133's Compliance Supplement.

Analytical review

In accordance with generally accepted auditing standards, analytical review will be utilized in the planning process and during the final review stage of the audit. Specific procedures would include comparison of actual results to prior years and to adopted budget (as amended), comparison of expected revenue (percent collected) to actual revenue recognized, and a reasonableness test for return on investments. Other substantive procedures may be supplemented by analytical procedures, depending on our audit risk assessment process.

Audit approach for future audits

The audit approach in future years will not deviate much from the above approach. However, each year certain audit procedures will be rotated and each audit will include some surprise procedures in accordance with applicable audit standards. As part of our audit process, we will develop a plan to communicate regularly with the CFO on the status of the preliminary work, final fieldwork and wrap-up following our final fieldwork.

Use of EDP software in the engagement

We utilize engagement software to manage a "paperless" audit process. All year-end account analysis schedules as prepared by the organization's financial staff are easily imported to enhance audit efficiency and personnel time commitment. Additionally, each audit team is equipped with portable scanners for audit evidence that is not in an "Excel/Word/Adobe" format. This approach maximizes efficiency for our audit team and the Town's financial staff.

We also obtain much of our accounting and auditing guidance on-line via a secure Internet Web site. This is a comprehensive source for technical accounting and auditing publications and guidance which is routinely updated.

Recognizing Fountain Hill's computer environment, we may utilize file interrogation software to facilitate an efficient audit of large volumes of transactions. Our file interrogation software is able to read electronic downloads of transactions in many different formats, including text files, spreadsheet files, and database files. Potential applications for file interrogation may include sampling for testing of A-133 compliance audit transactions, sampling for testing of internal controls, sampling for confirmation of receivables, sampling of disbursements, selection of journal entries related to identified fraud risks, summation of large volumes of similar transactions or sub-ledgers to determine agreement to the general ledger, and recalculation of depreciation expense per individual capital asset

Information technology specialists

We may involve our information technology specialists to document and evaluate the "soft" aspects of the Town's information systems that are significant for financial accounting and reporting. Our IT specialists will look at the Town's disaster recovery plans / procedures, information back-up and storage plans / procedures, logical access to systems (i.e. passwords, user profiles, etc.), and physical access to servers. Information is valuable, and controlling access to it is critical. Involving our highly-skilled IT specialists in our services is a significant value-added option available with the LarsonAllen audit.

New accounting and auditing standards

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards for which we will monitor implementation and application within the Town:

- **GASB STATEMENT NO. 49:** This statement addresses accounting and financial reporting standards for pollution remediation obligations associated with existing pollution. This standard is effective for the year ending June 30, 2009.
- **GASB STATEMENT NO. 51:** The statement clarifies the financial reporting and disclosure of intangible assets such as easements, water rights, timber rights, patents, trademarks, and computer software. In most cases, GASB Statement No. 51 requires that intangible assets be categorized as capital assets, and is effective for the year ending June 30, 2010
- **GASB STATEMENT NO. 54:** This statement refines the fund balance section of the fund level balance sheet to provide for "restricted", "committed", and "unassigned" categories. The statement also clarifies definition and purpose of the various fund types and is effective for the year ending June 30, 2011.

Auditing Standard No. 115 amends No. 112 to redefine significant control deficiencies as “items less severe than material weakness, yet important enough to merit attention by those charged with governance” and is effective for the year ending June 30, 2010.

Accounting and auditing principles are rapidly changing, and our experienced service team will assist you in keeping pace by keeping you informed.

Audit segmentation

SEGMENTATION FOR 2010	HOURS	STAFF LEVEL
Engagement Planning, Administration (including SAS 99)	18	All Levels
Council Minutes	6	Manager
Review Financial Statements and Notes	20	Manager/Principal
CAFR Procedures	18	All Levels
Management Letter/Exit Meeting	6	Manager
Cash and Investments	16	Senior
Receivables and Revenues	24	Senior
Expenditures and Payables	16	Staff
Payroll and Related Liabilities	16	Staff
Inventories	3	Staff
Capital Assets	16	Staff
Prepaid Assets	3	Staff
Debt Service	12	Staff
IT Controls	5	Manager
Fund Equity	4	Senior
Internal Controls Procedures	18	Senior
Field, Principal, and Quality Review	16	Manager/Principal
Analytical Procedures	8	Manager
Typing, Footing, Proofing	10	Secretarial
TOTAL CAFR RELATED	235	
HURF Report	5	All Levels
Single Audit Related	50	All Levels
AEFR	20	All Levels

NOTE: The audit supervisor will be onsite when staff auditors are working on the audit.

Audit standards to be followed

- Auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, and the standards for financial audits set forth in the U.S. General Accounting Office’s *Government Auditing Standards* (2003).
- The provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- State of Arizona UERS requirements mandated by A.R.S. §41-1279.07, with guidelines set forth by the Arizona Auditor General.
- State of Arizona HURF Expenditure requirements pursuant to A.R.S. §9-481.

Other Relevant Information

Our experience with information technology

LarsonAllen Information Security Services is the consulting division within LarsonAllen that specializes in information security assessments and consulting services. The resources within this group are certified security professionals that have significant experience related to the protection of information that is either electronic or on printed documents. For over ten years, the information security services group has provided IT audit and security consulting services in virtually all industry markets we serve.

Focusing on information security can be a competitive advantage in the marketplace and minimize potential legal risks to any organization. Making information security a priority within the organization also demonstrates to employees that management understands the importance of protecting its most valuable asset - customer information. As a result, LarsonAllen provides several security-focused consulting services that can be customized to specific requirements. LarsonAllen Information Security Services has significant experience and expertise related to identifying exposures and risks to assist organizations in implementing the proper controls and procedures to mitigate or eliminate the various risks.

Our experience in providing tax services to our tax exempt industry

In today's fast-paced, changing world of foreign, federal, state and local taxes, your organization needs to assure compliance with the changing rules and regulations. Our tax experts provide a wide range of services to clients when reviewing the overall tax posture for exempt organizations. These services are undertaken to assure that you are both in compliance with existing tax regulations and your exemption, in addition to taking advantage of all the planning opportunities. With the increased scrutiny by regulatory agencies on tax exempt organizations and public awareness on accountability, LarsonAllen can assist in managing your exposure in these areas.

Our experience with exempt organizations has yielded a team of individuals who bring together a variety of disciplines and focus areas. We have a significant practice related to consulting on various related tax issues. Some of the recent tax issues we have assisted our clients with include:

- **Sales / use taxation** – States have been very active in auditing organizations' compliance with state sales and use tax regulations, often resulting in significant assessments and penalties. Our office has a team of professionals who specialize in multi-state sales and use taxation. We have involved these specialists to assist clients in negotiating with state auditors to mitigate significant portions of sales / use tax assessments and penalties, and in filing for sales tax refunds. Further, these specialists are very knowledgeable on sales / use tax as it relates to construction activities, and can provide guidance on structuring construction contracts such that payment of sales /use tax is avoided.
- **Payroll and benefits taxation** – Another "hot topic" in recent years has been compliance with reporting and documentation of expense reimbursements to employees. Our tax specialists have been very involved with reviewing findings of payroll audits conducted by the Internal Revenue Service, and in guiding clients as to the proper recording and documentation of employee expenses. We also have a group of specialists who process payroll for our non-audit clients, and we can tap into the knowledge of these specialists at any time to answer any questions you might have regarding taxability components of payroll and related benefits.

Our experience with employee benefit plans

LarsonAllen is a leader in providing employee benefit assurance and consulting services to plan sponsors and third party administrators throughout the country. Our principals have extensive experience in the benefit industry. This experience includes involvement in standard setting for employee benefit plans through the American Institute of Certified Public Accountants and speaking on current accounting, tax, and regulatory issues for national and local professional organizations. We are highly regarded in the employee benefit industry by trustees, administrators, financial institutions and the legal community.

The principal-in-charge of benefits services at LarsonAllen, Anita Baker, currently serves as the Chair of the AICPA Employee Benefit Plan Audit Quality Center Executive Committee. In addition, we also have a principal who serves on the AICPA National Employee Benefit Plan Expert Panel. It is these types of resources that enable LarsonAllen to provide a high level of service for employee benefits.

Experience with bond offerings

Our firm is routinely involved with the issuance of municipal debt. We are very familiar with both the underlying professional standards and underwriter requirements. We understand the need for acting expeditiously when opportunities present themselves to our clients and we stand ready to serve our clients.

For “municipal” bond offerings, we typically perform agreed-upon procedures on stub-period financial statements for the benefit of underwriters. We require agreement with the underwriters on procedures to be performed on stub-period financial information before we begin work on such stub-period financial information. We also require a separate engagement letter to be signed by our clients regarding such procedures. Typically, these procedures include updating our reading of minutes of governing bodies, updating letters from attorneys, reading the most current interim financial statements available and agreement of such information to clients’ financial records, and obtaining representation letters from our client. Through smart use of technology, these procedures can be done without the need for on-site work at your locations.

Our experience with Sarbanes-Oxley

LarsonAllen does not audit publicly-held clients. However, we have provided significant implementation services to assist organizations that are subject to the Sarbanes-Oxley Act (SOX), including documenting internal controls, recommending best practices in internal controls, assisting internal audit departments in developing plans to test internal controls and assisting organizations in remediating weaknesses in internal controls.

Major themes of SOX – such as performing “walk-throughs” of significant financial reporting processes and adopting a “risk-based” audit approach – are now present in the new auditing standards that affect all organizations. LarsonAllen’s past experience with SOX gives us an advantage in implementing the new “risk-based” auditing standards. In fact, LarsonAllen has been doing risk-based auditing for several years.

Expanding national presence

LarsonAllen has significant internal growth in our business. However, we have also been seeking out acquisition opportunities in new market places. For example, in the last three years, we have completed acquisitions in Washington DC; Naples, Orlando and Tampa, Florida; St. Louis, Missouri; Phoenix, Arizona and Dallas, Texas. The 2009 acquisition of Cronstrom, Osuch & Company, an Arizona local CPA, who has been serving more than 130 Arizona governments and nonprofits in Arizona added approximately 20 experienced professionals. Our nonprofit and government group alone is currently serving clients in 39 states.

Appendices

Biographies

Resumes of the Engagement Team follows. In addition, the resumes of Anita Supinski and our IT Specialist to be assigned to the audit can be presented upon request. Anita serves as our quality control reviewer. One hundred percent of her time is dedicated to performing second principal reviews on all of our governmental audits.

Dennis J. Osuch CPA, Engagement Principal

Profile

Dennis J. Osuch, a principal in our Nonprofit and Government group, has performed various engagements including audits of nonprofits and state and local governments, reviews, compilations, certain agreed-upon procedures, consulting services and prepared and reviewed tax returns for not-for-profit organizations and homeowners' associations.

Experience in Serving Clients/Technical Expertise

Dennis has 13 years of experience working with Arizona Municipalities, including extensive experience in audits of federal grant programs under OMB Circular A-133. Dennis has previously served as the principal-in-charge of Municipalities such as the Town of Paradise Valley, the Town of Fountain Hills, the City of Cottonwood, the City of Sedona, the City of Douglas, the Town of Sahuarita, the Town of Fountain Hills, and numerous other Cities and Towns, including the audit of the Government Finance Officers Association of Arizona, Arizona City/County Managers Association and the League of Arizona Cities and Towns. In addition to his experience with Arizona Municipalities, he also audits Arizona School Districts, Arizona Charter Schools, Counties (Graham County) and other governmental entities, including Maricopa Association of Governments, Valley Metro Light Rail and the Regional Public Transportation Authority. Over his 13 years of Arizona government experience, Dennis has audited hundreds of Arizona governments.

Technical Expertise

Dennis' thirteen years of public practice has been focused one hundred percent on audits of Arizona government and non-profit organizations. In addition to performing the aforementioned services to our clients, he has also served on numerous conference-planning committees for ASBO (School Districts and Charter Schools) and GFOA (cities and towns) and has presented for both organizations. Dennis recently conducted a presentation to the internal auditors for the Arizona Department of Transportation and other agencies. Dennis is well known for his presentations at various organizations through out the State of Arizona.

Education/Professional Involvement

Dennis graduated from Arizona State University with a B.S. in Accounting, and is a Certified Public Accountant licensed in Arizona. He is a member of the American Institute of Certified Public Accountants, the Arizona State Society of CPAs, the Government Finance Officers Association, the Arizona Association of School Business Officials, a member of the ASU Professional Advisory Board and serves as a Board of Director of the Desert Schools Federal Credit Union.

Biographies (Continued)

Dennis Maschke, CPA Audit Senior

Dennis is a Senior accountant and has been with LarsonAllen for 5 years. He graduated from Michigan State University with a 3.85 grade point average. Dennis obtained his masters degree in Business administration. Dennis' previous experience includes compilation of financial statements, reconciling accounts, and preparing audit documentation. Dennis is currently responsible for supervising staff and audits of Municipalities, School Districts and other Governmental Entities. Dennis works exclusively in the State of Arizona. Dennis has had the opportunity work on several large clients and has been the in-charge auditor on numerous small to medium sized clients.

Dennis' current and previous experience includes the following audits, in which he has served as the in-charge or lead auditor on engagements:

- City of Coolidge
- City of Douglas
- City of Sedona
- Town of Cave Creek
- Town of Paradise Valley
- Town of Queen Creek
- Town of Sahuarita
- Camp Verde Unified School District
- Colorado River Union High School
- Gila Bend Unified School District
- Isaac Elementary School District
- Laveen Unified School District
- Nadaburg Elementary School District
- Page Unified School District
- Pima Unified School District
- Saddle Mountain Unified School District
- Superior Unified School District
- Washington Elementary School District
- Winslow Unified School District
- Regional Public Transportation Authority
- City of Cottonwood
- City of Scottsdale
- City of Tombstone
- Town of Huachuca City
- Town of Payson
- Town of Taylor
- Town of Wickenburg
- Cochise Elementary School District
- Creighton Elementary School District
- Hayden-Winkelman Unified School
- Kingman Unified School District
- Mohave Valley Unified School District
- Palominas Elementary School District
- Picacho Unified School District
- Red Rock Unified School District
- St. David Unified School District
- Valley Union High School District
- Whiteriver Unified School District
- Central Arizona Association of Governments
- Valley Metro Rail, Inc.

Dennis has worked on the above audits for most of his career at LarsonAllen and has served as the in-charge on the jobs listed above. Due to normal auditor rotation, Dennis does not in-charge all of the above jobs in one year. For the Town of Fountain Hills, Dennis will dedicate 100 percent of his time to Fountain Hills and will be in the field for both preliminary and final work.

Dennis has served as a speaker at ASBO, GFOA and has spoken at our annual conferences. In addition, to the aforementioned conferences, Dennis provides in-house training to staff.

Dennis continues to meet his continuing professional education requirements and has worked exclusively on governmental audits. Dennis' continuing professional education includes attending and presenting at annual conferences, self-study, and in-house training. Dennis' continuing professional education consists primarily of governmental auditing and accounting.

SECTION A

TOWN OF FOUNTAIN HILLS
FINANCIAL DIVISION

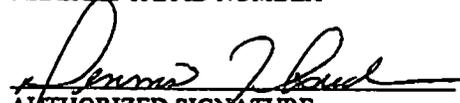
IV. VENDOR INFORMATION FORM

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.

LarsonAllen LLP
VENDOR SUBMITTING PROPOSAL

41-0746749
FEDERAL TAX ID NUMBER

Dennis J. Osuch, Principal
PRINTED NAME AND TITLE


AUTHORIZED SIGNATURE

1201 South Alma School Rd
ADDRESS Suite 14000

480-615-2333 / 480-615-2350
TELEPHONE FAX #

Mesa, Arizona 85210
CITY STATE ZIP

May 20, 2010
DATE

WEB SITE: www.larsonallen.com

EMAIL ADDRESS: dosuch@larsonallen.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.

Peer Review Report



September 28, 2007

To the Principals of LarsonAllen LLP
and the Center for Public Company Audit
Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of LarsonAllen LLP (the firm) (formerly known as Larson, Allen, Weishair & Co., LLP) applicable to non-SEC issuers in effect for the year ended March 31, 2007. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of LarsonAllen LLP (formerly known as Larson, Allen, Weishair & Co., LLP) in effect for the year ended March 31, 2007 has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

Clifton Gunderson LLP

Attachment to the Peer Review Report of LarsonAllen LLP

Description of the Peer Review Process

Overview

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objectives of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments, and reviewed firms' responses, these documents are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, we did not review the firm's accounting and auditing practice applicable to SEC issuers.

Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

To plan the review of LarsonAllen LLP, we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's system of quality control in preventing the performance of engagements that do not comply with professional standards.

Performing the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's system of quality control. The engagements selected for review included engagements performed under the Government Auditing Standards, audits performed under FDICIA, and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity, personnel management, and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.

**EXHIBIT C
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
LARSONALLEN, LLP**

[Scope of Work]

See following pages.

SCOPE OF WORK

I. THE TOWN GOVERNMENT

A. Organizational Chart and Principal Contact. The Town is organized into six departments and has approximately 67 employees. The accounting and financial reporting functions of the Town are centralized utilizing Tyler Technology MUNIS software (implemented July 2009). An organizational chart of the Town is attached hereto.

The auditor's principal contact with the Town will be Julie A. Ghetti, Deputy Town Manager/Finance Director, or a designated representative, who will coordinate the assistance to be provided by the Town to the auditor.

B. Background Information. The Town serves an area of roughly 18.3 square miles with a population of approximately 25,000. The Town provides a full range of services to its citizens including police and fire protection, municipal court, streets, recreational activities, building safety and cultural events. The Town has a total payroll of approximately \$4.7M and the FY10-11 budget for the Town is proposed at \$23.5 million. The Town's fiscal year begins on July 1 and ends on June 30. More detailed information on the Town and its finances can be found in the Town's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009 (available on the Town's website www.fh.az.gov).

C. Fund Structure. The Town uses the following fund types in its financial reporting as of June 30, 2010:

Fund Type/Account Group	Number of Individual Funds	Number of Major Funds	Number with Legally Adopted Budgets
General Fund	1	1	1
Special Revenue Funds	3	0	6
Debt Service Funds	5	2	3
Capital Projects Funds	2	1	2

The financial records of the Town are maintained on a computerized system using Windows NT and software from MUNIS for general ledger, budget, accounts payable, licensing, permits, accounts receivable and fixed assets. Payroll processing is provided by an outside service, Paychex.

D. Town of Fountain Hills Municipal Property Corporation. Town of Fountain Hills Municipal Property Corporation, Inc. (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 a contract 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 MPC.

E. Community Facilities Districts. The Town currently has one Community Facilities District, one Improvement District and one Maintenance District. The 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.

II. SCOPE OF WORK

A. Annual Audit. The Town implemented GASB statement No. 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, in the preparation of its Comprehensive Annual Financial Report for the fiscal year ending on June 30, 2003. The Town's financial records are maintained on the fund basis; the Contractor will be required to prepare government-wide financial statements in addition to fund basis statements. Therefore, the Contractor shall provide the Services to the Town, including making a determination as to whether its financial statements present fairly, in all material respects, the respective financial position of (i) the governmental activities, (ii) each major fund and (iii) the Town's aggregate remaining fund information which collectively comprise the Town's basic financial statements. To meet the requirements of this RFP, the Services shall be performed in accordance with:

1. Auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1994, Revised), the provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations.

2. State of Arizona Uniform Expenditure Reporting System requirements ("UERS") mandated by ARIZ. REV. STAT. § 41-1279.07, with guidelines set forth by the Arizona Auditor General.

3. State of Arizona Local Transportation Assistance Funds ("LTAF") expenditure requirements pursuant to ARIZ. REV. STAT. § 48-5103.

4. State of Arizona Local Transportation Assistance Funds II ("LTAF II") revenues and expenditures pursuant to ARIZ. REV. STAT. § 28-8103.

5. State of Arizona Highway User Revenue Fund ("HURF") expenditure requirements pursuant to ARIZ. REV. STAT. § 9-481(B)(2).

The Services shall include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Contractor shall plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Additionally, as required by the Single Audit Act Amendments of 1996 and OMB A-133, 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.

B. Audit-related Duties. Following the completion of the audit of the fiscal year's financial statements the Contractor shall issue:

1. An independent auditor's report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

2. An independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with government auditing standards.

3. A report on recommendations to the Town's internal control environment and recommendations in accordance with the Treadway Commission report "Internal Control – Integrated Framework" released by the Committee of Sponsoring Organizations in 1992 and the federal Sarbanes-Oxley legislation.

4. An independent auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

5. A schedule of findings, recommendations and questioned costs (if applicable) including a management letter detailing areas that could be improved.

6. A schedule of findings and recommendations relative to compliance with Town purchasing policies.

7. A summary schedule of prior audit findings and corrective action plan (if applicable).

8. A Schedule of Local Transportation Assistance monies expended for public transportation, pursuant to ARIZ. REV. STAT. § 48-5103 (the "LTAF Schedule"), and an independent auditor's report on such schedule.

9. A Schedule of Local Transportation Assistance Funds II revenues and expenditures, pursuant to ARIZ. REV. STAT. § 28-8103 (the "LTAF II Schedule"), and an independent auditor's report on such schedule.

10. Auditor's letter of recommendations to management.

11. An independent auditor's report on the Annual Expenditure Limitation Report ("AELR") prepared in compliance with ARIZ. REV. STAT. § 41-1279.07.

12. The Comprehensive Annual Financial Report by November 15th of each year.
13. The Annual Expenditure Limitation Report by November 15th of each year.
14. Schedule of Expenditures of Federal Awards.
15. 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.

Accompanying the financial statements, the auditor shall submit a Management Letter of Comments and Recommendations for improvement of program and financial management per the auditor's opinion, after examining the Town's systems of internal control. The auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Relevant control items noted that are not reportable conditions shall be reported in a separate letter to management. The Contractor shall be required to make an immediate, written report of any irregularities or illegal acts of which they may become aware during the course of the audit to the Town Manager and the Town Council.

In addition to the audit services described above, the Contractor 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.

All working papers and reports must be retained by the Contractor for a period of two years beyond the applicable contract period unless the firm is notified otherwise, in writing, by the Town. The Contractor will be required to make the working papers available, upon request, to any governmental agency. The working papers will also be made available to any public accounting firm for the purpose of conducting quality monitoring programs of the Contractor's work. The Town shall be notified in writing of any requests to review the Contractor's work papers.

Two draft copies of the financial statements, audit reports and management letter shall be delivered to the Town's finance department on or before October 31 of each year. An exit conference will then be held to review the financial statements, the audit reports and findings. On or before November 15 of each year, the Contractor shall deliver to the Town's finance department 20 copies of the annual reports and 15 copies of the management letters. All copies of the annual reports and management letters shall be printed on 8 ½" x 11" paper and covered and bound. No later than the last regular meeting of the Town Council in December of each year, the Contractor shall make an oral presentation of the annual reports to the Council.

The Town sends its comprehensive annual financial report to the Government Finance Officers Association of the United States ("GFOA") and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting ("CAFR") program (the "Certificate Program"), and has been awarded a certificate for the last twelve consecutive years. The Contractor will be required to review the financial statements against the Certificate Program checklist to ensure compliance with the requirements of the Certificate Program. The Contractor shall also (i) consolidate the audit, financial statements, Management Discussion and Analysis and all other supplementary information for the CAFR, (ii) bind the final copy of same and (iii) submit same to the GFOA.

**EXHIBIT D
TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
LARSONALLEN, LLP**

[Fee Proposal]

See following page.

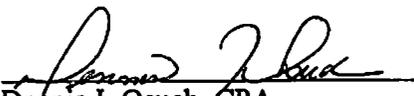
LarsonAllen LLP
Cost Proposal for the Town of Fountain Hills, Arizona
Request for Proposal for Professional Auditing Services

LarsonAllen is excited to present our cost proposal for the audits of the fiscal year ended June 30, 2010 with the option to renew for two additional years. We understand that cost is a significant factor in selection of an audit firm. We feel LarsonAllen can provide the highest quality and efficient audit and would appreciate the opportunity to service the Town of Fountain Hills. If cost is a barrier to selection of our firm, we would appreciate the opportunity to discuss our fee structure. Our all-inclusive fee for the fiscal years 2010, 2011, and 2012, including fees related to the single audit, LTAF, LTAF II, HURF Compliance Reports and other reports listed in the RFP are as follows:

FY 09-10 Audit Fee	\$ 26,000
FY 10-11 Audit Fee	\$ 27,300
FY 11-12 Audit Fee	\$ 28,500
Other Fees: Court Audit (Tri-annual Audit)	\$ 2,500
Other Fees:	\$ _____
Other Fess:	\$ _____

The fee for additional services will be billed at the rates listed below according to staff level. However, prior to commencing any work outside the scope of the audit, we will negotiate fees for these additional service with the Town and come to an agreement on an acceptable fee.

We will provide monthly progress billings and the final 10% will paid upon delivery of the final reports.

Signed: 
Dennis J. Osuch, CPA
Principal

5-20-10
Date